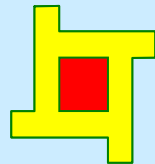




LivingGoods

In Partnership with BRAC in Uganda



Scaling a Sustainable System for Defeating the Diseases of Poverty

Combining the best practices in microfinance, franchising, and public health





What is Living Goods?

An Avon-like network of village-based mobile Health Promoters, who make a modest income selling essential health products at prices affordable to the poor.

Key Goals

1. Reduce mortality, morbidity and fertility rates by 25-50%, focusing on children under 5.
2. Provide living incomes for thousands of health workers, save poor families \$ on health care, and keep wage earners productive.
3. Become financially self sufficient
4. Propagate the replication of the micro-franchising model across the developing world.





Living Goods - The Avon of Rural Health

There is a compelling analogy between the conditions that provided the fertile ground for Avon over 100 years ago and the developing world today.

- Avon was founded in the U.S. in 1886
- The population was mostly rural and agricultural
- The standard of living was substantially lower
- Access to quality products in rural areas was poor
- There were strong village social connections
- Targeted to rural women needing extra income

Today Avon sells over \$8 billion and thrives in 140 diverse cultures – from Turkey to Thailand.



A short list of **easily preventable and treatable diseases** accounts for **over 70%** of childhood illness and death in these countries.



<u>Target Diseases</u>	<u>Yearly Deaths</u>
Malaria	1,300,000
Respiratory Infections	3,900,000
Diarrhoeal Diseases	1,800,000
<u>Micro-nutrient Deficiency</u>	<u>2,000,000</u>
TOTAL	9,200,000





The Sustainable System

Drives sustainability and performance through ownership

- Creates performance incentives through ownership. Health workers own and operate their own small village health business. Each business provides a living income for its owner ensuring sustainability.

Ensures consistent quality through tight systems and controls

- Rigorous, uniform systems, training and testing
- Carries out careful targeting and screening of locations and agents
- Employs strict controls on quality, care, and service backed up by monthly inspections. Replaces agents that do not consistently comply with standards.
- Builds and maintains brand equity

Achieves efficiency through scale and standardization

- Leverages the combined buying power of the full network to obtain quality medicines at the lowest possible cost. Bypasses middlemen.
- Optimizes density of agents
- Program operates the same everywhere.



Partnership Strategy Drives Scale and Reduces Costs

- SCALE: BRAC Uganda has substantial infrastructure and is growing quickly and efficiently:
85 field offices
50,000+ borrowers, and growing quickly
- RECRUITING: BRAC recruits health promoters from its lending groups
- FINANCING: BRAC provides micro loans to Health Promoters
- SUPPLY CHAIN: BRAC's field offices operate as supply points and as a base for field staff



Health Promoter Supports

- **Free Training**
- **Free Health Promoter Kit:**
 - Backpack
 - Locking Storage Chest
 - Uniform
 - Signage
 - Record Books
 - Health Tools
- **Access to Low Cost Products**
- **Subsidized Promotions**
- **Low Cost Inventory Loan**
- **Ongoing Coaching and Training**





Diverse Product Mix Drives Sales... ... And Enables Cross-Subsidization

Prevention

- Insecticide Treated Bed Nets
- Water Treatment
- Condoms
- Vitamin A, Iron, Zinc
- Hand Soap
- Iodized Salt - Fortified Foods



Treatment

- Anti Malarials
- Oral Rehydration Salts
- De-worming
- OTC Pain and Cold
- Respiratory Infections**



**depending on local laws

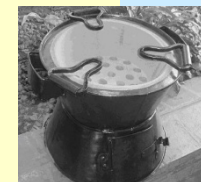
Consumer Staples

- Feminine Hygiene
- Diapers
- Laundry Soap
- Toothpaste
- Lotions and Creams



Money Saving or Making

- Solar Lanterns / Chargers
- Efficient Cook Stoves
- Water Filters
- Reading Glasses
- Human Powered Irrigation Pumps
- High Yield Seeds





Careful Screening



Rigorous Training



Quality Products

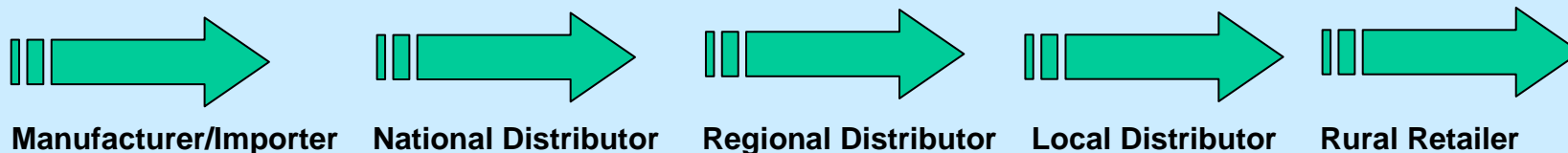


Effective Outreach



Superior Supply Chain Lowers Costs

Typical Supply Chain



Living Goods Supply Chain





Outreach, Education and Marketing

Community Health Promoters (CHPs) use a combination of methods for educating their communities on essential health and improving village access to basic health commodities.

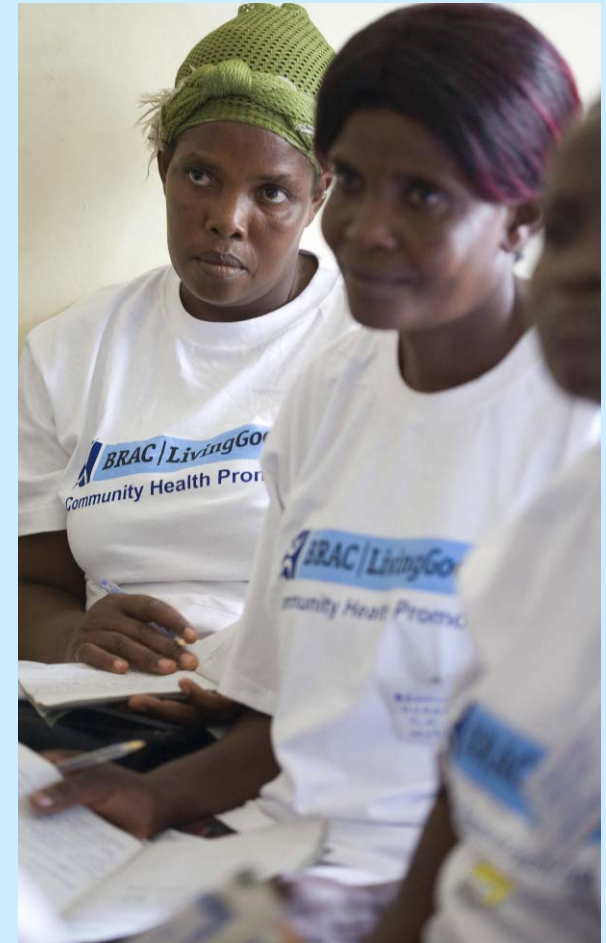
- Conduct door-to-door visits – 30-50 visits per week
- Give village health talks at primary schools, places of worship, women’s groups, etc
- Operate stalls at weekly markets
- Maintain standard daily ‘office hours’ at a known location
- Support MoH immunization drives



Training and Monitoring

- **Health Promoters' Training:**
 - 2 weeks of initial training, materials and meals provided.
 - 1 week refresher training each year
 - *Monthly coaching visits from a Living Goods BRAC field agent
- **Monthly Monitoring:**

Field agents meet with health promoters at least once a month to re-supply, review records, collect health and sales data, and create outreach plans. Staff also periodically interview community members to measure quality of service and accuracy of diagnoses.





Data Collection and Evaluation

- **Data Collection on Outputs:**

Health promoters must keep detailed records of patient visits, diseases diagnosed, product sales and referrals to the public health system. Every pregnant mother is registered and monitored. Key product volumes are tracked vs monthly targets.

- **Evaluation of Outcomes:**

Initiating randomized evaluation Q4 2008.

- Study being designed and lead by Poverty Action Lab affiliate with support from BRAC's well respected M&E division
- Will measure changes in mortality and morbidity and fertility



Collaboration with The Public Health System

Providing effective village-based prevention and first line treatment for simple high frequency diseases reduces the work burden, wait times and stock outs at public health centers.

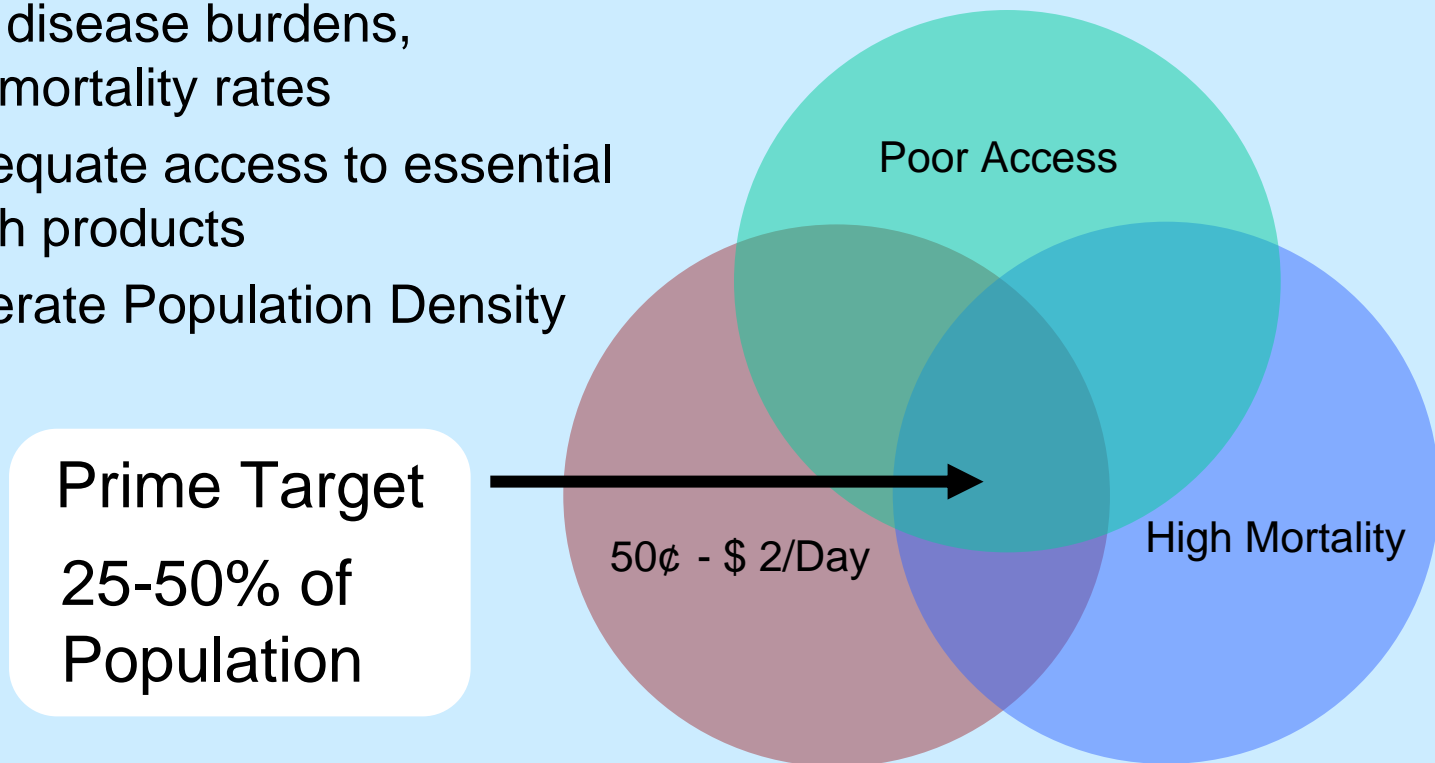
Living Goods also:

- Creates and supports a formal system to refer secondary care patients to the public health system (eg high risk pregnancy, VCT).
- Mobilizes communities for immunization drives.
- Collaborates on village based public health education.
- Can serve as front line surveillance for disease vectors



Target Markets

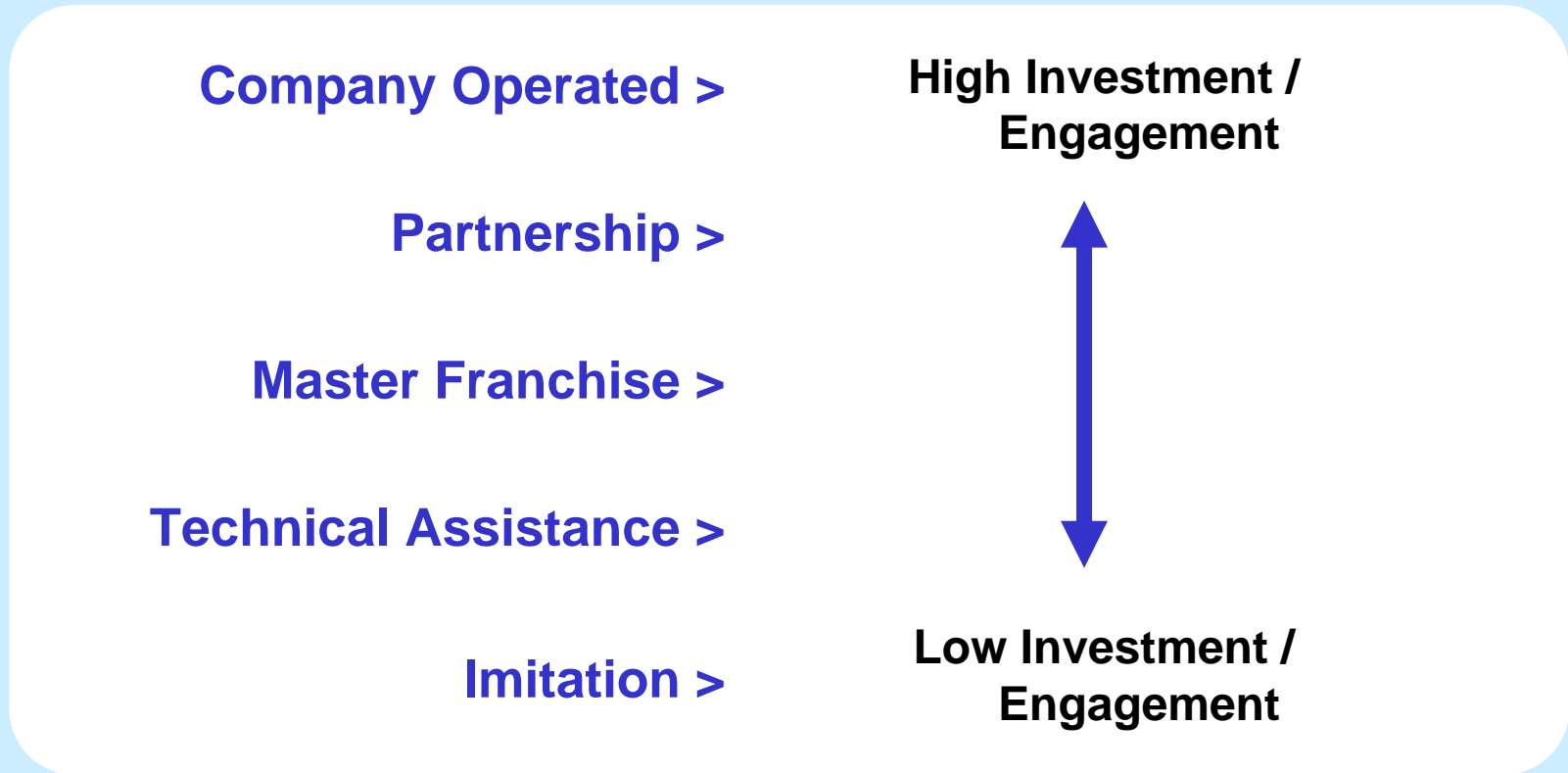
- Very poor- but not destitute, 50¢ - \$2/day per capita incomes
- Peri urban, rural, and slums
- High disease burdens, high mortality rates
- Inadequate access to essential health products
- Moderate Population Density





Scaling and Replication Strategies

Living Goods' core reason for being is demonstrating a sustainable, easily replicable model that will spread widely across the developing world. LG will employ multiple modes of replication.



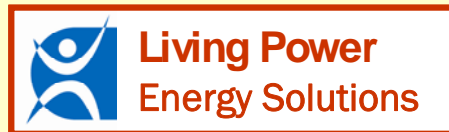


Living Goods Platform Extensions

Essentially Living Goods micro franchises represent a sustainable distribution channel for the delivery of goods and services for the poor. LG will use this channel to test a range of new product lines, some of which may become separate franchise companies:



Essential Health Products and FMCG



Solar Lighting, Re-charging, Human-Powered Chargers, Efficient Cook Stoves



Water Treatment, Filters, Water Vending, Village Water Solutions,

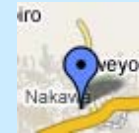
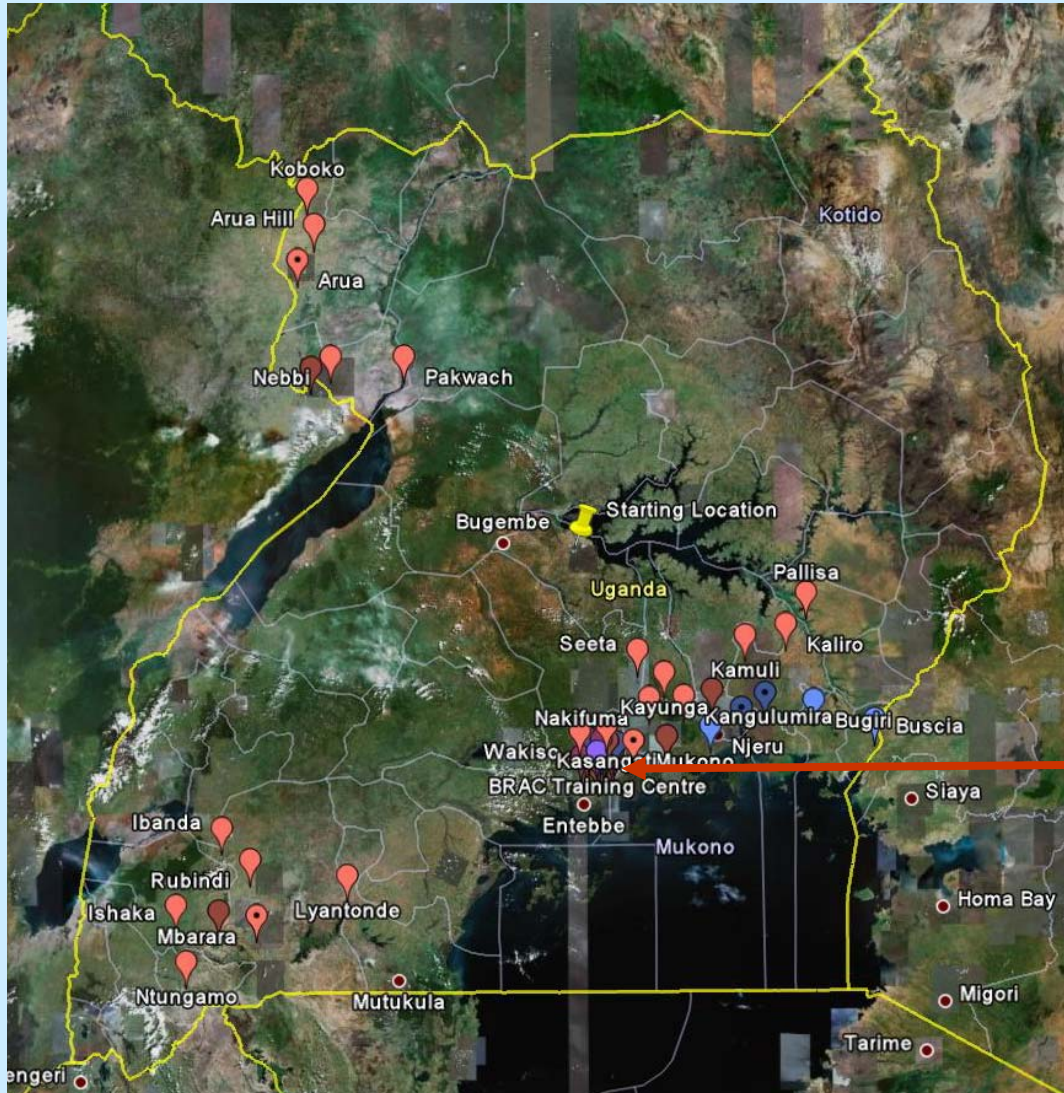


Treadle pumps, Micro-irrigation, high yield seeds, Fertilizer



Where is Living Goods Today?

- **2009 rapidly scaling up in Uganda in partnership with BRAC > tripling from 200 to over 700 communities**
- **Establishing four 'company owned' branches**
- **Testing new products: Fortified foods, Early success with solar lanterns**
- **Exploring expansion to a second country**
- **Expanding financial support: Lemelson, CIFF, LGT**
- **Strengthening staff and board:**
 - Joe Speicher, Associate Director
 - Stella Ikila - Uganda Business Manager
 - Board: Senior executives from McKesson and P&G



2008 Branches - 10



2009 Branches - 35



Kampala District

Uganda



Joe Speicher
Associate Director



Habibur Rahman
BRAC Health Lead



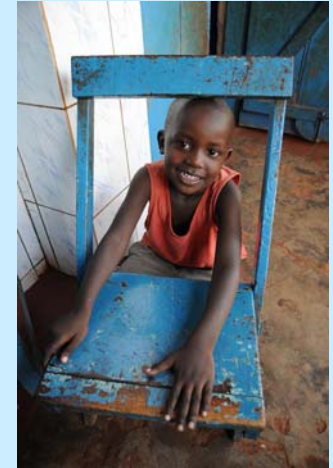
Living Goods – BRAC Community Health Assistants



Stella Ikila
Uganda Business Director



Paul, Grace, Ronald, Stella, Michael, Pricilla
LG Uganda Team





Targets 100% Financial Self Sufficiency

Key Efficiency and Productivity Drivers:

- > Optimizing productivity of Health Promoters through rigorous screening, broad product assortment, best practice promotions, and reliable supply
- > Scaling to 3000+ agents serving 10-15% of population to lower costs of inputs and amortize fixed investment
- > Cutting out middlemen
- > Leveraging existing infrastructure of local partners

Achievable on per capita sales of less than \$2 per year
(under 20 cents per month).

This works even in areas with incomes under \$1/day.

Will require zero outside funding in ~4-6 yrs



Board and Advisors

Board of Directors

- **Charles Slaughter:** Founder - TravelSmith, Former President – Healthstore Kenya.
- **Holly Wise:** Consultant - Wise Solutions LLC, Former Mission Officer - USAID Uganda and Head of USAID's Global Development Alliance
- **Ann Marie Burgoyne:** Portfolio Director Draper Richards Foundation
- **Randal Spratt:** EVP of McKesson, the largest drug distributor in the US
- **Andy Peterson:** Procter and Gamble – Director of East and South Africa

Board of Advisors

- **Chris Elias:** President of PATH, Program for Appropriate Technology in Health
- **Dr. Sam Okware,** Uganda Minister for Community Health
- **Erastus Kibugu,** Uganda Country Director for Technoserve
- **Dr. Garry Conille:** Health Policy Advisor – UNFPA
- **Allen Hammond:** VP for Innovation – World Resources Institute
- **Paul Polak:** Founder of IDE and DRev
- **Kevin Starr:** Director of Rainer Arnholt Fellows
- **Dr Sam Okunzi:** Makerere University Uganda, Regional Center for Quality of Healthcare



Living Goods Partners



Uganda Ministry
of Health





Summary

- **Not ‘Charity’**: Clients pay for most products. Agents earn a living income.
- Focuses on 60% of deaths from **diseases that are easily preventable, and treatable at low cost.**
- **Highly Scalable and Replicable**: Tripling in scale in 2009
- **Targeting 100% Self Sufficiency**: Donor funding not needed at scale, **yielding exceptional social return.**
- **World Class Partners**: BRAC, Poverty Action Lab, P&G
- **Double Bottom Line**: Reduces needless deaths 20-50% **AND** creates lasting livelihoods for health entrepreneurs.



Q & A

"A lot of programs give lip service to 'sustainability' - this is the real deal. Living Goods is one of few models with the potential for game-changing scale."

- Holly Wise, Former Secretariat Director of USAID's Global Development Alliance



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Appendices:



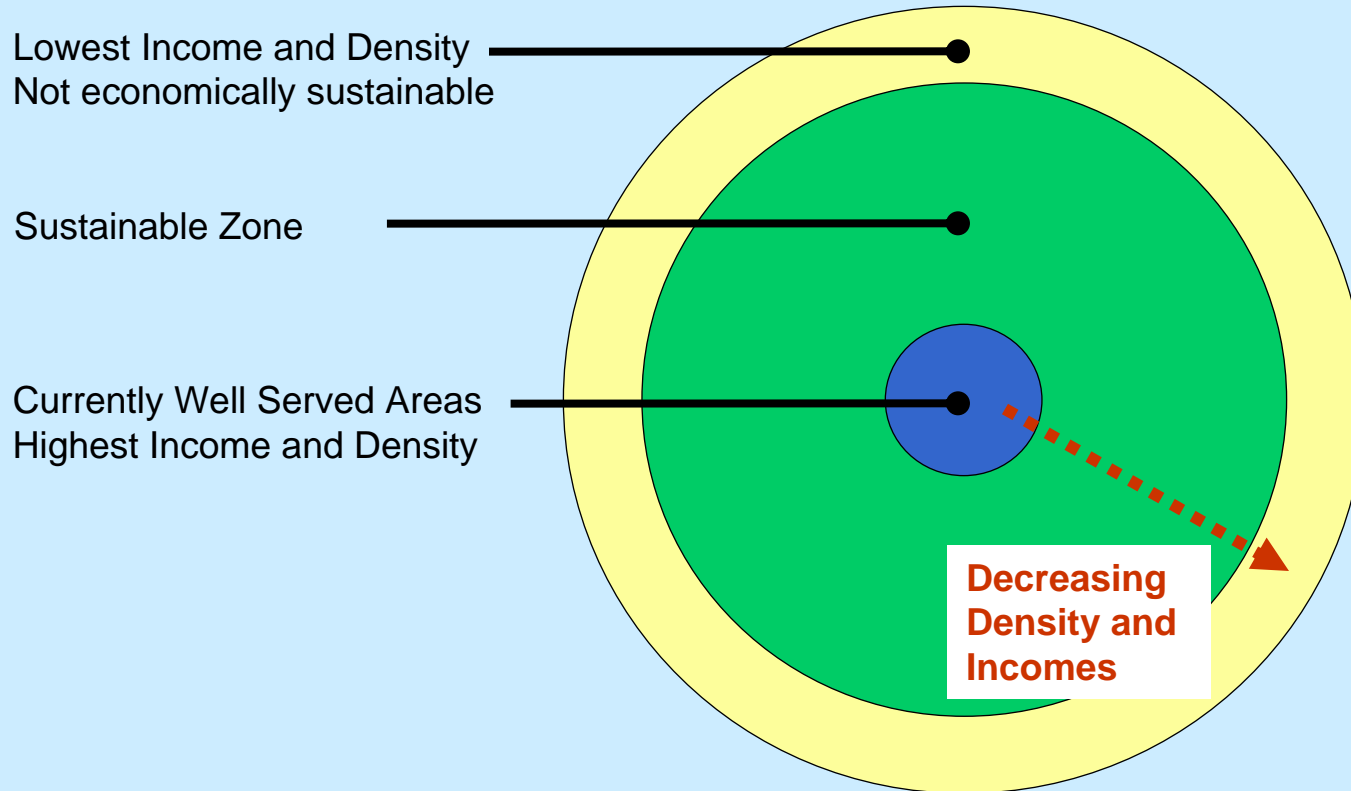
Five Goals in Five Years

1. Recruit, train and deploy **4,000 agents** in two target countries serving a total population of **four million**.
2. Prove that the model can **lower mortality and morbidity by 15-30%** in target communities.
3. Generate cash income for agents of US\$ 200-500 per year.
4. Become **financially self-sufficient**
5. Create a division to help **replicate the model in other countries**.



Geographic Scaling and Sustainability

Not 'If' Living Goods can be Sustainable, But 'Where'



LG will pilot in marginally higher income, higher density areas, and move outward to poorer, sparser ones as the unit economics improve.



Unit Economics

Health Promoter P&L - Target Unit Economics		
Assumptions	Long Term Target Average	Min
# Households covered	180	125
Avg Household size	5.10	5.10
Population Served	918	638
Sales per Household /yr	\$ 13.54	\$ 7.20
Sales/capita/yr	\$ 2.65	\$ 1.41
Health Promoter P&L		
Sales per Year	\$ 2,437	\$ 900
Sales/Day [225 working days]	\$ 10.83	\$ 4.00
Gross Profit %	25%	25%
Gross Profit \$	\$ 609	\$ 225
Total Expenses	\$ 99	\$ 60
Net Income - after Loan Paid	\$ 510	\$ 165
Contribution to LG per CHP	\$ 411	\$ 152

- Target sustainable sales of \$2.65 / capita per year, or less than 25 cents per month
- Even in places where income is \$1 /day this is achievable
- Out of pocket spending on health care for the lowest earners in Uganda is over \$15 / capita per year



Living Goods Efficiency Scenarios					
	% Cost Recovery				
	0%	25%	50%	75%	100%
Cost per Capita Served / Year	\$ 0.53	\$ 0.40	\$ 0.27	\$ 0.13	\$ 0
Cost per CHP / Year	\$ 477	\$ 358	\$ 239	\$ 119	\$ 0
Metrics at Scale - Year 2016 (2009 \$)					
Total Operating Cost	\$ 1,720,367				
Total Population Served	3,222,829				
Avg # of CHPs	3,603				



Chuck Slaughter Background

- Yale University BA and MBA
- Worked in microfinance for Trickle Up
- Started, built, and sold a \$100 million clothing business in the US called TravelSmith
- Is now sponsoring, creating and assisting social ventures focused on poverty and health in Africa.
- As pro-bono president lead the turn around of CFW Shops/SHEF in Kenya – an NGO network of 70 rural health outlets operating under a franchise system.
- Board Director of the Horace W. Goldsmith Foundation, a US donor with \$450 million in assets, Member of Technoserve and the Initiative for Global Development.
- Founder of Living Goods



Unit Economics

Summary Unit Economics	Target Avg	Min
# Households covered	250	125
Avg Household size	5.50	5.50
Population Served	1,375	688
Sales per Household /yr	\$ 9.72	\$ 7.20
Sales/capita/yr	\$ 1.77	\$ 1.31
Health Promoter P&L		
Sales per Year	\$ 2,430	\$ 900
Sales/Day	\$ 6.66	\$ 2.47
Gross Profit %	25%	25%
Gross Profit \$	\$ 607	\$ 225
Total Expenses (inc Franchise fee)	\$ 99	\$ 60
Net Income - after Loan Paid	\$ 508	\$ 165
Gross Profit to LG Per Agent/Yr	\$ 332	\$ 111



Economics at Scale

	Annual Run Rate
Total # of Agents	3,066
Total Retail Sales	\$ 7,448,489
Total Wholesale Sales	\$ 5,586,367
Wholesale Margin	16.6%
Contribution Per Agent	\$ 333
Gross Profit Contribution	\$ 1,021,666
SG&A	\$ 1,020,100
Net Income - Break Even	\$ 1,566
SG&A per agent/yr	\$ 333
SG&A per agent/Ymo	\$ 28
Total Population Served	3-4 million
% of Population Served	10-15%



High Efficiency Cook Stoves – Quadruple Bottom Line

Weekly Spend on Charcoal	\$2.50
Price of High Efficiency Stove that cuts fuel needs in half	\$20
Weekly Savings	\$1.25
Weekly Installment payment	\$1.25
# Weeks to Payoff	16
Annual Savings	\$65
Per Capita Cash Income	\$300
Increase in Income	22%
Health Savings	Priceless



Quadruple Bottom Line:

- > Savings for Client
- > Earnings for HP
- > Improved Health
- > Lower Carbon Footprint