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Agenda

- Vision
- Context
- Business Model
- Tradeoffs
- Leadership Initiatives
The Entrepreneurial Solution for Defeating the Diseases of Poverty

- Reinvent village healthcare and micro retailing in the developing world,
- Through networks of franchised micro entrepreneurs,
- Who bring high quality products to poor consumers at significantly lower cost.
Nearly 20,000 people die every day in developing countries for want of basic medicines that cost less than a cup of coffee.

This list of diseases account for nearly 70% of childhood illness and death in Africa.

<table>
<thead>
<tr>
<th>Target Diseases</th>
<th>Yearly Deaths</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaria</td>
<td>1,300,000</td>
</tr>
<tr>
<td>Micro-nutrient Deficiency</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Diarrhea Diseases</td>
<td>1,800,000</td>
</tr>
<tr>
<td>Respiratory Infections</td>
<td>3,900,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>9,000,000</td>
</tr>
</tbody>
</table>
Avon Model Inspiration Design

LivingGoods

Partner
Branches (24)

brac

LG Direct
Branches (4)

Business in a Bag

CHPs (480)

CHPs (140)

Rural/Peri-Urban Markets
$0.50-$2.00/day

Products
The Living Goods Health Business in a Bag

- Branded Signage
- Whistle
- Training Certificate
- Branded Apron
- Branded Tee Shirt
- Price List
- Sales Register
- 2 Pocket Money Pouch
- Umbrella
- Medication Instructions Form
- Referral Form
- Locking Storage and Display
- Cell phone
- Measuring Tape
- Thermometer
- Breath Timer for ARI Diagnosis
- Visual Referral Guide
- Visual Dosage Guide
- Visual Training Tools on 17 Key Health Behaviors
- Shoulder Bag
Product Offering

Living Goods Products

- Water Filter
- Solar Lanterns
- Water Treatments
- ORS / Diarrhea Treatments
- Malaria Treatment
- Treated Bed Nets
- Fortified Foods + Vitamins
- Oral Contraceptive
- Condoms
- Clean Birth Kit
- De-worming
- Pain/Cold/Cough
- Antacid
- Anti Fungal
- Soaps
- Feminine Pads
- Tooth care
- Diapers

Vision | Context | Business Model | Tradeoff | Leadership Initiatives
Avon Model Inspiration Design

**Branding & Business Model**: Living Goods

- **Branches**: 24
- **CHPs**: 480
- **Rural/Peri-Urban Markets**: $0.50-$2.00/day

**Leadership & Initiatives**: LG Direct

- **Branches**: 4
- **CHPs**: 140

**Tradeoff & Cash Flow**: Business in a Bag, Products

**Lean Supply Chain & Information Loops**: Context

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**Vision**  
**Context**  
**Business Model**  
**Tradeoff**  
**Leadership Initiatives**
Value Proposition Model

Manufacturer (e.g. P&G)

National Distributor

Regional Distributor

Local Distributor

Rural Seller

Rural/Peri-Urban Markets

Manufacturer (e.g. P&G)

Living Goods

Branches (24)

CHPs (480)

LG Direct

Branches (4)

CHPs (140)

Vision

Context

Business Model

Tradeoff

Leadership Initiatives
Value Proposition Model

- Buying power
- Optimizes density of agents
- LG prices average 30% lower than market
- Products delivered directly to consumer
- Managing frequency of stock-outs, counterfeits
Cash Flow Model

Donor Capital ($1.6 m in 2009)

Living Goods

Branches (24)

CHPs ($75/mo.)

Rural/Peri-Urban Markets

LG Direct Branches

CHPs ($125/mo.)

Inventory Restock

Micro-financing

Sales

Micro-financing Vision Context Business Model Tradeoff Leadership Initiatives
Cash Flow Model

Simple Cash Flow Loop

- Donor Capital
  - Living Goods
    - CHPs ($75)
    - CHPs ($125)
  - brac Branches (24)
  - LG Direct Branches
    - Rural/Peri-Urban Markets

- CHPs retain 20% of sales
- Average monthly income $75/$125
- Targeting sustainability within five years
Information Loop

Quantitative monitoring of information is part of the model

LivingGoods

- Initial training covers market data collection
- 1 week review training/year
- Monthly coaching sessions

brac
Branches (24)

LG Direct Branches

CHPs

CHPs

Rural/Peri Urban Markets

Abdul Latif Jameel Poverty Action Lab

Vision Context Business Model Tradeoff Leadership Initiatives
Example Tradeoff: Adaptability vs. Uniformity

Adaptability
+ tailor to local needs
+ capturing niche markets
+ sense of franchise ownership
+ resilient to price fluctuations
+ learning/improving/experimenting

Uniformity
product quality control +
branding +
bulk purchasing power +
simplified/measurable standards +

Vision  Context  Business Model  Tradeoffs  Leadership Initiatives
Example Tradeoff: Independence vs. Partnership

**Independence**
+ operations management
+ identity
+ quality control

**Partnership**
using on existing infrastructure ("lean") + reduced overhead costs + distributed risk + potential to scale up +
Example Tradeoff: Prioritizing Goals

Empowering women

Delivering health care

\[ R_A + R_T + R_D = \text{Given resources (constrained)} \]
Actionable Suggestions

- **Monitoring/Regulation.** As LG expands, the ability to monitor CHPs may become more costly. Develop aligned incentives to ensure that CHPs cooperate with LG rules and standards.

- **Tracking Impact.** Develop quantitative metrics for measuring LG’s Avon-like operations model and efficiency, in addition to its health outcomes.

- **Refining Core Competencies.** As LG expands into other countries and work with other partners, it needs to decide on what operations can be outsourced, and what core competencies it would like to “own”.

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**Vision | Context | Business Model | Tradeoffs | Leadership Initiatives**


Appendix: Business Extensions

Growth through Business Extensions

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

- **Living Goods**
  - Healthy Living
  - Essential Health Products and Fast Moving Consumer Goods

- **Living Power**
  - Energy Solutions
  - Solar Lighting, Phone and Battery Charging, Human-Powered Chargers, Efficient Cook Stoves

- **Living Water**
  - Clean Water
  - Water Treatment, Filters, Water Storage, Water Vending, Village Water Solutions

- **Living Fields**
  - Small Holder Ag
  - Treadle Pumps, Micro-irrigation, High Yield Seeds, Fertilizer, Grain Storage
Appendix: Avon Video

- Avon Business Model – Andrea Jung
- SWIM video: 2:34 (towards end) start
- mitsloan.mit.edu
Appendix: Avon Video Notes

- Avon videos
- Video:
  - 00:20 to 1:21
    - Vast bond with women
    - earnings opportunity and social purpose to women
    - Independent earnings opportunity
    - largest economic engine in the world is the emerging market of women
  - 3:21 to 3:40
    - Earnings to support families, access health care and education and improves personal security
    - Extend earnings to society to build hope and spurring social progress
    - [http://www.youtube.com/watch?v=sLojyNBXtiA&feature=player_embedded](http://www.youtube.com/watch?v=sLojyNBXtiA&feature=player_embedded)!
A proven business-in-a-box system heavily supported with training, marketing and coaching

Low start up costs of just $100-$250 supported with simple low-cost financing, and

Flexible hours and lifestyle: Sellers can work on their own schedule and in their own communities.

“Independent earnings opportunity for women”

“Social purpose for women”

“Largest economic engine in the world is the emerging market of women”

“Women’s earnings are used to support families, access health care and education and improves personal security”

“Women’s earnings are used to build and spur social progress”
Appendix: LG-BRAC Partnership

2 Modes = 2 Opportunities = 2 Avenues for Growth

Living Goods’ operates in two modes in Uganda: A BRAC-Living Goods partnership and through its wholly owned and operated network.

**BRAC**
- The BRAC partnership leverages their existing branch network and deep health expertise and provides scale
- Launched Q1 2008
- CHPs selected from existing BRAC lending groups
- Using 24 branches out of 90
- 20 CHPs per branch
- 480 CHPs total
- Retail sales of $75/CHP/Month

**Living Goods**
- LG direct drives innovation in products, promotions, incentives and systems
- Launched Q3 2009
- CHP selection from community at large
- 4 branches and growing
- 35 CHPs per branch
- 140 CHPs total
- Retail sales of $127/CHP/Month
Appendix: LG’s Branches
Appendix: LG’s Money Flow

- 2009 program expenditure: US$1,600,000
- 2009 donor support: US$1,600,000
- Projected 2016 operation costs: US$1,720,367 (in 2009 dollars)
- Note that the projected figure for 2016 comes from a different source, and may not be consistent with the 2009 figures.