Franchising Health Clinics in Rural Kenya

Kenya
Gina Malloy

Project Summary

Concise Summary: Help us pitch this solution! Provide an explanation within 3-4 short sentences.

Traditional systems of health care delivery in Kenya include clinics and hospitals, and private, stand-alone clinics. The basic problem is one of distribution. Government clinics do not exist in sufficient number to be easily accessible to the rural poor, many of whom have to walk an entire day to reach them. The burden on the government is great, often resulting in stock shortages that could mean a mother has walked hours only to find that the medicine her child needs is out of stock. Private, stand-alone clinics also suffer from stock shortages and additionally, often sell poor-quality or counterfeit medicines.

CFWshops franchised health clinics have become trusted and respected institutions in rural Kenya because the medicines they provide are affordable and consistently stocked. The franchise model allows regional offices to maintain the stock of each outlet through consistent supply and regular analysis of need. The outlets are focused in two main areas, Kisumu and Embu, within which the two regional offices are able to maintain short supply chains and guidance channels. The result is that the communities of rural Kisumu and Embu have consistent access to health care.

The incentives of ownership, in combination with strict enforcement of compliance to franchise standards, creates an avenue for success for the franchisee that results from excellence in management and service. As a result, when the franchisee is meeting her own interests in making the clinic successful so that she can support her family, she is also meeting the patients’ needs by providing high-quality, reliable health care at affordable costs.

File attachments:
- 2005 Audit.pdf
- CFWshops_Kenya_Summary Statistics.pdf

About You

Location
- Project Street Address
- Project City
- Project Province/State
- Project Postal/Zip Code
- Project Country

Your idea

Focus of activity

Service/process

Year the initiative began (yyyy)

2000

Positioning of your initiative on the mosaic diagram

Which of these barriers is the primary focus of your work?
Health care not consumer friendly

Which of the principles is the primary focus of your work?
Center consumers in business model

If you believe some other barrier or principle should be included in the mosaic, please describe it and how it would affect the positioning of your initiative in the mosaic:
This field has not been completed

Innovation

Define the innovation
Traditional systems of health care delivery in Kenya include clinics and hospitals, and private, stand-alone clinics. The basic problem is one of distribution. Government clinics do not exist in sufficient number to be easily accessible to the rural poor, many of whom have to walk an entire day to reach them. The burden on the government is great, often resulting in stock shortages that could mean a mother has walked hours only to find that the medicine her child needs is out of stock. Private, stand-alone clinics also suffer from stock shortages and additionally, often sell poor-quality or counterfeit medicines.

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Context for Disruption:

CFWshops is a network of 65 franchised health clinics serving over 450,000 of the rural poor in Kenya each year. Each outlet is owned or operated by an experienced nurse or community health worker. The clinics target the short list of easily treatable diseases that result in nearly half of all deaths in the developing world, e.g. malaria, diarrhea, worms, respiratory illness. CFWshops combines the incentives of ownership at the clinic level with the support of the larger franchise network to create successful clinics that provide high-quality and affordable medicine. Franchisees buy into the franchise with an average deposit of U.S. $300 with the balance of start-up costs, approximately $1,700, financed through a micro-loan. Once accepted, franchisees receive extensive initial and ongoing training in CFWshops standards and procedures. CFWshops personnel ensure quality and franchise standards through regular oversight and analysis. High-quality, generic medicines are purchased in bulk by the CFWshops head office, which are then distributed regularly to all franchisees. Each outlet benefits from the buying power of the full network and those savings are passed on to the rural patients for whom the average cost of treatment is less than US $1.00.

Delivery Model

CFWshops operates as a franchise network of 65 health outlets. Each outlet is located in a market that serves 5,000 to 10,000 people. The two main regions of operation are Kisumu and Embu. Field offices in each of these locations are located centrally to the CFWshops outlets in those areas. The head office in Nairobi sets policies, standards, and prices, and purchases medicine stock for the entire network from a distributor of high-quality generic medicines. Each outlet purchases its medicine stock from the CFWshops network and receives regular deliveries from the field offices. Using the buying power of the full network provides sufficient savings in unit costs that each outlet can provide medicine at an affordable cost. In 2006, the average transaction cost for a CFWshops clinic was U.S. $0.72.

In addition to visits from clients to the CFWshops outlets, every franchisee performs community outreach, hosting community events centered around disease treatment and prevention, e.g. malaria prevention through use of insecticide-treated bed nets, education and demonstration of effective water purification, and child growth monitoring.

The average number of clients seen per clinic in 2006 was 6,300. The top-performing clinic served over 23,000 people. Overall, the CFWshops network served over 450,000 people in 2006, continuing to increase its reach every year.

Key Operational Partnerships

CFWshops is operated by the Kenyan NGO, Sustainable Healthcare Foundation (SHF), and was founded by The HealthStore Foundation (HSF), a U.S. 501c3 corporation. SHF and HSF guide CFWshops operation, expansion, and strategic planning. CFWshops is also funded in large part by public and private donors whose support funds much of the training, guidance, and promotions that CFWshops provides its franchisees as well as subsidizing some of the start-up costs for opening new clinics. CFWshops also works in partnership with the Kenyan Ministry of Health through joint projects like the malaria prevention program supported by the Global Fund.

Impact

Financial Model

CFWshops licenses franchisees to own and operate CFWshops branded health outlets. Each franchisee makes a cash deposit of approximately US $300 toward the start-up costs of opening a new CFWshops outlet. The balance of the start-up costs, approximately US $1,700, is financed through a micro-loan which the franchisee pays off incrementally each month.

The franchisee undergoes an initial four-week training followed by regular, periodic training. All stock for the outlet is purchased from the CFWshops head office and is sold according to the CFWshops price list. CFWshops field staff perform regular inspections of all CFWshops health outlets to ensure that each outlet is performing according to CFWshops health and business standards. Each franchisee pays loan and operating expenses from the outlet's revenue and the salary that the franchisee earns comes from the outlet's gross profit.

The start-up costs for a new CFWshops outlet include renting and outfitting the outlet location, branding, initial medicine stock, and the initial training that the franchisee receives. The personnel and outreach promotional costs incurred by the head office are not included in the start-up costs of the individual outlet.

Operating expenses for the head office and two field offices are funded for the most part through donations obtained by the governing NGO, Sustainable Healthcare Foundation, and the founding US 501c3 charitable organization, The HealthStore Foundation. Revenue from the medicine stock purchased by the franchised outlets covers about 4% of the operating costs of the head office and associated field offices.

So the individual CFWshops franchised outlet operates at the unit level based on the profits that the franchisee earns through good service and management consistent with high CFWshops standards. The governing non-profit organizations make those costs affordable to the franchisee by subsidizing costs, through donations, for the professionals who guide the network.

What is your annual operating budget?

$890,000
What are your current sources of revenue? (please list any sources that are foundation grants)

CFWshops Franchised Health Outlets
The HealthStore Foundation
Mulago Foundation
International Finance Corporation
Mark Gordon Foundation
Oswald Family Foundation
ExxonMobil Foundation
Procter & Gamble
USAID
Global Fund and the Kenyan Ministry of Health
Acumen Fund

Effectiveness

Since 2000, CFWshops in Kenya has served over 1 million people in its franchised shops and clinics at an average transaction cost less than US $1. Each year, CFWshops serves greater numbers of people. In 2006, the 65 CFWshops outlets in Kenya served over 470,000 people. The CFWshops outlets are spread over central and western Kenya, serving rural farm communities in several districts.

Experienced nurses in Kenya, mostly women, have an opportunity to maximize their service to the community while earning a livable wage. The result is an empowerment of professional women that benefits the women themselves and the communities they serve.

The Kenya Ministry of Health has endorsed the work of CFWshops and partners with them on a regular basis. Most recently, the Ministry of Health has partnered with CFWshops to run a malaria treatment and prevention program funded by the Global Fund. Because CFWshops franchised health clinics have proven so successful at distributing reliable health care to the rural poor, the Kenya Ministry of Health partners with CFWshops in programs whose goal is to reach large populations of rural poor.

The HealthStore Foundation, founder of CFWshops, has received dozens of inquiries and requests to assist in developing franchise health networks in other developing countries. Planned to launch in 2008, HealthStore is opening a CFWshops network in Rwanda.

Combining the successful work of micro-finance with the proven success of the franchise model has yielded a public health solution that is very successful and cost-effective—with the result that planned and contemplated replication will serve millions more rural poor in developing countries around the world in the coming years.

Which element of the program proved itself most effective?

The franchise model has provided two key factors:

One, the franchisee has the financial incentive, through up-front investment and potential profit, to make the franchised health outlet a successful business. Because the outlets are inspected regularly for compliance to standards, the only outlet for that success is through excellence in service and management.

Two, the buying power of the full CFWshops network allows the franchised outlets to benefit from the discounts associated with a large, bulk purchase of high-quality generic medicines. The distribution model of the network, which centers the franchised outlets around a regional office, has resulted in a consistent stock supply of affordable medicines.

Number of clients in the last year?

In 2006, 470,648 people were served by CFWshops in Kenya. Each clinic served an average of 6,300 people. 92% of clinics open all of 2006 were profitable.

What is the potential demand?

At approximately 250 outlets, CFWshops projects that over 1.5 million people will be served each year in Kenya. The franchise model is distinctly scalable as greater cost-efficiency is reached as the network grows, which in turn makes it easier for the network to grow. As CFWshops branded networks are launched in other developing countries, there is great potential to reach literally millions of people each year.

Scaling up Strategy

To date, CFWshops in Kenya has been careful to grow slowly so that the health franchising model could mature. The network is now poised to take full advantage of its scaling potential. The experienced leadership team is in place. Over the next five years, CFWshops in Kenya will grow steadily to reach 225 outlets by 2011, serving over 1.5 million people each year. In that time, the benefits of the network’s buying power and the distribution and guidance of the franchise system will result in greater cost efficiency. At nearly 250 outlets, revenue from stock purchases by CFWshops outlets are projected to cover 29% of the operating costs for the head office and field offices.

The HealthStore Foundation is beginning the international expansion of the CFWshops branded health outlets. In 2008, HealthStore plans to launch a CFWshops network in Rwanda, starting with a 6-month pilot of 6 franchised health outlets. HealthStore is receiving advice and guidance from leading franchise authorities, including senior members of the International Franchise Association.

Stage of the initiative:

1

Expansion plan:

For CFWshops in Kenya, the expansion plan calls for growing the network to 225 outlets by 2011. Each year for the next five years, 20 to 30 new clinics will be added to the CFWshops network. New outlets will be added in regions where CFWshops already has a significant presence so that the network builds upon the efficiency of the supply chain and regional oversight while keeping the costs of expansion as efficient as possible.
Origin of the Initiative

Scott Hillstrom, Chairman and CEO of The HealthStore Foundation, and Eva Ombaka, Chairwoman of Sustainable Healthcare Foundation, jointly founded CFWshops in Kenya. They worked closely together to develop a means of delivering essential medicines to masses of poor people. Scott came up with the idea to use franchising to save lives in Africa, an idea that struck him suddenly one day. Scott and Eva worked closely together for many months to develop a board of directors for Sustainable Healthcare Foundation and raise the initial funding and staff to launch the network in 2000. With Liza Kimbo recruited as Executive Director, the CFWshops network was launched with 11 initial outlets. Since then, the franchise model has been refined and the network has grown to 65 outlets serving over 450,000 people each year.

Sustainability

What are your two main challenges to finance the growth of your initiative

CFWshops in Kenya needs to raise its budget over five years from the current $890,000 to $1,175,000 in 2011. Also, CFWshops is trying to restructure the stock sold at CFWshops outlets to maximize the profitability of the outlets while maintaining the affordability of essential medicines. For example, it is possible that certain lines of hygiene products may be expanded at the outlets as a means of increasing the franchisee's bottom line so that she can maintain a livable wage and subsidize some medical treatment for the poorest patients.

How did you hear about this contest and what is your main incentive to participate?

HealthStore has participated before and become a top-ten finalist in the 2006 health care competition. HealthStore was invited to participate in this year's disruptive innovation competition.

The Story

Do you have an annual financial statement?

Yes. The 2005 audits for The HealthStore Foundation and Sustainable Healthcare Foundation are attached as uploaded files.

Do you currently have an annual financial statement that tracks profit/loss?

The 2005 audits for The HealthStore Foundation and Sustainable Healthcare Foundation are attached as uploaded files. Additionally, the statistics for the operations of the CFWshops franchised health outlets, including profit data, are also uploaded.

Please describe the amount (and/or type) of funding you need to implement your initiative, at year 1 and at year 5.

As the CFWshops network in Kenya expands over the next five years, revenue from the sale of medicine to CFWshops outlets will increase steadily with the result that the need for donor funding for operation of the head office and field offices will increase only marginally despite the fact that the overall budget will increase 32% (from $895,000 to $1,175,000).

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