

A conversation with Living Goods on May 5, 2014

Participants

- Chuck Slaughter — Founder and CEO, Living Goods
- Elie Hassenfeld — Co-Executive Director, GiveWell
- Jake Marcus — Research Analyst, GiveWell

Note: These notes were compiled by GiveWell and give an overview of the major points made by Mr. Slaughter.

Summary

GiveWell spoke to Mr. Slaughter as part of its ongoing investigation into Living Goods' micro-franchise model for fighting poverty and disease in the developing world. Conversation topics included: the results of a randomized controlled trial implemented by J-PAL, its vision for scaling up in Uganda and building new partnerships in other countries, its fundraising prospects, and other internal developments.

Randomized controlled trial results

Living Goods manages a network of independent entrepreneurs who sell products designed to fight poverty and disease in Uganda and Kenya. Living Goods implemented a randomized controlled trial (RCT) to assess the impact of its operations in Uganda. The RCT showed a 25% under-5 mortality reduction in treatment areas. (This figure is an average across the sample, which includes sites directly managed by Living Goods as well as sites managed by its partner, BRAC. Under-5 mortality reduction was closer to 20% in areas managed by BRAC and closer to 30% in areas managed by Living Goods.) The results exceed Living Goods' original target of a 12-15% under-5 mortality reduction. The Children's Investment Fund Foundation (CIFF), one of Living Goods' funders, Monitoring & Evaluation team has been deeply involved in program and research design, has played a major role in this success.

The results are particularly surprising given the following research challenges, which most likely understate the true effect of the intervention:

- **"Pollution" in the control group.** Midline data was not as robust as had been hoped because some control group households had been receiving the treatment. Although there was less pollution in the endline data, 10-12% of control group households were still reporting having received the treatment.
- **Overestimating the size of the area covered by agents.** Because researchers decided to collect baseline data before Living Goods started operating in the area, they had to estimate the size of the area that would be covered by each agent. Halfway through the study, researchers discovered that they had overestimated the area; about 80% of each agent's activity took place within a half kilometer of their home, not one to two kilometers as researchers had estimated. As a result, a

significant number of the households surveyed were in locations not served by Living Goods agents. The sample could not be changed because baseline data had already been collected.

In the areas where it works, Living Goods has captured less than 10% of the total market for its products. The 25% under-5 mortality reduction in treatment areas suggests that Living Goods is driving outcomes through outside providers as well as its own agents. The following components are probably contributing to this effect, each in equal measure:

- **Private providers are more likely to sell higher quality drugs at lower prices in areas where Living Goods works.** The RCT results show that in treatment areas, the average price of artemisinin-based combination therapy (ACT) from private providers is 17% lower and private providers are 60% more likely to sell legitimate drugs, relative to control areas. Because there is a roughly 50% counterfeit rate in these markets, this effect could have a large impact.
- **Relative to other providers, Living Goods agents may be targeting people more effectively, i.e. doing a better job of treating diseases earlier and conducting follow-up and postnatal visits.** In treatment areas, patients were 55% more likely to receive a follow-up visit (67% more likely for malaria, 57% more likely for diarrhea) and 73% more likely to receive a postnatal visit, on average. Follow-up and postnatal periods are particularly critical because 60% of the deaths reported across treatment and control groups happened in the first 30 days of life, and government surveys show that about 40% of deaths occur in the postnatal period, on average.

Living Goods' planned next steps

Scaling impact in Uganda

Living Goods is looking for a group of funders to scale up its program 5X over the next four years, starting January 1, 2015. It is seeking approximately \$10M/year in funding across both its direct network and partner network, which is managed by BRAC.

Living Goods is currently supporting 600 agents in 600 villages through BRAC and roughly 400 agents through its direct network. Living Goods is hoping to grow its direct network to about 2500 agents over the next few years. BRAC, which has a strong presence in Uganda and is the largest NGO in the country, is well positioned to scale its impact. With more funding, BRAC could grow its network to about 4000 agents. BRAC recently began implementing small-scale health programs through 104 of its additional branches, but it does not have enough funding to fully operate these programs.

Living Goods believes there is a chance it will reach its funding target, but the money has not yet been secured. It is in deep discussions with several current and previous funders who have expressed interest in being part of a syndicate. Meanwhile, Living Goods is looking for new prospects and funders who can make commitments in the seven figures, annually.

Building new implementing partnerships

Living Goods is focused on building new implementing partnerships, especially now that it is receiving more attention from NGOs. One of the challenges is finding the right partners to replicate the model in new countries. Going forward, Living Goods is aiming for more ambitious partnerships than it has in the past, as well as tighter alignment with its current model. Next quarter, Living Goods is launching a new partnership with Population Services International (PSI) in Myanmar. PSI received seed funding from the Millennium Development Goals Fund (MDG3), which hired Living Goods' partnership team to help it to adapt the Living Goods model to its existing networks in Myanmar.

A number of implementing partners are interested in partnering with Living Goods, including Population Services International (PSI), Marie Stopes International, and Save the Children. PSI and Marie Stopes International are particularly interested in adapting the model in countries where Living Goods is not already working. Committing to a new country would cost in the millions of dollars, and finding the funding for this would be a big challenge. Ideally, new partners would choose countries where there is the potential to successfully scale up the program and have a large impact.

Building new funding partnerships

In the past, Living Goods has attracted smaller, more traditional funders, such as the Omidyar Network and the Draper Richards Kaplan Foundation. These organizations generally provide undesignated funding in the low six-figures. Moving forward, Living Goods is hoping to attract larger institutional funders and bilateral funders, which can provide funding in the seven-figure range. Private funding remains critical to bridge the funding gap (the larger funders have a much longer lead time) and provide Living Goods the flexibility needed to continue to innovate and learn.

Internal development

Living Goods is focused on improving its sourcing strategy to improve margin, reduce the cost of goods and increase product quality. The target net cost per capita is under \$1.50 per year (closer to two dollars in the first year and moving toward one dollar by the third year). Living Goods aims to offer better deals to customers and more compelling earning opportunities to agents, which could help attract the best agents. It aims for 50% or more of its products to be internally designed and sourced and marketed with the Living Goods brand within two to three years. Living Goods is increasingly focused on integrating mobile technology into its model, which has the potential to drive larger impacts more sustainably and at lower costs. It developed and began piloting several Android m-health apps focusing on pregnancy, treatments, and registration of households.

Since GiveWell and Living Goods last spoke, Shaun Church has signed on as Living Goods' new chief operating officer, which has driven important changes on the ground. Mr. Church has helped develop a stronger Africa-based field team with a greater focus on technology,

product, sales, human resources, and finance.

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