Tiendas de la Salud:
Health kiosks in rural Guatemala offer women owners stable income and communities crucial medicine at affordable prices

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“Very few companies here... have taken the risk to work in the social impact sector. This is consistent with our company’s social responsibility philosophy, and we expect it to be profitable.”
- Claudia Luna, General Manager at Farmacias de la Comunidad leading the TISA initiative

Rural Guatemalans face numerous challenges, not the least of which is poor access to health services. Despite making progress following 36 years of civil war, 54% of Guatemalans still live in poverty and many rural communities continue to lack access to adequate health care. Difficult terrain and low indigenous political representation leaves these communities both physically and socially isolated. Often, the only available options are unreliable health clinics or traditional healers.

Farmacias de la Comunidad, Guatemala's largest pharmacy chain, has responded with an innovative program to improve rural access to modern pharmaceutical products. The Tiendas de la Salud (TISA) venture uses a micro-franchising business model to establish rural health shops that sell inexpensive, quality medicines. By adopting the TISA venture, which was piloted by Mercy Corps and the Linked Foundation, Farmacias has a real opportunity to create shared value by linking profit with social progress.

The business model

Farmacias and Mercy Corps have leveraged existing resources to support Tienda franchises. Each franchise is owned and operated by entrepreneurs from the local community. Tienda owners resupply from the nearest Farmacias store, where they buy generic drugs manufactured by Industrias Bioquimicas, SA in Guatemala City. They receive support from Field Technicians managed by Farmacias, who provide medical information (including basics like uses and dosages) and business training. For financing, they can turn to Banrural, which offers them 18-month loans at 12% interest. Shops typically take about US$733 in loans, which covers their initial inventory stock and represents most of the average $803 in required start-up capital. Mercy Corps maintains an important role as well, allowing

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1 Quote from article by Leigh Morgan at bamboofinance.com
Farmacias to leveraging the NGO’s reputation and contextual knowledge as the venture expands into new areas.

As of February 2013, there were 46 Tiendas in place, each selling approximately 60 different medicines, in addition to other health products. Strong community networks and autonomy in running their businesses mean that franchise owners are responsive to local health needs. In fact, the top-selling medicines, including drugs to treat upper respiratory infection, pain and diarrhea, are among the most needed in the communities.

Financial gain across the supply chain

At the community level, Tiendas are an opportunity for entrepreneurs to earn an income while extending the pharmaceutical supply chain into rural areas. The financial benefits fall to both franchise owners and rural consumers, who now have convenient access to inexpensive and quality medicines. Tiendas are also allowed to sell certain non-pharmaceutical health products, which adds to their appeal and to their profitability. During the pilot, the small shops averaged about $160-190 in monthly sales and $47 in monthly profit, though this varies both seasonally and by shop. Although Farmacias does not collect shop-level data, all signs point to the stores’ continued profitability.

Farmacias de la Comunidad also sees the TISA venture as a way of attracting new customers. The franchises extend the company’s supply chain and brand recognition into rural areas, providing a valuable foothold and an early advantage over competitors. Claudia Luna, who heads the TISA venture for Farmacias, estimates that the project will break even once they establish 100 stores. Currently, TISA is on track to reach this milestone by mid-2013.

Social impact
The main benefit of TISA boils down to one word: access. By making 60 types of quality medications more convenient and less expensive to access, Tiendas promises to expand the range of health care options available to rural Guatemalans. As for-profit ventures, these small shops have the potential to become self-sustaining, unlike other health care solutions that rely entirely on donor funding. Sustainable access to medicine will allow the rural poor to address critical, treatable health conditions.

Another, less obvious benefit concerns information. Franchise owners can increase their knowledge of health care and treatments through training, field technician visits, product manuals and a pharmacist hotline. In addition, because most owners are well connected to their communities, Tiendas can serve as a communication channel between rural populations and health care providers.

However, TISA’s impact is not limited to health care alone. Nearly one-third of all franchises are owned by women, while others are co-owned by husband-wife teams. Owning a franchise offers women an opportunity to become leaders in their communities. They are trusted, respected hubs of information.

Challenges and opportunities

The Tiendas concept, like any innovative venture, faces numerous challenges. So far, the greatest is ensuring that field technicians are given the right incentives. Technicians receive a basic salary from Farmacias, in addition to a commission on sales to the Tiendas. However, their support for the rural shops has so far proved inadequate. Also, since shop-level data is no longer collected, it is difficult to know which products are driving sales. Furthermore, a new requirement that all Banrural loans be co-signed has prevented some rural entrepreneurs from opening kiosks.

However, the Tiendas de la Salud venture holds the potential to build on its “shared value” model. Serving as hubs for community health care, Tiendas can deliver financial products in addition to physical goods. While offering health insurance is not considered viable at this point, Farmacias is exploring the introduction of funeral insurance, which could pave the way for other types of insurance. The Tiendas could also serve as a platform for other services such as money transfers and airtime top ups. Banrural is already testing various bill pay services for franchise owners.

Last but not least, rural Guatemala represents a large and relatively untapped market for health services, including affordable medicines. Given rural demand, Farmacias believes that it can expand its network to 2,500 outlets countrywide. As Farmacias continues to adapt and perfect the Tiendas model, it will generate valuable lessons for how best to extend medicine and basic health information in Guatemala and beyond.