

Selling water to the global poor

Entrepreneur and lawyer Kevin McGovern has founded 15 companies. Some are household names, like Sobe Beverages, which he sold to PepsiCo for a reported \$370 million in 2000. Others are quieter money-makers, like Tristrata, which owns 150 patents related to alpha hydroxy acids, a key ingredient in skin care products.

None, he predicts, will have the impact of his newest venture, a startup called The Water Initiative that aims to help solve the world's water crisis by treating contaminated water at the point of use. It's a simple idea—sell equipment that will purify water to local distributors in poor communities around the world.

McGovern and his company are operating in a couple of cities in Mexico, selling water purifiers for about \$150 each to distributors who then lease them to families for about \$3 a week. "It's franchise model, a multi-level marketing approach," he says. The Mexican government recently asked him to expand the business nationally.

While the company is small, McGovern has lined up some big-name supporters. Producer-musician Quincy Jones is honorary chairman of The Water Initiative. Indian business mogul Ratan Tata is an investor and adviser. So is Cornell University professor Stuart Hart, a pioneering thinker about business and sustainability and co-author, with C.K. Prahalad, of the 2002 article "The Fortune at the Bottom of the Pyramid," which provided the first articulation of how business could profitably serve the needs of the four billion poor in the developing world.

The Water Initiative is a classic bottom-of-the-pyramid (BOP) business. To give it a chance to succeed, McGovern is relying on the insights of customers to help develop products, a business model and distribution network.

"People can solve their own problems," McGovern says. "Talk to those who are affected. Listen to them, engage with them, co-create with them. That's what The Water Initiative is about."

"We call ourselves pro bono capitalists," he says. "We're doing good, and we're going to make a lot of money."

I first heard Kevin McGovern speak last fall during the Net Impact conference at Cornell University, which he entered as a scholarship student from Queens and left as a devoted alumni. He's now a member of the Board of Trustees and a lecturer at the Johnson School of Business. We sat down a few months later in Washington, where he explained the origins of The Water Initiative. Part of his impetus was business, part was personal, he explained.

McGovern, it turns out, has been the business of water for more than 20 years. He was a founder of a small company called KX Industries, which developed technology for both the PUR water filter, which is now owned by Procter & Gamble, and an end-of-tap water filter for Brita, which is now a unit of Clorox. So he understands clean-water technology, and has come to believe that point-of-use solutions, as opposed to massive investment in infrastructure, are the best way to deliver clean drinking water to the poor.

"It's to the people, through the people and for the people," he says. "The only long-term answer to the problem of water is a distributed network to every home."

The alternative, he said, are costly water treatment plants, where most of the expense goes to make water safe for drinking and cooking, but only about 2 percent of the water that's pushed through the system is actually used for those purposes. That's inefficient.

Marc Gunther

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His personal reason for starting the business emerged several years ago after McGovern had hip replacement surgery, which immobilized him for eight weeks and gave him plenty of time to think. He told me: “I said to myself, if the funeral was tomorrow, what do I want to be known for? Do I want to be known for my children? Yes. Do I want to be known for Cornell? Yes. But I felt I really had to do something to impact the world.” More people die of water-borne diseases than all communicable diseases combined, he found.

“I determined to put together the equivalent of an Apollo project for water,” he said.

Sure, it sounds a little grandiose, but all successful entrepreneurs start with a big idea. And a key element to his approach is learning as much as possible from not only so-called experts but from the people he is hoping to serve.

“We have to build trust in the communities where we want to operate,” he explained. “The name of our game is not technology. The name of our game is distribution through a trusted system.” TWI has put together a protocol that it uses to roll out its network—you can find a summary of the company’s eight step process here.

While the notion that clean water is a human right has obvious appeal, McGovern made The Water Initiative a for-profit business to create economic incentives for people to buy and maintain the units, replace the filters and take a sense of ownership over the problem. He hopes to create thousands of micro-entrepreneurs all over the world.

“We can make a lot of money and we can create a lot of change,” he says.

I’m delighted that Kevin will be speaking next week at FORTUNE’s Brainstorm Green conference on business and the environment. Here’s a link to an excellent video explaining The Water Initiative.

And here’s a video of Kevin, from the 2009 Clinton Global Initiative, talking with envisiongood.tv about The Water Initiative: