



# Franchising Can Do More to Stop Child Suffering, Death than WHO, Gates Foundation Combined

*Working to standardize healthcare offerings for large populations in developing countries.*

**BY SCOTT HILLSTROM**

**UNICEF REPORTS THAT 17,000** children in the developing world die each day from causes that can be easily prevented and treated. Many of these deaths occur because medical care is not delivered at the quality standard necessary to be effective — if medicine is not done right, it doesn't work. Most of these deaths would not occur if children had access to effective medical care within a short distance of their homes.

Mothers with sick kids in developing countries seek help just as they do in America, but due to poor regulations, providers frequently do what pays best rather than what works best for the child. For example, because fake drugs are cheaper, profits from selling them are higher. So in some places, a high percentage of kids receive cheap, counterfeit drugs to treat deadly diseases. Many suffer and die when they would have been cured had they received the real thing.

## **FRANCHISES DELIVER, SERVE BEST**

Decades of experience prove that franchise organizations are the best in the business at delivering products and services with consistent quality standards. And it's not hard to understand why:

- By standardizing business formats, they can be easily managed and replicated;
- As they are replicated, they scale to many locations; sometimes geometrically; and
- The larger they scale, the more they achieve economies of scale.



a charitable mission by supporting for-profit nurse-franchisees. We delivered effective quality medical care to approximately 253,118 people in our CFW clinics in 2014, at a cost of \$1.66 per person (our Kenyan CFWclinics' actual spending divided by the number served). It works because CFWclinics franchisees invest in a valuable business opportunity that they can only enjoy if they comply with our system standards. When they don't comply, their franchise is revoked. They lose their investment, their income, the value of their business, and the prestige that comes with being a trusted supplier of high-quality care. The incentives created to do the right thing overpower the incentives not to.

CFW franchisee incomes vary widely, but most make a living. Many have remained with us for 10 years and longer. However, financial performance in most clinics is anemic because franchisees often

supply free drugs and services at their own expense to patients who can't pay. Franchisees also don't pay royalties and the nonprofit franchisor is well incentivized to maximize franchisee performance. Rather, our franchisor is incentivized to attract grant funding that pays its bills.

## "IMPACT INVESTMENT" OPPORTUNITY TO LAUNCH

To solve these problems, big change is in the wind. HealthStore is undertaking a major set of improvements in 2015:

- A new for-profit company has been organized as the franchisor to be funded by investment capital (rather than grants) and to earn royalties.
- A donation fund is being created to help the poorest patients pay for their care; franchisees will receive full payment and will pay royalties.
- An electronic system will be implemented to digitize patient records, clinic management and administration, and aid the collection of electronic payments.

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Well-run franchise organizations, such as Subway, are able to achieve vast scale while never becoming too large to maintain standards. These organizations become accessible to millions of satisfied customers per day delivering products and services in high demand at affordable prices.

After reading in 1995 that 25,000 children died each day (the figure is thankfully less today) because they lacked access to medicine that costs less than a cup of coffee, I went to Kenya to find out why. After a couple of years and worldwide travel, I discovered the answer: They die because their healthcare providers respond to perverse incentives and are not well regulated. In the U.S., if you sell fake drugs you go to prison. If you sell fake drugs in the developing world, you make more money.

Two questions then emerged: First, how could we incentivize healthcare providers to deliver healthcare to the quality standard necessary to provide effective treatment? Second, how could we scale a solution to make effective care accessible to large populations? French fries pointed to the answer. If McDonalds could produce billions of standardized french fries for millions of people through thousands of locations around the world each day, then maybe the same business method would work to standardize effective medical care for the world's poor.

## MORE THAN 5 MILLION SERVED

HealthStore uses a very low cost business format owned and operated by nurse practitioners under the CFWclinics brand (Child and Family Wellness). Since opening our first clinics in rural Kenya in 2000, we have served more than five million people through 65 locations, both in-store and through public health outreach programs.

These programs include health screening and de-worming kids in schools, disease prevention and training, and health education activities. Thanks to the help from great friends in franchising, like MSA Worldwide founder Michael Seid and Sentinel Partners operating partner Sid Feltenstein, we have greatly improved our franchise system and performance over the years. None of our clinics had electricity or running water back in 2000, but most of them do now and all of our franchisees have cell phones. But we are far from being the top-performing franchise organization we have yet to become.

CFWclinics uses a nonprofit entity as a franchisor executing





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The new for-profit franchise company, HealthStore East Africa Ltd., is an “impact investment” opportunity attractive to philanthropic investors. This company will be operated as a highly opportunistic business striving to maximize access to effective care for low-income communities in Kenya. It is, and will remain, under the sole control of The HealthStore Foundation, rather than investors, to ensure that it remains true to its mission to low-income children and their families. Numerous innovations will be introduced going forward as this venture serves as a “laboratory” from which lessons learned will be disseminated throughout the developing world.

## WORLDWIDE GROWTH VISION

Since we began, we’ve had the privilege to serve in several other African countries. With the guidance Fred DeLuca, founder and CEO of Subway, we launched a clinic franchise network in Rwanda. Two years ago we spun it out to another organization better positioned to fund and manage it, and it’s now approaching 90 locations. Working with a national business leader in Ghana, we planted the early seeds of a clinic network and then turned it over to a local businessman. This network is now owned by a major American healthcare company that has plans to open 300 clinics in the years ahead. Just last year we provided assistance to USAID as they

launched the first of what will become a franchise network of clinics in the Democratic Republic of Congo.

We envision CFWclinics with as many franchise clinics delivering effective quality care, as there are Subway franchises in the world today. In 2015 we are launching Franchise Labs to help many others do the same. Using HealthStore’s experience and ongoing discoveries in Kenya, Franchise Labs is gearing up to support entrepreneurs and organizations to launch their own networks throughout the developing world. The world knows how to treat sick kids. What it needs now is distribution of effective quality healthcare.

Picture a world with as many franchised health clinics delivering effective quality care as there are fast food restaurants. You can see why franchising can do more to stop the needless suffering and death of children than the Gates Foundation and the World Health Organization combined. ■



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