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FROM THE AMERICAN PEOPLE

Franchising: What we've learned and potential for the future

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August 6, 2010



Abt Associates Inc.

SHOPS is funded by U.S. Agency for International Development
and led by Abt Associates Inc. and includes five partners—

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Strengthening Health Outcomes
through the Private Sector

Learning Objectives:

- Understand the basic concepts around franchises
- Understand the benefits of social franchises and what has been achieved
- Become familiar with emerging commercial models in the field

Definitions

- Franchise: System by which a company (franchisor) grants to others (franchisee) the right and license to sell a product or a service within a specified area and to use the business system developed by the company (Chandani et al. 2006)
 - Product Franchising: Auto Dealerships, Gas Stations,
 - Business Franchising: McDonald's, Subway, Holiday Inn

Definitions (con't)

- **Social Franchise:** Adaptation of a commercial franchise but with the primary objective of delivering social goods and services.
 - Health Store CFW Shops (Kenya), Janani Surya Clinics (India)
- **Fractional Franchise:** Further adaptation of Social Franchise where only specific set of services is added to offerings of existing provider base.
 - Greenstar (Pakistan), Blue Star (MSI), Janani Titli Outlets (India)
- Increased interest since the '90s from a variety of donors, including USAID.

What are benefits of social franchising?

■ Benefits of the model:

- Organizes solo, disparate practitioners
- Ensures uniform services are offered in a broad market
- Provides platform for standardized training and supervision
- Economies of scale in commodity procurement, distribution, advertising and marketing
- Provides standardized, affordable prices

What have we learned?

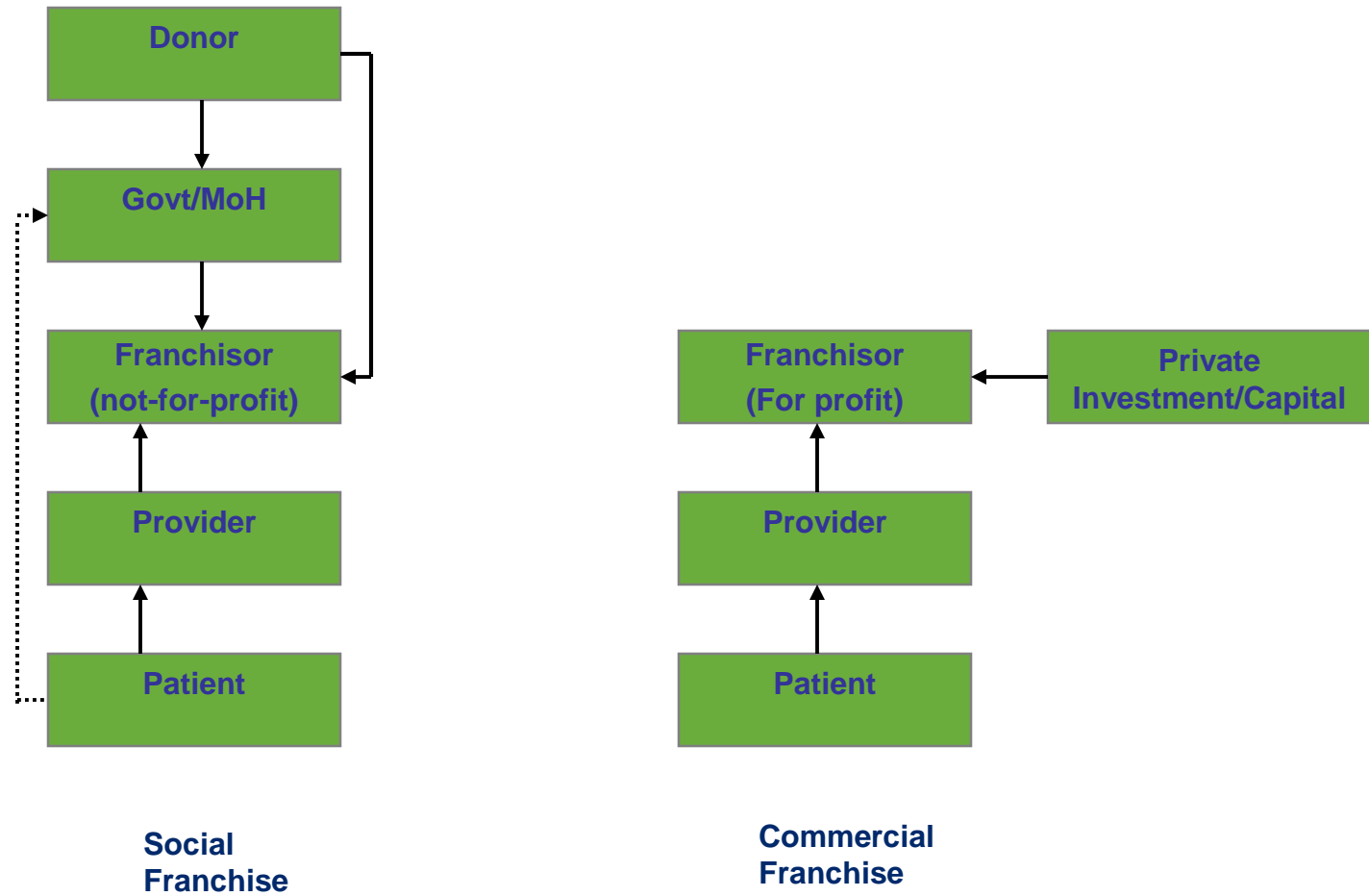
■ Published research suggests

- Social franchises can
 - > Improve FP service quality
 - Bishai et al. 2008. Harvard Health Policy Review
 - > Improve client satisfaction with FP services
 - Agha et al. 2007. Health Policy and Planning
 - > Be effective at reaching young adults with FP services
 - Decker and Montagu. 2007. J. of Adolescent Health
 - > Increase % using clinical FP methods
 - Hennink and Clements. 2005. Studies in Family Planning

■ But...

- Dependant on donor funding
- Very difficult to transition from non-profit to sustainable approach.
 - > No successful examples to date

Financing flows



Examples from the field: LifeSpring Maternity Hospitals (India)

- Growing chain of high- quality, low-cost maternity hospitals based in Hyderabad, India
 - Joint venture between Acumen Fund and HLL Lifecare Ltd.
- Unique model offering an alternative to resource-constrained government hospitals and higher-priced private hospitals
 - LifeSpring does not rely on outside grants
 - Each hospital is designed to be operationally profitable in 2 years
- Model Elements:
 - Specialized Services
 - Lease, not build
 - Task-shifting
 - High throughput
 - No frills



Example from the field: LifeSpring Maternity Hospitals (India)



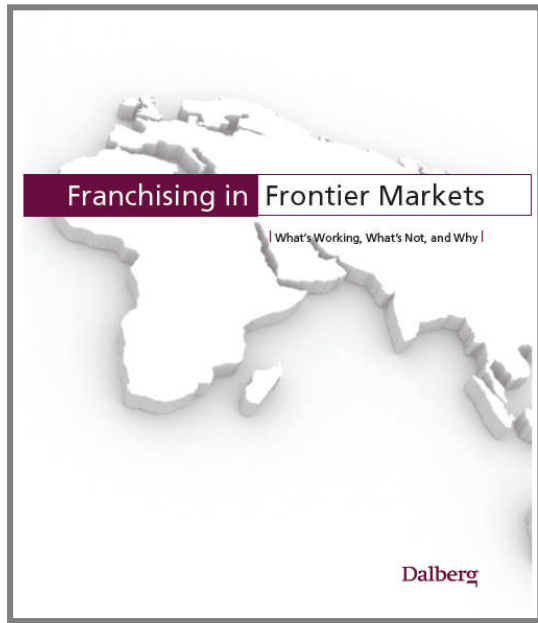
Example from the field: Live Well (Kenya)

- Commercial for profit business model
- Targets urban poor
- Outreach and health education extends to the slums
- High Volume, low cost approach
- SHOPS project providing technical assistance



What are potential areas for future investments?

Recommendations



- Support technical assistance to franchisees with a focus on business principles and management
 - Access to finance
- Support third-party payor systems that subsidize customers rather than the franchisee to align health outcomes and financial efficiency
 - Vouchers, micro-insurance schemes, etc..

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