

S.C. JOHNSON & COMMUNITY CLEANING SERVICES: *Delivering Sustainable Opportunities, Incomes and Improved Hygiene*

Since 2005, SC Johnson has been working with Community Cleaning Services (CCS) as a co-founder, strategic partner and supplier. The community toilet cleaning offering has proven itself a commercially viable community improvement. CCS is now a successful local social enterprise delivering:

- **Profitable entrepreneurial opportunities in low-income urban communities**
- **Improved incomes well above the official minimum wage**
- **Cleaner, safer toilets for thousands of families and school-children**

CCS is a registered Kenyan company working with entrepreneurial teams across Nairobi's low-income communities providing significantly cleaner, more hygienic and more "usable" toilets at a cost each client can afford (usually less than \$0.75 per family per week, the same cost as a soda). CCS operates across Nairobi's low-income communities with highest density in the Mathare Valley as well as operations in Makadara, Kawangware, Dandora and Kariobangi. CCS is operating across diverse infrastructures (vertical and horizontal dwellings) and community structures, providing cleaning services to residential toilets



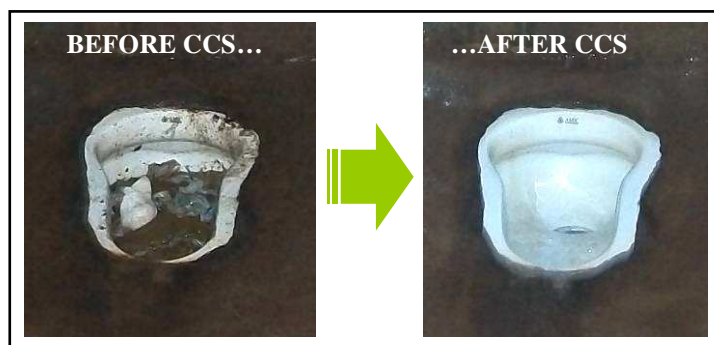
shared across multiple households as well as semi-public facilities in the communities serving residents who do not have access to a residential toilet. CCS partners with young entrepreneurs from these communities to start an independent business, a "CCS Cleaning Team". CCS also works with social sector partners like schools, NGOs and local government to drive improvements in sanitation through sensitization, mobilization and direct action.

Start-up costs for CCS entrepreneurs are funded through consignment sales and free training. CCS' induction process, however, ensures that CCS invests in only viable entrepreneurs. When working through social sector partners, they provide funding for start-up costs and, often, for CCS to assure the quality of cleaning service either through training of their staff or the direct involvement of CCS Quality Assurance staff.

There are 8 "coordinating entrepreneurs" who employ at least another 60 on a semi-regular basis (2-6 days per week). Monthly, CCS teams are improving sanitation for a conservatively estimated 249,000 low-income Nairobi residents.

For example, in March 2010, a typical month, CCS cleaned:

- **300 shared residential toilets:** Some parents were not allowing children to use the toilets alone for fear that they might touch or fall in the wrong place. CCS changed that.
- **21 schools:** A critical location to combat diarrheal disease, by far the largest killer of children under 5
- **55 food establishments:** Another critical location for hygiene-health impact
- **21 public and community toilets**



CCS is using world-class SCJ products, under the Toilet Duck and Mr. Muscle brands, imported to Kenya from SCJ's Egypt facility in barrels, not consumer packaging. Bulk importation is an important business adaptation for the CCS service model that has "closed the loop" on packaging waste within the CCS business. CCS teams re-use all packaging and only replace it once it has served its full useful life—and then it is recycled locally. These environmental benefits also come with a cost

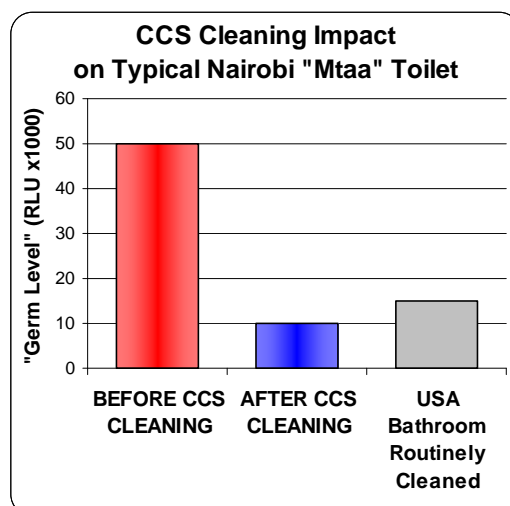


advantage, improving CCS' financial performance. Furthermore, the neighbourhoods in which CCS operates suffer from extraordinary garbage problems due to a lack of municipal solid waste management. Therefore, CCS' service model is not only delivering cleaner, safer toilets, but, by nearly eliminating packaging waste, contributing to cleaner communities and setting a positive commercial example.

CCS is emerging not only as a business that provides management support, technical expertise and SCJ's world-class products to BoP entrepreneurs, but also as a grassroots movement to improve local sanitation and raise cleanliness standards and community expectations. Critical to CCS' success are the "Pros", which is how the community refers to CCS' two trainers and quality-assurance professionals. The Pros have both proven themselves as CCS entrepreneurs and are now working across all the CCS teams to train, test innovations, ensure quality, and sow the seeds of CCS' unique mix of entrepreneurial drive and grassroots movement.

CCS is driving for profitability by July 2012. At the community level, CCS is profitable with revenues from clients covering all cleaning team operating costs, including wages well above minimum wage, and providing profit to BoP entrepreneurs. The focus now is scaling-up! CCS and SCJ are open to working with public and private organizations that share SCJ's and CCS' principles and that are engaged in entrepreneurial development, sanitation and hygiene, urban poverty or other related fields.

Community Cleaning Services is already delivering profitable local entrepreneurial opportunities; significantly improved incomes; and cleaner, safer toilets, but it is more than a sustainable business model. CCS is a catalyst for a grassroots movement to raise toilet sanitation standards and community expectations. Anywhere around the world where families have no choice but to use unsanitary shared or public toilets, a population the WHO estimates at 1.4 to 2.6 billion, SCJ and CCS aim to co-create a cleaner, safer option.



BACKGROUND: SCJ & COMMUNITY CLEANING SERVICES

Family-owned and -managed for five generations, SC Johnson is one of the world's leading manufacturers of household cleaning products and products for home storage, air care, personal care, and insect control. With USD\$8 billion in sales, the Racine, Wisconsin-based organisation employs approximately 12,000 people globally and sells products in more than 110 countries.

SC Johnson holds sustainability as a core principle in its strategic decision-making. *"Improving the lives of workers in one country while degrading the environment in another is an unacceptable demonstration of civic responsibility. Short-term quarterly profits cannot trump long-term sustainability,"* says H.F. Johnson, current Chairman and CEO of SC Johnson. SC Johnson has put tremendous effort in growing greener products, conserving critical resources, creating stronger local communities, and preventing the spread of dangerous (mainly mosquito-transferred) diseases.

SC Johnson's leadership in the sustainability debate also led the organisation to endow the Samuel C. Johnson Chair in Sustainable Global Enterprise at Cornell University in 2000, currently held by Professor Stuart Hart. In 2005, SC Johnson sponsored a Kenya-based test of the BoP Protocol™, a business development process created to help large corporations engage with "Base of the [socio-economic] Pyramid" communities to co-create businesses of mutual value. [www.bop-protocol.org]

The Protocol test was carried out in Kibera, East Africa's most famous slum, through a partnership with Carolina for Kibera (CfK), a community-based organization with deep relationships and involvement in Kibera. The Protocol process brought together entrepreneurial Kibera youth groups, local SCJ representatives and development professionals from several other NGOs including CfK, to co-create a new business concept. Very different organizational and cultural contexts were brought together, leveraging local entrepreneurial energy, social capital and knowledge in combination with SCJ's products and expertise in cleaning and insect control. The business concept that emerged was to create services based on SCJ products that would create new entrepreneurial and employment opportunities while enabling the provision of cleaner, safer homes.

Starting in 2006, SCJ and community partners began iterating business models based on the service concept. The first iteration focused primarily on in-home insecticide spraying and selling these services door-to-door, often tapping into the youth groups' existing garbage collection clients. After a year, however, it became clear that although the products were very effective (the image of thumb-sized cockroaches pouring out of a typical Kibera wall and dying in piles on the floor is poignant!) something was wrong with the business model: the business was not making money for the youth groups (or SCJ) and momentum was lagging.

Analysis of the first pilot yielded several important lessons:

1. The BoP entrepreneurs with whom we were working could not afford "sweat equity" investment because their daily income was required for daily living expenses: **immediate cash flow was critical**
2. Working with pre-existing groups allowed the business to take root quickly and leverage existing social capital: **work with proven groups/entrepreneurs**
3. However, group business management was often inefficient and the business worked best when an individual "entrepreneur" in the group took on the leadership and coordination of the business: **an entrepreneur/coordinator must take control**
4. The trust barrier to gain entry into a new client's home to provide pest control or cleaning services was too high a hurdle, too major a paradigm shift, for the consumer: **focus on shared/community resources**
5. Consumers needed to be able to see or smell the difference, the value, that the service delivered to feel comfortable spending even a small amount: **deliver immediate and tangible value**

Constantly learning, testing and evolving the business, SCJ and our BoP partners restaged in 2007 and began iterating a modified business model, still based on the service concept but leveraging learnings to date:

- CCS restructured to focus on cleaning shared toilets.
- CCS developed a start-up process that ensures we engage with only serious new entrepreneurs while simultaneously creating capacity, community awareness, client demand and incomes right from Day 1.
- CCS entrepreneurs/coordinators tend to be well-known in their communities and able to manoeuvre through "local politics", critically giving CCS a trusted and permanent presence in the communities.

From 2007 to the end of 2009, SCJ, CCS and our partners experimented and learned what did and didn't work. At one point CCS was working with over 20 independent entrepreneurs and 100+ public toilets. We learned that to provide the support necessary for mutual success, and to create critical examples of success, we had to focus on the best performers.

Based on CCS' success with co-creating viable toilet-cleaning businesses, local schools, governments and NGOs have asked CCS to get involved with the management and cleaning of community and public (pay-per-use) toilets. Given CCS' objectives to drive for profit, income and sanitation, the opportunity had to be considered. Upon seeing the state of community and school toilets, CCS could not refuse: the toilets were simply too unhygienic to ignore and, used by hundreds of children per day, were undoubtedly a health-hazard. For most residents in these low-income settlements, a "public toilet" is not just a convenience facility, but rather a de-facto residential toilet. For many school children, the facilities at school are their only "real" toilet option in the day. For CCS to have a real impact on health and hygiene in these neighbourhoods, engaging with these public toilets and not merely with the share residential ones was critical. As CCS grew into these new lines of business, it became clear that support and follow-up was again critical and that some of the community toilets could not afford to meet CCS' standards without outside funding.

SCJ's BoP initiatives began with the sponsorship of theory-creation and thought leadership at Cornell University. The theories and leadership are now being iteratively tested and improved in the field. Developing sustainable enterprises in the BoP is a huge challenge given the vast differences in infrastructure, community structures, and culture of commerce between SCJ's "base" business and its new "BoP" business. However, SCJ is committed to helping make cleaner, safer homes around the world; to leading innovation; to creating mutual value; and to growing as a sustainable business. With our fantastic partners, SCJ is approaching this critical challenge as both a long term learning journey and business opportunity.

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Sustainable Business Development

SC Johnson



S.C. JOHNSON: “DOING WHAT’S RIGHT”

SC Johnson has a wide variety of efforts to drive global development and growth that benefit the people around us and the planet we all share. From exceptional philanthropy, volunteerism and education to new business models that bring economic growth to the world's poorest communities, we're helping to create stronger communities for families around the globe. For example:

- The company continued to lead the industry by increasing its transparency and further demonstrating our commitment to doing what’s right with the voluntary launch of our innovative ingredient disclosure initiative which openly communicates product ingredients, including fragrances, dyes and preservatives.
- SC Johnson continued to make strides using its patented Greenlist™ process, with use of "Better" and "Best" rated materials increasing to 47 percent of total materials.
- Through cogeneration with landfill gas, wind power and biofuels, almost 36 percent of SC Johnson’s total electricity usage worldwide came from renewable energy.
- SC Johnson continued to educate about malaria, dengue and other insect-borne diseases, including joining the Global Business Coalition on HIV/Aids, tuberculosis and malaria, and working as part of the Clinton Global Initiative.
- The company’s base of the pyramid efforts in Kenya and other countries continued, and it has kicked off a supply chain initiative with Rwandan pyrethrum farmers and the Borlaug Institute at Texas A&M.
- SC Johnson continued to provide valued support to the communities where we operate, with our 10-year cumulative giving surpassing \$180 million.
- The company sets aside 5 percent of pre-tax profits globally for corporate giving - nearly four times the average – and works with partners, such as Conservation International. Around the world, our subsidiary companies contribute an average of 2 percent of pre-tax profits and partner with local foundations.

SC Johnson is a family-owned and managed business dedicated to innovative, high-quality products, excellence in the workplace and a long-term commitment to the environment and the communities in which it operates. Based in the USA, the company is one of the world's leading manufacturers of household cleaning products and products for home storage, air care, and insect control. It markets such well-known brands as GLADE ®, OFF! ®, PLEDGE ®, RAID ®, SCRUBBING BUBBLES ®, SHOUT ®, WINDEX ® and ZIPLOC ® in the U.S. and beyond, with brands marketed outside the U.S. including AUTAN ®, BAYGON ®, BRISE ®, ECHO ®, KABIKILLER ®, KLEAR ®, and MR. MUSCLE ®.

The 123-year old company, with more than \$8 billion in sales, employs approximately 12,000 people globally and sells products in more than 110 countries. www.scjohnson.com