Last Mile Distribution
State of the sector update 2022
About the Global Distributors Collective

The Global Distributors Collective (GDC) is a collective of over 150 last mile distributors around the world. Members operate across more than 50 countries, selling beneficial products such as solar lights, improved cooking solutions and water filters. The GDC is dedicated to supporting and representing its members to help them reach underserved customers, and to developing the last mile distribution (LMD) sector as a whole. The GDC is hosted by Practical Action alongside strategic and implementing partners Hystra and Bopinc.

For more information about the GDC please visit www.globaldistributorscollective.org or email GDC@practicalaction.org.uk

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Executive summary

Last mile distributors (LMDs) play a crucial role in driving demand for and delivering beneficial products to the hardest-to-reach customers. In 2019, the Global Distributors Collective’s Last Mile Distribution: State of the sector report provided the very first overview of the LMD sector, LMD’s business models, impact and the challenges they face. Much has changed since then, not least due to the Covid-19 pandemic. At the same time, the GDC’s understanding of the LMD sector has significantly deepened. The GDC’s now more than 150 members have together reached more than 34 million people. They have consistently and openly shared their experience, data and wisdom since the GDC launched in 2018, giving rich insights into successes, challenges and innovations in the sector. This report would not be possible without them.

This update provides an overview of how the LMD sector has evolved since 2019, and what the future looks like for LMDs. Firstly, it reflects on the GDC membership profile, progress and impact of members, based on data from 132 members surveyed in 2022. It finds that overall the sector seems to be growing and achieving higher levels of impact, in spite of Covid-19 and despite LMDs facing largely the same challenges in 2022 as they did in 2019, in particular access to finance. There has been some churn among young, small companies, but less than expected and LMDs are demonstrating a clear interest in accelerating gender inclusivity.

Two broad LMD ‘archetypes’ are introduced to better characterise their paths to sustainability: ‘Local livelihood’ LMDs who train and support village-level entrepreneurs to become sales-points for a suite of beneficial products; and ‘Dedicated Salesforce’ LMDs who work with dedicated sales agents who sell a small product range to a large number of customers over a wider geographical area.

Secondly, it reveals four major trends in the LMD sector observed from data and insights drawn from the GDC membership and beyond:

Trend 1: Access to finance

Despite this remaining a key barrier for LMDs, more fit-for-purpose solutions are emerging. Almost two-thirds of members have raised at least one kind of funding since 2019. There is a growth in the number of funders – providing all types of capital - exploring how to support models of growth beyond geographic scale. Digitalisation has led to new opportunities to use data to reduce transaction costs, offer smaller ticket sizes, and invest in smaller LMDs. Crowdfunding is an increasingly important source of funding for LMDs and the most common form of debt for GDC members. There is also growth in the number of models that bundle equity with technical assistance, or build investment-readiness capacity. Yet carbon-finance, results-based financing and local finance remain under-exploited.

Recommendations:

Associations can convene funders to share market intelligence and collaborate. Investors and donors can make results-based financing more inclusive for LMDs and leverage data-driven approaches to investment, and donors can focus on de-risking crowdfunding platforms and supporting advisory services for LMDs.

Trend 2: Digitalisation

Digitalisation has been the most dramatic shift in the sector since 2019, accelerated by Covid-19. There has been an explosion of increasingly sophisticated digital solutions that LMDs are leveraging to digitalise business functions. Particular highlights include the rise of assisted e-commerce; digital marketing; online field staff training; and digital after-sales service. This is creating efficiencies and unlocking new opportunities to leverage data, although in-person activity remains key for LMDs.
Recommendations:

LMDs can actively explore digitalisation. Digital Service Providers can explore different pricing models to improve affordability; be transparent about costs; and improve interoperability. Donors and investors can support the development and tailoring of digital solutions for LMDs, and help increase the affordability of specialised software brokers.

Trend 3: Product diversification

LMDs seem to have found their ideal number of product categories, and are expected to continue to diversify within the categories they already sell, rather than moving into new categories. There has been high growth in the number of LMDs selling productive use technologies, although this has not been straightforward due to the complexity of these products. Across product categories, after-sales support and quality assurance are proving more important than ever, though challenges remain in sourcing affordable quality products.

Recommendations:

LMDs should exercise caution when expanding into new product categories. Suppliers and donors can help LMDs build their capabilities to sell complex products through technical assistance. Associations and suppliers can strive to make product testing data open and available, and support LMDs to conduct field-testing of new products with co-funding from donors.

Trend 4: Consumer financing

More LMDs are providing consumer financing, though often reluctantly, and this trend is expected to continue with increasing adoption of PAYGO software. However, this is the second biggest challenge identified by LMDs after access to finance, likely because it makes managing working capital, particularly receivables, significantly harder. LMDs are becoming more sophisticated in how they manage credit risk, but overall consumer financing in the LMD sector has a long way to go and more data is needed.

Recommendations:

LMDs can focus on embedding risk management and smart use of working capital into core business. Donors and investors can do more to help LMDs build their credit risk and working capital management capabilities, and explore new ways to finance working capital for accounts receivables. Donors can fund further research into best practices in consumer financing.

Conclusion

At the heart of the findings of this update is that the last mile distribution sector is impactful, resilient and increasingly professional. LMDs are growing in the face of challenges and a global pandemic; are efficient in how they use capital; and remain focused on serving low-income and remote customers with a greater variety of beneficial products and a stronger focus on quality and after-sales service. This is evidence of the vast potential impact at the last mile if LMDs can be supported to build on their successes and ride the wave of digitalisation. Key to unlocking this potential is access to the right kind of finance at the right time. It will also depend on the capacity of the sector as a whole to learn from LMDs’ experiences and accelerate growth and impact.