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## What Works

### **Micro-franchise Against Malaria: How for-profit clinics are healing and enriching the rural poor in Kenya**

By Jessica Flannery

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## Micro-Franchise Against Malaria

How for-profit clinics are healing and enriching the rural poor in Kenya *by Jessica Flannery*

MSIMBI IS 11 YEARS OLD. She is one of seven children in her family, and she lives in rural Kenya. Lately, Msimbi gets tired earlier than usual, and the sun feels hotter than usual. Her head, her limbs, and her back ache. She feels weak.

Msimbi has malaria. Unfortunately, she is far from alone: Malaria will affect 300 million people worldwide this year and contribute to one in five childhood deaths in Africa, according to the World Health Organization. Malaria is not the only enemy; a handful of infectious diseases – all treatable with inexpensive generic drugs – accounts for 70 percent to 90 percent of childhood illness and death in the developing world. More than 25,000 children suffering from these illnesses die every day for want of medicine.

The HealthStore Foundation combines microfinance with established franchising practices to address the simple problem of “getting the drugs to sick people when and where they are needed,” says founder and CEO Scott Hillstrom. The Minneapolis-based foundation gives healthcare workers microloans to open their own for-profit Child and Family Wellness Shops (CFWshops), which distribute medical products and services to remote communities in Kenya. Applying the basic principles of successful franchising, the foundation then trains the franchisees in uniform procedures, carefully selects locations, and conducts regular inspections to ensure quality and consistency. The franchise can also exploit economies of scale to obtain safe and effective drugs at low costs.

HealthStore’s micro-franchising model has allowed it to deliver good healthcare while aggressively expanding. Founded in 1997, the foundation has opened 65 CFWshops. In 2004, the HealthStore network treated 177,256 patients. By 2005 that number had nearly tripled to 435,527. As a result, CFWshops’ distinctive black and red signage has become a beacon to the sick and poor throughout Kenya.

### Setting Up Shop

When Hillstrom observed the market for medicine in Kenya, he saw a system that was broken. In the 1980s, the International Monetary Fund and the World Bank introduced cost-

cutting policies that left local health clinics and dispensaries throughout Africa with few supplies and medicines. The lack of government regulations for pharmaceutical drugs encouraged people to sell expired or otherwise substandard drugs. As a result, even wealthy people could not easily find high-quality, affordable medicine. Moreover, 80 percent of Kenya’s doctors lived in cities, but 70 percent of the population lived in rural areas. Sick people were traveling many hours to get drugs that were likely not to be effective – or even safe.

If people were selling bad drugs to make money, reasoned Hillstrom, then money could motivate them to distribute good drugs: “If we could offer a business opportunity to qualified health workers and condition their involvement on strict adherence to rules, and if the opportunity was too valuable for them to risk losing by breaking the rules, then they would follow the rules,” he writes on CFWshops’ Web site. “The rules would be designed to assure reliable supplies of high-quality, affordable drugs in communities where sick children live. The franchise model ensures this.”



Credence Maina (top left) dispenses medicine at her CFWshop in Kenya. The HealthStore Foundation gave her a microloan and training to start her own clinic, similar to the one above.



## MICRO-FRANCHISING FOR HEALTH

- Lend healthcare workers part of start-up costs
- Set up strict standards governing how franchises are run
- Thoroughly train every operator
- Conduct inspections to ensure quality and consistency

An attorney by training, Hillstrom joined forces with Eva Ombaka, a pharmacist from Tanzania who is a leader in the movement to develop rational drug use policies and practices. They designed the CFWshops franchise with specific healthcare and management policies and procedures, including detailed treatment guidelines, a drug formulary, and training materials. They also designed surprise inspections to guarantee compliance with franchise regulations.

The HealthStore Foundation operates two types of stores: drug outlets, which are owned by community healthcare workers and sell medicines and hygiene products; and clinics, which are operated by trained nurses and offer a range of medical services. One-third of the 65 CFWshops are outlets and two-thirds are medical clinics.

To recruit franchisees, HealthStore advertises in local papers, carefully selecting locations – usually market centers in agricultural areas with at least 5,000 people – to improve the chances of success. The HealthStore office in Nairobi processes and ranks the applications, and then invites the most qualified candidates to participate.

“We usually have at least twice as many interested candidates as we need each time we recruit people,” explains Charles Hart, HealthStore president. Although many African countries have shortages of medical staff, this is not the case in Kenya, where thousands of skilled healthcare workers are unemployed or underemployed. And so even when recruiting nurses to open the clinics, “there has never been a shortage of trained and interested nurses applying to HealthStore, because in general there are too few real opportunities available for educated individuals [in Kenya],” says Hart.

Franchisees must contribute \$300 of their own funding to open a CFWshop. When \$300 exceeds would-be franchisees’ personal resources, they may appeal to their community for support. Although contributing \$300 is no small challenge in a country with a per capita income of \$360 per year, making this initial contribution is a good indicator of franchisees’ commitment to their store’s success. HealthStore then lends to franchisees the rest of the start-up capital – about \$800 – which pays for most of the store’s initial stock.

Next, franchisees attend an intense monthlong training

session in which they master HealthStore procedures. While franchisees are busy learning, HealthStore staff travel to each new site and set up shop. Having HealthStore staff establish new stores helps to ensure a high level of consistency and strong brand recognition across sites. The staff also have a great deal of expertise about merchandise display, store layout, and stocking procedures.

Regular and surprise inspections encourage HealthStore franchisees to keep their operations up to par and often help anticipate problems while there is still time to correct them, avoiding costly mistakes. These inspections may also reveal failures to comply with rules and standards, at which time HealthStore can revoke franchisees’ right to operate.

## Why Microfinance?

Offering franchisees ownership is an essential piece of the HealthStore Foundation’s strategy. HealthStore could have maintained full ownership of its stores and simply hired locals to run them. Indeed, operating pharmaceutical outlets and clinics is tricky in poor countries, where electricity, clean water, and modern medical and business technologies are in short supply. But giving people ownership of their businesses, as well as the tools, relationships, and systems to help their businesses thrive, “transforms them into a powerful force for change,” says Hart. Too many organizations make the mistake of keeping power centralized, as opposed to empowering individuals, he continues. Ownership also motivates hard work. And in countries like Kenya where corruption is a significant issue, ownership ensures accountability and changes the incentives that drive bribery and fraud.

HealthStore could also have partnered with one of the more than 50 local microfinance institutions in Kenya and simply supplied low-cost pharmaceuticals to entrepreneurs. But the HealthStore Foundation wanted to give franchisees everything they needed to create a successful healthcare business – from the initial loan and management expertise to the drugs and medical products that they stock. “Simply making the right products available at the right time and at a reasonable price” is difficult for any entrepreneur, notes Hart. When franchisees tap into HealthStore’s knowledge base and distribution system, they are much more likely to succeed. Franchisees also enjoy significant buying power as a group.

The HealthStore Foundation’s turnkey model gives entrepreneurs and healthcare workers much-needed opportunities to start viable businesses. At the same time, the shops help the next generation of Kenyans – children just like Msimbi – gain access to the medicines and healthcare they need to survive and thrive. □