15.232 Business Model Innovation: Global Health in Frontier Markets

Class 8

Franchise Models: Living Goods

Anjali Sastry
Fall 2013

Photo removed due to copyright restrictions. See E. C. "Retail in Developing Countries: Selling Sisters." November 29, 2012. The Economist.
Today’s plan

• Logistics and notices
  – Meet with Nick for slide review. Note deadlines for sending him final decks and executive summary
  – Do not pass up Andrea Coleman, Riders CEO and Co-Founder. Monday, 10/7 from 4pm to 5pm or Tuesday, 10/8 from 4pm to 5pm
  – Website woes
  – Feedback: thanks for first round, second check-in today. Join the conversation in class!

• Living Goods

• Coming up: Narayana case; revisit key questions about applicability of Aravind model to other domains. Prahalad & Mashelkar reading

• Great guests for our last three classes!
Living Goods

• 2013 target
  – what’s the promise—what could Living Goods achieve?

• Assess
  – as a franchise
  – as anti-poverty
  – as healthcare delivery
  – as sustainable business model

• Consider
  – TB; child birth
  – BRAC
  – their focus
Living Goods – Goals 2013

• Goal 1: Improve access to and adoption of affordable health products in underserved communities by deploying 3000 well-trained, well-stocked mobile Health Promoters serving a total population of three million. Target sustainable income per agent of 200-500 USD per year.

• Goal 2: Materially reduce mortality and morbidity rates, especially for children under five and their mothers – proven through university quality control studies.

• Goal 3: Save poor families money on health care and keep wage earners healthy and productive.

• Goal 4: Become financially self-sufficient on a run rate basis.

• Goal 5: Propagate the replication of the health micro-franchising model by creating an advisory division to help social entrepreneurs replicate the model in other countries.
Living Goods — Welcome
Living Goods

• 2013 target
• what’s the promise?
• Assess
  – as a franchise
  – as anti-poverty
  – as healthcare delivery
  – as sustainable business model
Images removed due to copyright restrictions. See "Products that Improve Health and Wealth." Living Goods.
The Entrepreneurial Solution for Defeating the Diseases of Poverty

- Reinvent village healthcare and micro retailing in the developing world,
- Through networks of franchised micro entrepreneurs,
- Who bring high quality products to poor consumers at significantly lower cost.
Avon Model Inspiration Design

LivingGoods

Partner Branches (24)
- CHPs (480)

LG Direct Branches (4)
- CHPs (140)

Business in a Bag

Products

Rural/Peri-Urban Markets
- $0.50-$2.00/day

Courtesy of Vishal Gupta, Jenny Hu, Kevin Kung, and Awilda Mendez. License: CC-BY-NC-SA.
The Living Goods Health Business in a Bag

- Branded Signage
- Whistle
- Training Certificate
- Branded Apron
- Branded Tee Shirt
- Price List
- Sales Register
- 2 Pocket Money Pouch
- Umbrella
- Medication Instructions Form
- Referral Form
- Locking Storage and Display
- Cell phone
- Measuring Tape
- Thermometer
- Breath Timer for ARI Diagnosis
- Visual Referral Guide
- Visual Dosage Guide
- Visual Training Tools on 17 Key Health Behaviors
- Shoulder Bag

Courtesy of Vishal Gupta, Jenny Hu, Kevin Kung, and Awilda Mendez. License: CC-BY-NC-SA.
Product Offering

Living Goods Products

- Water Filter
- Solar Lanterns
- Water Treatments
- ORS / Diarrhea Treatments
- Malaria Treatment
- Treated Bed Nets
- Fortified Foods + Vitamins
- Oral Contraceptive
- Condoms
- Clean Birth Kit
- De-worming
- Pain/Cold/Cough
- Antacid
- Anti Fungal
- Soaps
- Feminine Pads
- Tooth care
- Diapers

Courtesy of Vishal Gupta, Jenny Hu, Kevin Kung, and Awilda Mendez. License: CC-BY-NC-SA.
Avon Model Inspiration Design

**Living Goods**

- **branches (24)**
  - **CHPs (480)**

- **LG Direct Branches (4)**
  - **CHPs (140)**

**Business in a Bag**

**Products**

**Rural/Peri-Urban Markets**

$0.50-$2.00/day

**Lean Supply Chain, Tight Information Loops, Cash Flow**

Courtesy of Vishal Gupta, Jenny Hu, Kevin Kung, and Awilda Mendez. License: CC-BY-NC-SA.
Value Proposition Model

Manufacturer

Living Goods

Branches (24)

LG Direct Branches (4)

CHPs (480)

CHPs (140)

Rural/Peri-Urban Markets

- Buying power
- Optimizes density of agents
- LG prices average 30% lower than market
- Products delivered directly to consumer
- Managing frequency of stock-outs, counterfeits

Courtesy of Vishal Gupta, Jenny Hu, Kevin Kung, and Awilda Mendez. License: CC-BY-NC-SA.
Cash Flow Model

Donor Capital

Living Goods

LG Direct
Branches (24)

CHPs ($75)

Rural/Peri-Urban Markets

Inventory Restock

LG Direct Branches

CHPs ($125)

Sales

Micro-financing

Brac

Courtesy of Vishal Gupta, Jenny Hu, Kevin Kung, and Awilda Mendez. License: CC-BY-NC-SA.
Cash Flow Model

Simple Cash Flow Loop

Donor Capital

Living Goods

Branches (24)

brac

LG Direct Branches

CHPs ($75)

CHPs ($125)

Rural/Peri-Urban Markets

- CHPs retain 20% of sales
- Average monthly income $75/$125
- Targeting sustainability within five years

Courtesy of Vishal Gupta, Jenny Hu, Kevin Kung, and Awilda Mendez. License: CC-BY-NC-SA.
Quantitative monitoring of information is part of the model

- Initial training covers market data collection
- 1 week review training/Yr
- Monthly coaching sessions

Courtesy of Vishal Gupta, Jenny Hu, Kevin Kung, and Awilda Mendez. License: CC-BY-NC-SA.
Avon Model Inspiration Design

Living Goods

- brac
  - Branches (24)
- LG Direct
  - Branches (4)
- CHPs (480)
- CHPs (140)

Business in a Bag

Products

Rural/Peri-Urban Markets
$0.50-$2.00/day

Lean Supply Chain, Tight Information Loops, Cash Flow

Courtesy of Vishal Gupta, Jenny Hu, Kevin Kung, and Awilda Mendez. License: CC-BY-NC-SA.
Empowering women + Delivering health care = Given resources (constrained)
Living Goods

• 2013 target

• what’s the promise?

• Assess
  – as a franchise
  – as anti-poverty
  – as healthcare delivery
  – as sustainable business model

• Consider
  – TB; child birth
  – BRAC
  – their focus
Images removed due to copyright restrictions. See [BRAC Mission & Vision](#).
Living Goods’ focus: Kevin Starr, Mulago Foundation, at Poptech 2010

- [http://vimeo.com/17292835#t=184](http://vimeo.com/17292835#t=184)
  3:05-4:28 how do you know if you’re having an impact?

- 5:57-6:25 8-word mission
- 7:53-8:44 single thing to measure
- 8:59-9:34 measure it well
• [http://www.brac.net/content/stay-informed-media-resources#.Ukrfaz_B8s9](http://www.brac.net/content/stay-informed-media-resources#.Ukrfaz_B8s9) an introduction to BRAC, 20 minute video

• [http://blogs.hbr.org/2013/01/for-social-enterprises-size-ma/](http://blogs.hbr.org/2013/01/for-social-enterprises-size-ma/) HBR blog post on what BRAC has learned about scale
15.232 Business Model Innovation: Global Health in Frontier Markets
Fall 2013

For information about citing these materials or our Terms of Use, visit: http://ocw.mit.edu/terms.