Sub-Saharan Africa • Kenya

Child & Family Wellness Shops: A Model of Sustainable Health Care for the Most Vulnerable

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Sector • Health
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This case is an update of a 2005 study of Sustainable Healthcare Foundation entitled “What Works: HealthStore’s Franchise Approach to Healthcare- Harnessing the Profit Motive to Deliver Healthcare in Kenya” written by Michelle Fertig and Herc Tzaras for the World Resources Institute (WRI). Readers may refer to this case for a full description of the CFW’s business model. The purpose of this case is to provide updated information on the Sustainable Healthcare Foundation and to offer two additional profiles of nurse-entrepreneurs.

Summary

To prevent needless deaths and illnesses by sustainably improving access to essential medicines, an American lawyer and a Kenyan pharmacist founded the non-profit CFW Foundation in 1997. In the United States, the CFW Foundation was originally known as Sustainable Healthcare Enterprise Foundation (SHEF) but changed its name to the CFW Foundation in 2005 as part of an effort to simplify and consolidate its brand.

In Kenya, the Sustainable Healthcare Foundation is registered as the franchiser of for-profit Child and Family Wellness (CFW) micro-drugstores and clinics in Kenya. The Sustainable Healthcare Foundation operates similarly to a typical franchisor, selecting franchise owners (nurses and community health workers), providing a common brand and logistics network, offering professional development and training and enforcing compliance with rules and regulations through regular monitoring.

In 2000, The Sustainable Healthcare Foundation established the first CFW shops in Kenya to provide affordable care for common medical ailments such as malaria and diarrhea. Although similar drug dispensaries or clinics are available in many areas, there are still rural areas and urban slums that are significantly underserved. In addition, where other facilities do exist, there are many barriers to access such as an unreliable drug supply.

Each CFW franchise is run by an individual nurse or community health worker and offers a range of products and services. CFW clinics provide access to much needed healthcare, while generating enough revenue to pay their nurse-owners and staff competitive annual salaries.

Updates

As of December 2006, CFW shops have been in operation for six years and have 66 franchise outlets (comprised of 26 shops owned by nurses and 40 shops owned by Community Health Workers). The Foundation conducts its operations in the following districts of Kenya: Thika, Maragua, Embu, Kirinyaga, Bondo, Busia, Kisumu, Mbeere and Suba. These are categorized into three regions: western, central and Nairobi (see Appendix A for a breakdown of the

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number of clinics in each district). The western region office is located in Kisumu town, the central regional office is located in Embu town and the Nairobi region office is located at the Head Office in Nairobi.

In the first six months of 2006, Sustainable Healthcare Foundation clinics served 430,156 patients and with current trends continuing, the Foundation will have served over 800,000 poor people during 2006 (see Appendix B for more details on the number of patients and the types of illnesses that are treated).

For year 2005-2006, ending June 2006, the Foundation also sold 6,000 insecticide treated nets for malaria prevention (in collaboration with the Kenyan Ministry of Health), and visited 38 local schools in which 1,700 children were de-wormed and given primary dental care. In collaboration with businesses, the Sustainable Healthcare Foundation gave out soap during a hand washing campaign, toothpaste during an oral care campaign and water guards during a safe drinking water campaign, as well as providing public health education.

From its ongoing research and monitoring, the Sustainable Healthcare Foundation has also observed the following regarding the CFW franchises: 3

- Franchisees have strong links to their homes (i.e. they are more likely to open stores where they live)
- 80 percent of the clients are women and children and 20 percent are men
- Cash flow management is critical, franchisees need to have the discipline to manage the business and the skills to manage and reinvest in the business
- The outlet may have problems because of some cultural practices such as buying land when you get a little profit instead of reinvesting in the business
- The success of the franchisees is dependent on the number of hours they open their businesses; those who remained open until 10pm tended to do better than those open until 6pm

**Focus on Nurse-Owned CFW outlets**

The Sustainable Healthcare Foundation’s long-term strategy is to focus on recruiting nurses to run CFW shops and clinics, because nurses can legally sell and administer a greater number of drugs than community health workers. Nurses can also provide a wider range of services such as examinations and check-ups.

**Focus on Preventative Health Care**

Sustainable Healthcare Foundation would like to change community health seeking behavior, and the Foundation regards this as the driver for sustainability. They hope to change the Ministry of Health’s objective from that of curative to preventive healthcare in the long run; in the meantime, they encourage the community to become preventative health seekers. The Sustainable Healthcare Foundation collaborates with the Ministry of Health, Public Health

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Officers and local community based organizations (such as the Kibera Stakeholders Group, for example) in the process of fulfilling their mission.

**CFW Franchise Operator Profiles**

The Sustainable Healthcare Foundation continues to support its 66 franchise owners with quality drugs, start-up financing, ongoing professional development and links with the Ministry of Health outreach activities in their communities. Two of the CFW franchise owners, Dora Nyanja and Millicent Odhiambo, are working in the large slum area of Kibera.

Profiles of their franchises are given below:

**DORA NYANJA - KIBERA SLUMS SOWETO AREA**

Dora Nyanja is a nurse franchisee whose clinic is located in the Soweto area of Kenya’s second largest slum in Kibera, Nairobi. She is married with children and previously worked as a nurse for the government. A couple of years ago, Dora was finding it hard to make ends meet and was contemplating resigning from her job in order to pursue further studies in the hope that this would enable her to access a higher income. Then she heard about the CFW franchise clinics from a friend and decided to try it. Her clinic has been in operation since early 2006.

In the beginning, Dora had problems locating suitable premises, an exercise that took more than a year. When she eventually found suitable premises, she found that she could not spare Ksh 21,000/- (US$300) to pay the three months rent required to secure the premises. The rent for the premises was Ksh 7,000/- (US$100) per month, with three months rent required in advance, therefore Dora was unable to proceed until the Foundation gave her a soft loan of Ksh 21,000 to enable her to pay her rent. Dora named her clinic Senye Community Medical Clinic.

The first month was very encouraging; she was able to earn enough money to pay rent, pay for the medicines and pay her staff of one permanent employee and one part-time employee.

Dora makes approximately Ksh 70,000/- (US$1,000) per month, a good salary for Kenyan nurses. She attributes her success to several things, including: community outreach activities such as visiting women groups to teach them about topics such as water safety, child immunization, HIV/AIDS, etc. These outreach visits get her acquainted with the needs of the community while community members become aware of the services she offers. She also supports her patients’ businesses (for example, one of her clients is a hairdresser, and Dora patronizes her salon). This latter policy is particularly helpful to Dora.
because unlike most operators, she does not live in Kibera but commutes daily from the outskirts of Nairobi. Supporting local businesses has enabled her to gain acceptance in the Soweto area of Kibera slums.

Another policy that has contributed to Dora’s success is that of offering credit to the more deserving of her patients. Dora says that most of the poor people actually do pay their outstanding bills in good time for two reasons: first, they are very appreciative of treatment because they usually come for it when they are in dire need; and second, because they are aware that they will need treatment in the future, and they want to be able to access it. Unpaid bills would jeopardize this access.

Dora says that knowing the Sustainable Healthcare Foundation is behind her to lend support should she need any assistance gives her confidence to take risks. The hardest part of her job is when she has to treat people who have previously been treated by traditional healers and have been mismanaged. For example, some women who are attended by traditional birth attendants during or after delivery end up with very serious complications.

Dora says business is steady most of the year but picks up during the rainy and cold seasons. Because of the poor drainage in the slums, and the fact that the houses are not warm enough, a lot of people in the community fall sick, and her clinic becomes very busy. The most common ailments treated during these periods include malaria, pneumonia and tuberculosis.

Dora concludes that she is making a difference in the community. She has a reasonable income. She is fulfilled, and she has no regrets.

MILLICENT ALMA ODIHAMBO - CFW SHOP, RAILA AREA, KIBERA SLUMS

Like Dora, Millicent is a former government nurse with substantial experience. She also resigned her job due to the low pay and started a nursing clinic in Kibera, which she ran for three and a half years before she was forced to close down. On February 12, 2004, her clinic was demolished by the local administration on grounds that it was on a planned road bypass;
therefore, she had to close down. Later on that year, she went into partnership with the Sustainable Healthcare Foundation by opening the first CFW clinic in the Kibera slums.

The Foundation gave her a soft loan for electricity installation, drugs, furniture and renovations for the clinic. Before the partnership with the Foundation, Millicent made between Ksh 50,000 and 60,000 (US$710 and $850) per month. Since she joined CFW as a franchisee, Millicent now makes between Ksh 70,000 and 90,000 (US$1,000 and $1,280) a month. She opens her clinic from 8am until 10pm at night. She lives behind her clinic, which offers an advantage to her patients as they know that should they have an emergency during the night, they can come and seek medical help from her.

Millicent says since she became a CFW franchisee the community trusts her more than they did before. This is because prior to the partnership the clinic lacked some drugs but now she can provide a wider range cheap affordable high quality drugs. She also stocks hygiene products such as water guard (a water purifying treatment) and sanitary towels, which she could not source before. She goes on to say that the fact that her clinic is branded with the CFW shops’ logo gives the community more confidence in her because they say that if she was not fully qualified then the Foundation would not support her.

Millicent is very appreciative of the fact that Sustainable Healthcare Foundation organizes refresher courses such as palliative care, tuberculosis and HIV/AIDS care, new treatment on malaria, and more. All of these courses keep her in touch with what is currently going on in the healthcare sector. She feels that this gives her a big competitive advantage.

Through the Sustainable Healthcare Foundation, Millicent now has a good relationship with the Ministry of Health officials, and consequently, the local government Health Center has made her clinic a teaching and immunization site during various health campaigns such as polio vaccination campaigns. Previously, her relationship with the Ministry of Health officials was poor.

Before Millicent joined the CFW network, she was too busy for community outreach. Since this is a mandatory requirement, she is not only learning how to undertake community outreach but also broadening her client reach.
Millicent faces many challenges in her clinic but she is confident that she can cope with the help of the Foundation. A case in point is when, in July 2006, some influential people tried to evict her from the land on which her clinic is built on the grounds that they owned it. Prior to her alliance with CFW, Millicent says she would have had no choice but to do as she was told. Fortunately, her situation was now different, and so she called on the Sustainable Healthcare Foundation, and they came to assist her with the local administration, the police and other relevant officials. The influential people were scared away and retreated, claiming that it had all been a misunderstanding.

Yet another challenge is coping with the large number of visitors who come to her clinic, including representatives from donors, CFW officials, Ministry of Health officials and even a few members of the community who think that they should be treated and given drugs for free and appear not seem to understand that she is running a business.

Millicent often treats patients on credit because a lot of them are jobless and can’t pay. Often when poor people are referred to a government hospital they do not go, because they don’t have the bus fare to get there and such facilities can be intimidating. Sometimes people die for such reasons; therefore, she is sympathetic to the majority of the people who seek treatment on credit. Like Dora, she says that most of those treated on credit do pay. In her experience, a human touch is important. People trust her more, because she treats them when they are at their most vulnerable, trusting that they will come and pay her when they are able. She says the majority of them pay in installments, but they do pay all their bills.

On a personal level, the Sustainable Healthcare Foundation has brought Millicent into contact with a lot of donors and visitors, which has increased her confidence. She is often called to speak in meetings about taking risks in business and now does so without nervousness. She has also been able to take her family for the first time in their lives for a vacation in Mombasa, Kenya. The success of her business has enabled her to put a deposit on a house she wants to buy, and she is also in the process of buying a car. She also wants to expand her clinic. CFW has enabled her to educate her four year old son in a very good private school.

Impact on Development

From the research for this case, and the findings of the WRI case, we can summarize the impacts on development as follows:
IMPROVED HEALTH CARE FOR THE POOR
CFW shops and clinics enable the poorest people to access quality pharmaceuticals, healthcare and health education. CFW have greater access to the communities that need drugs and health services, since they are owned and operated by local entrepreneurs. Such access to preventive healthcare and medical treatment enhances the quality of life of the poor and helps them to lead economically productive lives. The Sustainable Healthcare Foundation is working with academic institutions to scientifically measure the impact of CFW on health outcomes in their neighbourhoods.

CFW locations alleviate significant barriers to healthcare and drug access such as distance, price, product quality, diagnostic quality and consistency of supply. CFW locations play an important role even when there are government dispensaries providing medication targeting the same illnesses for free, since these dispensaries are often out of stock or more than an hour’s walk from underserved communities.

MALARIA CONTROL
The CFW franchises carry out a number of activities that directly target the control and prevention of malaria. Each franchise sells insecticide-treated mosquito bed nets. At the same time, franchisees are required to carry out community education and outreach activities to promote the use of the bed nets. The use of insecticide-treated bed nets is one of three overarching strategies for preventing and treating malaria recommended by the World Health Organization.4

LIVELIHOODS FOR CFW FRANCHISEES
CFW shops generate a competitive income for their owners, while addressing the needs for healthcare in underserved communities. Community Health Workers earn an average annual income of US$200 to $400, while nurses earn an average annual income of US$1000 to $1400 with variance based on individual franchise sales. Community Health Workers would typically earn about US$300 per month in the open market (due to their limited professional qualifications) and government-employed nurses earn an average of US$400 per month. CFW offers dedicated management support, and international fundraising efforts to support the franchiser, which helps the franchises to turn a profit.

Owning a CFW clinic is an attractive career option for Kenya’s educated nurses and health workers, counterbalancing the strong economic incentive for immigration to developed countries, where salaries can reach fifty to sixty times those offered by Kenyan public hospitals. CFW clinics offer nurses the potential to earn a safe, comfortable salary while serving their communities, helping to reverse the trend of the “brain drain” plaguing Africa. A significant percentage of African nurses (including Kenyan nurses) migrate to other countries in order to advance their careers with experience in more efficient health systems, higher salaries, lower occupational risk (i.e. Kenyan hospitals typically offer low levels of protective

4 The other two are effective management for malaria illness and intermittent preventative treatment for pregnant women living in areas of moderate to high transmission.
equipment) and enhanced Social Security benefits. Yet, many of these nurses would prefer to pursue a nursing career in Kenya for family and personal reasons. CFW clinics offer an alternative for nurses, because owning a franchise provides career advancement, a sustainable income, fewer occupational risks and job satisfaction.

CAPACITY BUILDING AND PROFESSIONAL DEVELOPMENT
CFW business and clinical training and ongoing professional development opportunities helps franchisees keep their medical knowledge up-to-date while equipping them with the skills to run their business efficiently and profitably.

IMPROVING THE HEALTH CARE MARKETPLACE
When a CFW shop opens in an area, existing local competitors face pressure to improve service, prices and availability and quality of drugs to compete.

Innovations
In many ways, the main innovation of the Sustainable Healthcare Foundation micro-franchise business model is that it is effective in providing access to affordable quality drugs and accessible basic healthcare to low-income and marginalized people in slums and rural areas. The micro-franchise model harnesses the entrepreneurial spirit of individual nurse-owners (and community health worker-owners) to provide service to poor clients while making a better income than they would make at a government hospital. The non-profit Sustainable Healthcare Foundation supports the franchisees with start-up financing, training, quality drugs and other support in case of problems. The Foundation also takes charge of all the regulatory work that results from the establishment of the franchises, including obtaining government’s approval for the opening of new clinics and contributing to build strong relationships with the Ministry of Health. Community outreach is encouraged and helps community members learn about the services offered by the CFW shops and clinics and helps franchise owners provide a public service and learn about the needs of the community.

Challenges and Lessons Learned
The CFW franchise system has faced the usual challenges of growth, including monitoring and evaluation, procurement of drugs and other medical supplies, human capacity of franchisees and management.

As the number of franchises has increased, the challenge of maintaining standards has similarly increased. From time to time, it has been necessary to close some outlets due to non-compliance. The Sustainable Healthcare Foundation has addressed the issue of capacity of franchisees by gradually replacing community health workers with registered nurses. However, scaling up to 400 clinics in Kenya may present additional challenges in terms of finding enough qualified nurses with sufficient experience.

CFW favours locations where access to healthcare was previously limited or non-existent. However, these areas have lower anticipated patient volumes than areas of higher populations where competition and access to healthcare already exists.

When the CFW shops first opened, the Sustainable Healthcare Foundation collected its franchise fee as a percentage of total sales. They soon discovered widespread under-reporting of sales among franchisees, as the incentive to under-report exceeded the risk of getting caught. As a result, the Sustainable Healthcare Foundation now builds a five percent franchise fee into the wholesale price of drugs provided to each shop.

**Conclusion: Scalability & Replicability**

The Sustainable Healthcare Foundation’s micro-franchise model holds great potential for scalability within Kenya and replication in other developing countries.

The Sustainable Healthcare Foundation’s franchise model creates incentives for nurse-owners to provide a high-quality of care to their clients, as well as educational outreach to the local communities. The micro-franchise model could also be replicated in other sectors beyond healthcare for providing affordable goods and services to low-income people, thus positively transforming local economies.

Within Kenya, the Sustainable Healthcare Foundation has drawn up plans to scale up its network to over 200 locations serving 1.5 million patients per year before 2010 and is looking at further expansion to 400 shops in the medium-term. It is also looking at offering additional services such as micro-insurance health plans.

Building on the success of its franchise model in Kenya, the HealthStore Foundation has been approached by experienced local business leaders in Ghana and India to replicate the micro-franchise CFW model in their countries. The HealthStore Foundation is developing a master franchise package (following the model of other franchise operations) to allow business leaders in other countries to launch franchise networks in their own countries throughout the developing world.
References


Interviews


Appendix A: Summary Statistics for All CFW Locations

<table>
<thead>
<tr>
<th></th>
<th>Year 2004</th>
<th>Year 2005</th>
<th>Year 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clinics and Shops Open</td>
<td>68</td>
<td>63</td>
<td>66</td>
</tr>
<tr>
<td>Patient visits</td>
<td>177,670</td>
<td>446,956</td>
<td>470,000</td>
</tr>
<tr>
<td>Patient Treatments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malaria</td>
<td>32,714</td>
<td>63,948</td>
<td>53,331</td>
</tr>
<tr>
<td>Respiratory Infection</td>
<td>45,824</td>
<td>84,980</td>
<td>77,763</td>
</tr>
<tr>
<td>Worms</td>
<td>17,544</td>
<td>31,944</td>
<td>40,033</td>
</tr>
<tr>
<td>Diarrheal Disease</td>
<td>16,115</td>
<td>33,244</td>
<td>18,064</td>
</tr>
<tr>
<td>Bed Nets Sold</td>
<td>2,203</td>
<td>20,475</td>
<td>14,542</td>
</tr>
<tr>
<td>All Other</td>
<td>71,637</td>
<td>169,910</td>
<td>145,305</td>
</tr>
<tr>
<td>Total Patient Treatments</td>
<td>186,037</td>
<td>404,501</td>
<td>349,018</td>
</tr>
</tbody>
</table>

Source: www.cfwshops.org

Appendix B: Current Number of Outlets by District and Type

The Sustainable Healthcare Foundation has 66 outlets running currently in 11 districts as per the following breakdown:

<table>
<thead>
<tr>
<th>District in Kenya</th>
<th>No. of Outlets</th>
<th>No. with CHWs (CFW Shops)</th>
<th>No. with Nurses (CFW Clinics)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Embu</td>
<td>18</td>
<td>5</td>
<td>13</td>
</tr>
<tr>
<td>Thika</td>
<td>5</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Maragua</td>
<td>2</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Kirinyaga</td>
<td>20</td>
<td>13</td>
<td>7</td>
</tr>
<tr>
<td>Mbeere</td>
<td>7</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Bondo</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Busia</td>
<td>5</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Suba</td>
<td>4</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Kisumu</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Migori</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Kibera</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>66</td>
<td>40</td>
<td>26</td>
</tr>
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Appendix C:
HealthStore Foundation Annual Revenues and Expenses

<table>
<thead>
<tr>
<th></th>
<th>2004 actual</th>
<th>2005 actual</th>
<th>2006 (est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds Required</td>
<td>507.4</td>
<td>958.7</td>
<td>1,053.3</td>
</tr>
<tr>
<td>Total US Operating Costs</td>
<td>(57.4)</td>
<td>(231.5)</td>
<td>(220.0)</td>
</tr>
<tr>
<td>Total Other Income</td>
<td>(21.1)</td>
<td>38.4</td>
<td>(13.3)</td>
</tr>
<tr>
<td>Net Available for Program Spending</td>
<td>428.9</td>
<td>765.6</td>
<td>820.0</td>
</tr>
<tr>
<td>Total Program Spending (Kenya)</td>
<td>(284.9)</td>
<td>(315.5)</td>
<td>(820.0)</td>
</tr>
<tr>
<td>Surplus (Net Income)</td>
<td>144.0</td>
<td>450.1</td>
<td>0.0</td>
</tr>
</tbody>
</table>

HealthStore Foundation donors include the Oswald family, USAID, the Bill and Melinda Gates Foundation, the Rockefeller Foundation and others.
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The information presented in this case study has been reviewed and signed-off by the company to ensure its accuracy. The views expressed in the case study are the ones of the author and do not necessarily reflect those of the UN, UNDP or their Member States.

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