

GiveWell's summary of a phone conversation between GiveWell and Living Goods, July 20, 2012

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Note: this is a summary of the major points Living Goods made during the conversation we had with them.

Update on progress and vision of Living Goods:

LG is giving more priority to some of their economic impacts, expanding their work in mobile technology, improving impacts generally and lowering costs. They are building capacity in preparation for dramatic growth in 2013 and beyond. The current plan is to triple the scale of the program in two years.

LG is working on helping others learn from, replicate and adapt their model. This is their long-term strategy. 5 years from now, they envision LG as a hybrid of ACCION – doing consulting work and strengthening other organizations in the same field – while continuing its direct operations. “We're not just after building a nice program in a few places. The only way we can get to scale to address the problems that impact others is through others taking on our model. A major goal is influencing bilateral aid: how do we make that money work smarter?” says Chuck Slaughter. According to LG, the defining part of their vision is achieving impact on a large scale, and the only way to get to that scale is through influencing others.

In 2012 LG launched a dedicated consulting team to provide technical assistance to select organizations, businesses and governments. LG is creating a comprehensive operations manual with full documentation of systems and processes to support this effort. The aim of this growth initiative is to help existing entities working in community health deliver greater impact while spending less money.

As of September 2012 LG has signed its first two replication consulting contracts. The first with Marie Stopes International, which operates networks for franchised family planning clinics in over 40 countries. MSI asked LG to help bolt on a system of mobile community health entrepreneurs to its network of franchises in Kenya. The second replication is the Clinton Foundations Sustainable Growth Initiative. They have \$200 million in funding from Frank Guistra and Carlos Slim to build sustainable enterprises in Latin America with the goal of creating incomes for thousands of entrepreneurs. The Clinton team sees significant potential in the LG model and hired LG to help design a pilot in Peru. Planning for this partnership is already underway.

Over the next two years LG plans to contract with at least two more paid replication partners each year, for a total of six. They will be making their packaged tool kit available open source. They will share the complete documentation of tools and learning with interested replicators who sign a simple knowledge sharing form and agree to report back regularly to LG on how they are using the tools to expand impacts and improve sustainability.

LG told us that they have a robust balance sheet and has the support of core donors. They do not have a significant need to raise additional money for 2012 but are aiming to raise roughly \$5 million to

support growth in 2013-14.

Measuring health impacts:

LG selects areas to focus on by considering what metrics they want to move, particularly in health behaviors and economic metrics. They seek to find out, “what are the problem behaviors in those areas, which can we change and how much do we have to change them?” All metrics are built into a sophisticated log frame. LG's focus impact is a reduction of 15% on under-5 mortality. LG spent over two years with CIFF to build the impact focus and impact measurement framework. In the last year and a half, they brought in another measurement tool themselves: the LIST model and a “log frame” measurement tool that they developed. They put their data into these models and came out with a 15-17 percent reduction in infant mortality in both. LG told us that they are meeting or exceeding its targets on the majority of metrics, as shown in the stakeholder report.

LG notes that needs have changed in the 3 years that they've been in Uganda. When they came, bednet coverage was low. Now bednet usage has gone up by a factor of 2 or 3. The street price for the WHO-approved malaria drug was \$5-6 for a course when LG arrived and uptake was low. Since they've been there, the Affordable Medicines Facility (AMFm) has brought the price down. On the other hand, post-natal care needs more focus compared to how it used to be. LG is working with CIFF on this. They started this work just over a year ago and at the end of that year they were tracking about 20 pregnancies per agent and following up with close to 90% of newborns within the first 48 hours of life. These fast changing needs supports LG's flexible distribution platform strategy that can quickly adapt to client needs as they evolve.

LG has added more follow-up to their normal modus operandi. They want customers to receive treatments quickly and have accurate diagnoses. They have also added a metric for adherence. LG agents have the capability to log treatments by mobile phone. The customer will then get daily reminders for 3 days about taking their medicine. This is to make sure that people do not stop treatments just because symptoms go away.

Measuring Impact:

LG's measures the number of treatments successfully delivered by the number of treatments sold by agents to clients. They attempt to ensure adherence through reminders.

LG points out that they do a lot of work to reduce infant mortality that is not captured in the estimates of their infant mortality reductions. They distribute a lot of deworming pills, sell fortified food and provide nutrition education. LG told us that worms are a very big problem in Uganda and drive all sorts of other poor health and education outcomes. On the nutrition side, research suggests that improvement in nutrition for infants from just after weaning to 2 years old is a very good investment. 60% of under 5 mortality has micro nutrient deficiency as contributing factor.

LG sells a child treatment of ACT (for malaria treatment) for \$.30. They're meeting their treatment targets for ACT in numbers of treatments sold. This treatment is technically available for free in the public sector. LG claims, however, that acquiring treatment is not simple. For someone living in a village 5-6km from a health center, it may cost twice what they'd pay an LG agent who brings the treatment to the customer's door to go and get the free treatment. “What we provide is sometimes cheaper than free because we take care of transportation,” says Chuck Slaughter.

Measuring Adherence:

LG first introduced the adherence metric at the beginning of 2011. An LG agent follows up with a telephone call or visit to an under-5 patient treated with malaria or diarrhea within 48 hours of treatment. Going forward, they are relying more on the mobile platform. The metric tracks whether an LG agent has followed up with the purchaser of a treatment, not whether the treatment has been taken. LG is considering using phone surveys to directly measure adherence (by asking customers whether they have taken the treatment) but there is the concern of respondent bias.

Thinking about the counter-factual:

LG does not have specific data on the extent of customers' previous access to treatments before LG began its programs.

Approximately 80% of the population LG serves self-report that the last time they had a child sick with malaria or diarrhea they got some kind of treatment. A sub-component of this population did not treat properly, sometimes through using the wrong drug or an herbal alternative. Moreover, research shows that as much as 50% of drugs sold in the private sector are counterfeit or non-approved. LG says that the biggest problem in access was not proximity but rather the quality of the provider and the quality of the products. However, they have not yet found data on the quality of providers, the quality of the diagnoses, or the speed of treatment. There are tons of providers, especially when one includes private providers, but for many of these the quality could be low.

LG told us that J-PAL did research last year looking at drug quality and drug prices. This research showed that in areas where LG was operating, compared with areas where LG was not operating, the prevailing price for ACT was 17% lower from all providers.

LG told us that they also found that the verified quality of the product through bench-testing was 50% better in LG areas (as a baseline, around 25% of ACT is counterfeit). 100% of LG products were bench-tested, but there were increases in bench-testing among the other private sellers too.

Monitoring of LG agents:

GW asked LG how they ensure that their agents do not become part of the problem of poor health care quality – how they monitor the quality of agents' services.

LG told us that agents can only sell health products they buy from LG. If LG learned that an agent had sold anything else, they would expel the agent. Agents have incentives to remain in the program and would be unlikely to risk expulsion. In addition, LG prices tend to be better, further lowering the likelihood of agents trying to sell non-LG products.

LG uses interviews with customers to determine if agents have sold non-LG products. Historically, LG has done door-to-door monitoring of diagnoses as a way of monitoring agents. They watch treatment numbers for each agent and conduct monitoring and oversight of all agents. If LG finds too-high treatment numbers they do an extra inspection. Going forward, they will do monthly in service training of agents.

Counterfeiting problems are rare, LG says. Counterfeit drugs are produced in China, not by individuals,

and differences in quantities of drugs sold would be picked up by monitoring.

GW asked whether LG has metrics for inadequacies of service and whether Chuck Slaughter reviews these metrics. Chuck said that the LG team at their headquarters in Kampala reviews logsheets around inspections. The data itself is reviewed by local branches and individuals. The proportion of agents breaking the rules is under 2%. LG has recently begun using phone follow ups to verify the accuracy of diagnoses.

LG says that this is due, in part, to a rigorous selection process as well as regular work reviews that forcibly eject 15-30% of agents each year, usually due to low activity.

Spillover effects in the randomized controlled trial:

LG noted in a document it sent that there have been some issue with the RCT it is currently conducting. We asked about this, and LG told us that there were both changes in the geographic footprint of the model and some flaws in the RCT survey strategy which are rendering the results not reliable from an evaluative point of view.

1. Spillover: Control sites were found to have experienced about 1/3 as much of the exposure to LG as treatment sites.
2. Service area for each agent: They had to guess service areas for each agent when they started and their guesses were quite different from how the program evolved. The RCT was designed with service areas that were much larger in terms of number of households and geographic area than agents are actually able to cover. For example: a significant number of survey-defined areas included 200-400 households, and subsequent research shows that the number of households in a given agent's area is closer to 100. Researchers are concerned that any attempts to ameliorate this effect would compromise randomization.
3. Treatment population not matched to treatment area: LG did a GPS tracking exercise on how far and where agents worked and compared this data to data from the RCT. They found that 80% of the homes actually served by agents were within 500 meters of agents' homes. However, 50% of households in surveyed in the RCT were over 1.2 km from agents homes.
4. There is also some agent activity that is in neither in control or treatment sites, constituting impacts that will not be detected.

LG says that they will plan future RCTs differently from this one.

Additional item that LG mentioned:

Sustainability and cost-effectiveness: The LG system has four levels of sustainability: the product level (recovering 100% of the cost of goods) the agent level (agents earn income), the field distribution level (margins fund branch staff, rents and transport of goods), and the country level (margins cover country overheads). Today, LG is consistently sustainable on levels one and two. Over the last year LG has also achieved 80-95% distribution level sustainability. In contrast, most African community health systems recover little or no costs. Over the next 2 years LG will deliver services at an annual net cost per capita of \$1-2. But even if LG generated no gross margin at all, the cost per capita served at scale is a small fraction of government health spending and an strong social return on investment One thing that has helped their sales has been their tremendous success selling clean cookstoves. LG estimates they have reached up to 40% uptake in areas where they work.

Mobile:

The U.S. economy is nine times the size of Africa, but Africa has twice the number of cell phones. Mobile phones are transforming lives all over the world, most dramatically in developing countries. But this revolution has just begun. Living Goods believes that mobile technology is becoming its single most transformative tool for success: empowering agents to sell and earn more, delivering targeted health messages, dramatically lowering our cost to market and monitor, enabling real time sales force management and igniting social connections that drive impact and business success. Living Goods is fusing together best practice mHealth applications, and innovative mobile marketing tools, to build a comprehensive technology platform that is quickly becoming the backbone of our business model.

Game-Changing Mobile Marketing Living Goods is building a database of nearly every mobile number in the households they serve. This potent tool is helping LG dramatically increase penetration of life-changing products.

- **Mobile Education and Marketing:** Every week LG broadcasts messages educating customers on the benefits of new life-changing products, teaching them health practices and building the Living Goods brand.
- **Rapid SMS Promotions:** Sales promotions that once took months to execute can now be delivered in minutes. Living Goods uses time-limited flash sales to drive demand for high-impact products. A recent five-day promotion drove a 300% increase in sales of clean cook stoves.
- **Managing the Mobile Workforce:** LG also uses its mobile platform to communicate with immediacy to every agent about new programs, products, training opportunities, and promotions. LG equips branch managers with smart phones and sends them daily performance reports flagging agents deserving praise and/or needing support.

Better Health by Mobile Every Living Goods agent owns and uses a cell phone. For the few that lack one, Living Goods sells them at below market prices on installment. Living Goods exploits the speed and efficiency of mobile to driver better health in many ways:

- **Help on Call:** LG agents post their mobile number in every clients' home. Clients can call their local LG agent any time of day or night when a child is ill to get immediate advice or request a house call. This saves parents time trouble and worry, and helps kids get treated faster.
- **Real Time Treatment Reminders:** Every day agents use their phones to upload treatments for malaria, diarrhea, and respiratory infection in real time to Living Goods data warehouse. SMS reporting cuts data collection time by weeks. After agents send a treatment SMS, their client receives free automated daily treatment adherence reminders. Simple reminders to complete the course of treatment can dramatically improve health impact.
- **Ensuring Healthy Pregnancies:** Agents use SMS to register every pregnant women and newborn in their communities. Once enrolled, these clients receive automated SMS messages to promote a healthy pregnancy and safe delivery. This free SMS service improves health impacts and they help agents build stronger customer relationships that drive more treatments and sales their way.
- **Quicker, Cheaper Quality Control:** Before mobile phones all program monitoring was done on foot - a slow, costly approach. Now, when agents log treatments by mobile LG can call or text clients immediately to check the quality and accuracy of diagnoses, dramatically lowering the cost and improving the accuracy of field monitoring.