



**How is the last mile
distribution sector
adapting and innovating
following COVID-19?**

Insights from the Global Distributors Collective and CDC Group

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Executive Summary

Last mile distributors (LMDs) play a crucial role enabling low-income customers, particularly in rural areas, to gain access to beneficial products such as solar lights, cookstoves and water purifiers. COVID-19 presented LMDs with significant challenges including supply chain disruption, shifts in consumer demand, increased credit risk and reduced ability to engage in person with customers, agents, retailers and staff. The Last Mile Distribution Peer Learning and Advisory Project was commissioned by CDC Plus, CDC Group's technical assistance facility, as part of its response to support businesses better serve underserved customers in emerging markets during the COVID pandemic. Implemented by the Global Distributors Collective (GDC), the project was designed to help businesses in the LMD sector to adapt, improve their resilience and accelerate their recovery.

The GDC team interviewed 23 CDC investees and GDC members, mainly operating in the energy, agriculture, health, water, e-commerce and fast-moving consumer goods (FMCG) sectors. Based on these interviews as well as desk research, four priority topics were identified and four peer learning workshops were held. The challenges, innovations and suggested solutions to explore in each topic area are briefly outlined below. More information and examples can be found in the full report.

Smart Use of Working Capital

The Challenge: Companies faced supply chain disruption, shifts in consumer demand, and increased credit risk, making efficient use of working capital challenging.

The Innovations: Companies diversified their products and suppliers, and reviewed stock

management processes to reduce the amount of time working capital was tied up in stock. Others set up ways for customers to order in advance to reduce their time to cash, and developed incentive schemes to encourage timely repayment of loans.

Solutions to Explore: Companies are encouraged to undertake diagnostics to understand how working capital is used within their business and where bottlenecks are occurring. They can benchmark themselves against their peers, and use a range of analysis methodologies and metrics to do so. They can then identify and adopt the most promising new business practices to enhance use of working capital, using a lean approach.

Digitising Customer Relations

The Challenge: Lockdowns and social distancing made it difficult to engage with customers in person, and to physically distribute products.

The Innovations: Companies adopted a range of in-house and third-party digital ordering and payment solutions, as well as new digital marketing strategies. Ordering solutions include distribution and supplier management software, as well as white label e-commerce platforms such as Shopify. Payment solutions include mobile wallet apps, point of sale solutions such as debit cards, and fintech solutions that enable companies to take payment through a range of channels. Effective digital marketing campaigns targeting low income customers involve integrated online and offline interventions, as well as the use of data-driven social media campaigns that target customers based on their locations and online behaviour.

Solutions to Explore: Companies are encouraged to assess the digital maturity of their retailers, agents and customers, before deciding whether to build

something in-house or off-the shelf, depending on their budget and functionality needs. They need to choose ordering and payment solutions that meet both current and future needs, and develop a strategy to drive adoption. When designing digital marketing strategies, they are encouraged to: leverage trusted networks; digitize loyalty programmes; incentivise referrals; target marketing messages locally; and use familiar platforms wherever possible.

Remote Field Team Management

The Challenge: Lockdowns and social distancing prevented field teams from being able to move around to meet customers, make sales and deliver products, putting incomes of commission-based staff at risk. Teams were also no longer able to work together face to face.

The Innovations: Companies focused on frequent communication, to share health information and provide reassurance regarding job security. Many took steps to improve field team financial security through relief funds, or temporarily paying salaries to staff paid on commission. Several launched new in-house or third-party digital field team training programmes. Companies were able to effectively manage field teams remotely by setting clear output-based KPIs, using software to track activity, and holding frequent check-ins with managers.

Solutions to Explore: Companies are encouraged to consult with their field team, management and other stakeholders regarding how they communicate, manage their work, and deliver training. Smaller companies are encouraged to leverage low-cost 'consumer' platforms like WhatsApp, Facebook and Zoom, whilst larger or more complex organisations are more likely to need dedicated or customised solutions. Once suitable platforms have been identified, companies should evaluate them against a range of criteria and test them with some of their agents before full-scale adoption.

Partnerships for Growth: Multinational Corporations (MNCs) and E-Commerce Platforms

The Challenge: Faced with higher risks and uncertainties as a result of COVID-19, companies have sought partnerships to reduce costs, enter new geographies and expand product categories, without having to make significant upfront investments.

The Innovations: Companies are working with MNCs mainly in the FMCG, food, telecoms, energy and financial services sectors. These partnerships involve companies selling MNCs' products, or MNCs selling products made by smaller companies. In some cases the MNC provides financial or technical support, usually through a dedicated programme subsidised by an aid agency or foundation. Conventional e-commerce partnerships for sales, ordering, payment and delivery can be effective, but only if a company's customers are already using the internet, social media and digital payments. If customers are not yet online, LMDs can still explore assisted e-commerce models in which agents and retailers use an app to manage sales, ordering, payments and/or after-sales service on behalf of customers.

Recommendations: Companies should carefully evaluate partnership opportunities before investing too much time in developing them. Both parties need to be convinced that the benefits outweigh the costs, and that the chance of success justifies the upfront investment. Trust, as well as alignment of culture/values, is crucial. Companies are encouraged to start small and pilot partnerships in order to demonstrate their potential before scaling up, and to plan for failure so that if the partnership does not work out, it can be easily brought to an end.

About CDC Plus

CDC Group is the UK's impact investor with over 70 years of experience of successfully supporting the sustainable, long term growth of businesses in South Asia and Africa. CDC Plus, CDC's technical assistance facility, launched the Business Response Facility to support businesses adapt and respond to the COVID-19 pandemic to better meet the basic needs of underserved groups. The Facility has supported over 69 projects including the partnership with GDC to support last mile distributors.

About the Global Distributors Collective

The GDC is a collective of over 200 last mile distributors around the world. Members operate across more than 50 countries, selling beneficial products such as solar lights, improved cookstoves and water filters. The GDC is dedicated to supporting and representing its members to help them reach unserved customers, and to developing the last mile distribution sector as a whole. The GDC is hosted by Practical Action alongside implementing partners Hystra and Bopinc.

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

**Practical
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inc**

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How is the last mile distribution sector adapting and innovating following COVID-19?

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Introduction

Last mile distributors (LMDs) play a crucial role enabling low-income customers, particularly in rural areas, to gain access to beneficial products such as solar lights, improved cookstoves and water purifiers. COVID-19 presented LMDs with significant challenges including supply chain disruption, shifts in consumer demand, increased credit risk and reduced ability to engage in person with customers, agents, retailers and staff. The Last Mile Distribution Peer Learning and Advisory Project, funded by CDC Plus and implemented by the Global Distributors Collective (GDC), was designed to help businesses in the LMD sector adapt to the 'new normal', to improve their resilience and accelerate their recovery.

From January to March 2021, the GDC team interviewed 23 CDC investees and GDC members, mainly working in the energy, agriculture, health, water, e-commerce and fast-moving consumer goods (FMCG) sectors. Through the interviews, four topics were identified as priority areas where peer learning could help companies identify and implement tangible changes in business practice. Following desk research to dig deeper into the challenges that were identified, four peer learning workshops was held covering:

1. Smart Use of Working Capital
2. Digitising Customer Relations
3. Remote Field Team Management
4. Partnerships for Growth

This publication captures insights from the interviews, desk research, and peer learning events. It describes the challenges and opportunities

companies have faced as a result of COVID-19, and how they have responded. It highlights innovative business practices that have helped companies adapt, and sets out steps companies might consider taking in each of the four topic areas moving forward.

The Impact of COVID-19

The short term impact of COVID-19 on the interviewed businesses was varied. Health and e-commerce companies were positively affected, due to increased demand for their services. Companies selling to poorer, more remote, 'offline' customers, whose incomes had gone down, were most negatively affected.¹ For most companies the impact was mixed, with an initial lockdown-driven drop in revenue compensated for in the second half of the year by a) increased demand and b) (for some) license to operate as 'essential service providers'.

In the medium-term, companies have faced challenges around stock management and use of working capital; managing staff and field teams remotely; the need to reduce face to face customer interaction to operate safely; and the need to reappraise consumer credit risk. Other areas of concern or interest are around future risk management, access to finance and building effective partnerships for growth. The challenges faced were similar across countries and regions, although the timing, duration and predictability of measures such as lockdowns, social distancing or curfews varied.

Looking to the future, companies have concerns around the long term impact of the COVID-19 crisis and its potential to lead to lower or less predictable

¹ This was also evidenced in a survey done by the GDC of its membership in May 2020, in which 69% of LMD respondents reported experiencing reduced sales due to reduced customer income and/or reduced access to communities, and 17% said they had ceased operations completely.

customer incomes, macroeconomic instability and increased investor risk aversion.

How Companies have Responded

In the short term, companies adapted by focusing on faster-moving, lower-cost and more ‘essential’ products and services that sell better to customers whose incomes have decreased. Nearly all reported accelerated adoption of digital solutions in areas such as sales, marketing, ordering, and field team

management. Companies have also responded by exploring partnerships to help achieve scale or to address complex challenges, collaborating with corporates, governments, and third-party service providers in areas such as software or logistics. These solutions are a ‘work in progress’, but have already reduced costs, improved efficiency, and enhanced the companies’ value proposition to customers. The changes made are expected to remain in place after the crisis abates.

No. of companies

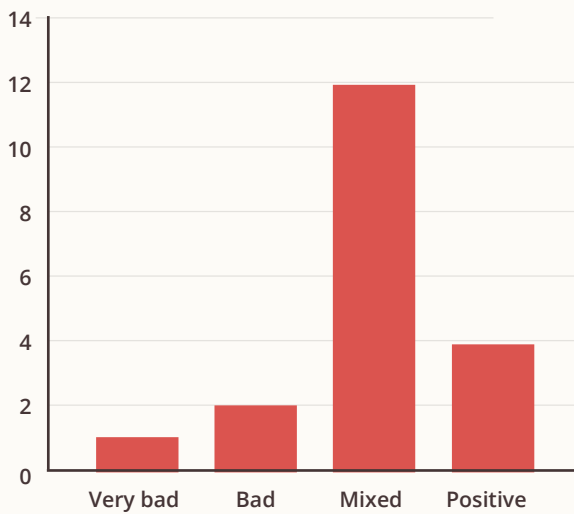
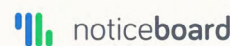


Figure 1: Impact of COVID-19 on companies



Figure 2: Challenges reported by companies, and how these informed event topics

Companies Interviewed for this Project:



1. Smart Use of Working Capital

🗨️ The expression ‘Cash is King’ is now understood by the whole team’ - African Queen

The Challenge

Management of working capital became more challenging as a result of COVID-19, which led to supply chains being disrupted and a sudden drop in demand for many products. Companies have had to adapt to a ‘new normal’ in which customer incomes are lower and less predictable, making demand for products harder to anticipate. 40% of companies interviewed mentioned stock availability or stock management as a key challenge, whilst 44% mentioned consumer and retailer credit risk. Moreover, companies face the risk that access to finance might become more limited in the future due to investor risk aversion. These considerations make smart use of working capital more important than ever for businesses seeking to adapt and grow.

Use of working capital can be a challenging, technical topic, involving sophisticated quantitative and qualitative data analysis. Even major global companies struggle - a recent study by PriceWaterhouseCoopers (PwC) suggests that companies could save EUR 1.3tr on their balance sheets by addressing poor working capital performance.² Companies can reduce their working capital needs by using cash more efficiently, accelerating cash turnover and enhancing their ability to adapt quickly as market conditions evolve. This section focuses on the levers companies can use to reduce working capital needs along the value chain. Smart use of working capital means developing a leaner supply model, optimising cash usage and mitigating operational risks. It can free up cash in the short term, make businesses more flexible and resilient, and enhance future growth prospects.

How Companies are Innovating

Companies have innovated to improve their use of working capital at supply, distribution and customer levels. Some have also trained their teams to manage working capital more efficiently.

Supply level

African Queen, a fast-moving consumer goods (FMCG) distributor in Uganda, has made their supply chains more resilient by diversifying their suppliers. Having experienced some stock shortages, they reduced the risk of further disruption by seeking to source more products from multiple suppliers, based in more than one country. Familiarity with a wider range of product offerings should put them in a better position to respond to any future shifts in consumer demand.

Guardian Health, a pharmacist and telepharmacist in Uganda, undertook an inventory management review and dramatically cut the average length of time that working capital is tied up in stock. For stock procured locally, they reduced inventory days from 72 to 50 by negotiating new terms with suppliers, reducing store inventory, and restocking more frequently. They undertook an ABC analysis (see Table 1) and found that 80% of gross profit was coming from 10% of products, so they reduced the number of products sold to focus on the high-volume, high-margin ones. The management team invested in training pharmacy managers in inventory and cash management, to ensure a strong understanding of which products were most beneficial in terms of volume and gross profit. Again, this should improve the company’s ability to respond to future changes in demand.

A: High Margin, High Volume	B: High Margin, Low Volume
C: Low Margin, High Volume	D: Low Margin, Low Volume (to be considered for removal)

Table 1: An ABC approach to inventory management³

² PwC Global Benchmarking Survey, 2019

³ <https://www.business.org/finance/inventory-management/abc-inventory-management/>

Distribution level

Zonful Energy, a pay-as-you-go off-grid solar company in Zimbabwe, built an ‘order and collect’ platform which helped to speed up inventory turnover. Agents and retailers were able to place orders on behalf of customers using a third-party software platform. Customers were able to see product availability in real time. The Zonful team was able to distribute products, knowing that some of them would be immediately sold to fulfil orders placed in advance. This accelerated inventory turnover, made it easier to predict stock levels at different locations, and helped to improve cashflow.

Customer level

Companies that provide consumer financing often tie up a substantial proportion of their working capital in order to do so. **M-KOPA, a pay-as-you-go asset financing company in Uganda, segmented their customers and offered repayment incentives to a subset that were particularly struggling.** The incentives freed up working capital, reduced the risk of default, and helped to build customer loyalty. **Mwezi**, an off-grid solar distributor in Kenya, similarly segmented their customers to identify a particular group – teachers with good credit history – to target with a special offer incentivising early repayment.

Spotlight on African Queen

COVID-19 lockdowns dramatically increased credit risk for **African Queen**, so they took immediate action. First they reviewed all customer credit levels and re-imagined their inventory strategy to align to the new market-demand realities. A training program was instituted across the business to help all core stakeholders understand key business risks and exposure- this helped drive business alignment and information flows. The above actions helped drive flexibility and resilience across the business for the long-term.

Solutions to Explore

We propose three steps to improve use of working capital: 1) diagnostics; 2) identification and prioritisation of areas for improvement; and 3) integration of new business practices, for example through training.

1. Diagnostics

Companies need to know how much working capital is tied up in their business, and what margin is covering that holding cost. They must review how working capital is being used and search for inefficiencies. Products may be staying in inventory for longer than necessary. Customers may be receiving unnecessarily favourable financing terms. Inventory may not be aligned with recent shifts in demand - be they predictable (e.g. as a result of seasonal fluctuations) or unforeseen. Companies should ask themselves the following questions periodically to identify inefficiencies:

- **Am I holding the right number of Stock Keeping Units (SKUs), in the right volumes overall?**
- **Am I holding SKUs at the right level of inventory, in specific locations?** Are there shortages or surpluses and, if so, why? Am I missing sales and, if so, why? Which bottlenecks occur most frequently?
- **Am I targeting the right customers with the right consumer financing offer?**
- **Does cash circulate smoothly or is there friction?** Is cash sometimes difficult to get back, or does it take more time to receive than it should?

Smart use of working capital looks different depending on a business’ value proposition and how this translates into margin. For example, Guardian Health’s customers value the wide range of products the company sells. Even when refocusing on the highest volume, highest margin products they maintained a broad product range so customers could still depend on them to have products that are needed less frequently.

Companies can use a range of analysis methodologies to help them understand their use of working capital. In addition to an ABC analysis of

inventory, they could undertake idle time analysis (looking at when employees or machines are unproductive), a book to cash analysis (looking at the breakdown of receivables across sales teams and SKUs), or disruption analysis (looking at where products or cash get ‘stuck’ and the time required to address blockages). The cost of disruption is not usually measured, but repeat occurrences can tie up a significant amount of working capital. Companies can analyse key variables for their business – such as changes in demand, supply chain reliability, or seasonality – to identify changes that have repeatedly caught them off guard, and more effectively anticipate them in future.

Companies can also use metrics to help them identify inefficiencies, set targets and monitor performance. Very few LMDs use working capital ratios, such as the number of days from order to sale, as one of their main KPIs. Many do not know their time to cash – the number of days from order to cash collection – for their top three products. Businesses need to identify which indicators are most relevant to them, depending on their model and their context. Businesses with limited working capital should pay particular attention to their average or peak cash requirements, so they can anticipate future cash needs and either ensure the necessary financing is in place, or scale back operations to prevent cash shortages. Tracking days of forecast coverage, for specific locations – the number of days of sales covered by current inventory – when planning orders and stock distribution.

Finally, if data is available, companies can benchmark themselves against their peers. Benchmarking can help companies understand the potential for more efficient use of working capital and the resulting boost to business performance that could be achieved. For example Figure 3 compares three anonymised LMDs to three leading global e-commerce platforms and retailers, showing huge variations in working capital ratios - the value of inventory and receivables as a percentage of gross profit. Comparison with these more mature companies suggests there is room for improvement in most LMDs’ use of working capital.

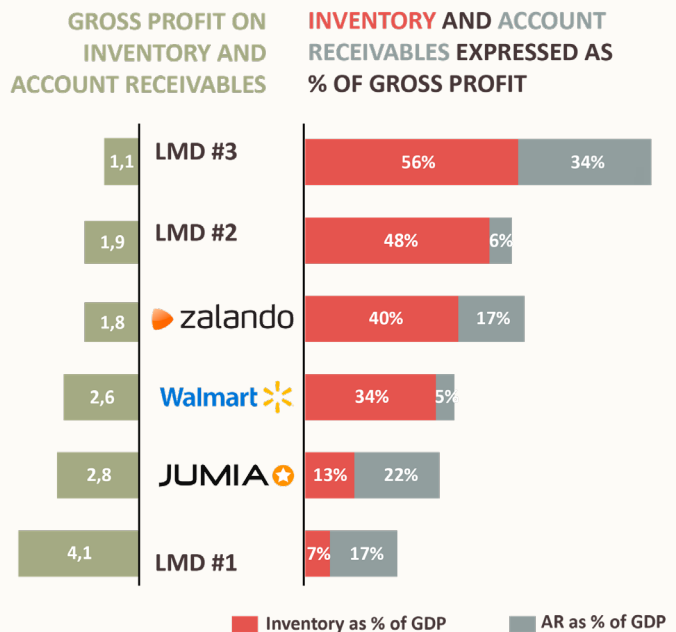


Figure 3: Example working capital ratio benchmark⁴

2. Identification and Prioritisation of Areas for Improvement

While smart use of working capital is often thought of as a finance topic, inefficiencies require solutions to be embedded into an organisation’s strategy and operations - often with implications for structure and staff roles. As outlined in Figure 4, companies can identify and prioritise areas for improvement by considering what can make their supply chains more robust, faster, and leaner.

We recommend that companies identify and prioritise issues based on both quantitative and on site analysis. By consulting customers and staff, and visiting warehouses and suppliers, bottlenecks can be identified and understood. On site analysis can also be particularly helpful when evaluating a potential solution, its benefits, and what it would take to implement it effectively.

Decisions relating to use of working capital often involve trade-offs. For example, companies may want to diversify suppliers to improve supply chain resilience, without increasing costs too much. They may seek to reduce inventory held, without missing sales as a result of products not being available. They may want to tighten credit terms to minimise default risk, without undermining sales. Understanding these trade-offs is critical to analysing potential solutions, and prioritising those that deliver maximum long-term impact at reasonable cost.

⁴Zalando financials as Q3 2020, Walmart Annual report 2019, Jumia Annual report 2019, Walmart results converted in € with an FX rate of 0.83 (rate on the 12.02.21), anonymised LMDs results converted as necessary – data from 2019 or 2020

By aiming at being...

Robust

- How do I reduce hazards in my value chain?
- How do I enforce payment terms?
- How do I adapt faster?

Faster

- How do I cash in what I will buy faster?
- How do I accelerate my product portfolio rotation?

Leaner

- How do I simplify my supply chain?
- How do I reduce my efforts?

In an environment allowing...

Team problem solving mechanism

- How do I create internal processes to enable team problem solving?
- How do I ensure continuous improvement?

Workforce able to make decisions

- How do I train my team to give them the data, the motivation and the competence to decide?
- How do I ensure the right level of monitoring vs trust?

Figure 4: Identification and prioritisation of actions to enhance use of working capital

3. Integration of New Business Practices

Once a company identifies and prioritises areas for improvement, they need to implement solutions. It can be tempting to introduce new controls so that senior management can direct how working capital is used ‘from above’, but this can take up significant management time and be inefficient in the long term. The most efficient organisations invest in building capacity and a team culture where inefficiencies are identified, and solutions developed and implemented, by managers and staff at different levels across the organisation. This is known as a ‘Lean’ approach.⁵

A lean approach requires organisations to put in place a structure, roles and KPIs that empower and incentivise managers and staff to identify and address challenges themselves. This includes ensuring staff have access to the right information, providing training and encouragement to help them take the initiative and develop solutions, and having a strong induction process for all new staff. This way businesses make themselves more flexible and adaptable, continuously adjusting to evolving market conditions to optimise use of working capital, and enhancing overall business performance.

Prepared by François Lepicard and Alice Magand from Hystra

⁵ <https://www.business.com/articles/lean-strategies-team-efficiency/>

Additional Resources

- [Lean Strategies team efficiency](#)
- [The power of lean manufacturing](#)
- [ABC Analysis inventory management](#)
- [How Toyota Changed The Way We Make Things](#)
- [Toyota Kaizen Methods: Six steps to improvement, Isao Kato and Art Smalley, 2010](#)

2. Digitising Customer Relations

“ We became 100% virtual and 100% local. Nothing in between’ - eKutir

The Challenge

COVID-19 has accelerated digitisation in many sectors, and the LMD sector is no exception. Face to face interactions have long been seen as crucial for establishing trust in products, companies and brands. However, lockdowns and social distancing have made it difficult to engage with customers in person and to physically distribute products.

37% of companies interviewed reported digitising customer relations in response to COVID-19, with solutions ranging from setting up online shops, to digitising retailer relationships and developing online customer service systems. Sastodeal, an e-commerce platform in Nepal, started a social media campaign for people to buy food for those that needed it in their communities. Noticeboard, a field team management software company in India, set up an SoS messaging service to reach end customers with health information. Essmart, an LMD in India, developed a mobile app for their customers (shopkeepers) to order, track and make payments digitally. The app has extra features like a rewards system and a module to take surveys from end-users and can be used in four languages. African Queen, a FMCG distributor in Uganda, started building a new go-to-market model including developing an app to digitise their retail model, and eKutir started conducting all meetings virtually.

At the customer level, although access to digital services is improving, challenges to adoption remain; such as limited smartphone penetration and internet access, unfamiliarity with digital services and a lack of trust in such services. LMDs face challenges choosing the right software for digitising customer relations and ensuring that software properly integrates with their infrastructure in the long run.

This section explores: 1) digital ordering and payments, and 2) digital marketing. In the short term, these solutions can help companies continue to adapt to challenges presented by COVID-19. In the longer-term, they can help companies prepare for a future in which more and more of their customers use the internet and mobile banking to access products and services.

How Companies are Innovating: Digital Orders and Payments

Companies have adopted different types of ordering and payment solutions, depending on their strategies and needs.

Ordering Solutions

- **In-house, distribution management software:** For example, Unilever has built LeverEdge, a distributor management system that uses data and analytics software to create an intelligent selling system that recommends products for promotion based on sales history.
- **In-house, supplier management software:** This type of solution offers a platform for multiple suppliers and is tailored to the needs of the retailer. Examples of organisations using this solution type are Trade Depot in Nigeria, Kikuubo in Uganda and StoreKing in India.
- **White label e-commerce platforms:** Some companies use e-commerce solutions that allow them to build their own online (B2B) stores using a third-party platform, such as Boost or Shopify.

Payment Solutions:

- **Mobile Wallet Unstructured Supplementary Service Data (USSD):** Platforms such as M-Pesa and BKash allow users to pay bills with their phones using codes.

- **Mobile Wallet Apps:** Apps such as Whatsapp Pay or Google Pay enable customers to make payments through an app on their smartphone, through a social media platform, or through a service provided by a Mobile Network Operator (MNO) such as Airtel Money or Wave Money. The Unified Payments Interface (UPI) in India allows transfers between different banks.
- **Card & Point of Sale (PoS) Solutions:** Customers can use payment cards such as Visa or Mastercard to make a payment using a separate device at the point of purchase.
- **Fintech Solutions** such as Paystack and Interswitch offer a variety of payment mechanisms. For example, Paystack enables users to accept payments from multiple channels, including cards, mobile money accounts, QR codes, USSD or directly from bank accounts.

Solutions to Explore

1. Assess the digital maturity of retailers, agents and customers

Understanding end users' digital maturity is critical to selecting the right ordering and payment solution. The framework in Figure 5, developed by Accion, presents four key drivers of digital maturity for micro, small and medium-sizes enterprises (MSMEs), but is also relevant when targeting customers, agents or retailers. The left side presents capabilities that are 'endogenous', coming from within the organisation, and the right side present enablers that are 'exogenous' coming from outside. The latter consists of micro enablers that are relevant at a small scale and macro enablers which are country wide. Reviewing this list of drivers can help companies find a solution that is easy to use, accessible and considerate of rural and potentially less (digitally) literate users.

The digital gender divide also poses a challenge. Solutions that are gender-smart, and inclusive of women in their design and execution, have been shown to boost business performance whilst enhancing impact. To learn more about strategies to consider, see '[A Business-First Approach to Gender Inclusion](#)' by Value for Women, or the

Spotlight on M-KOPA Nigeria

M-KOPA is a connected asset financing platform that offers millions of underbanked customers access to solar homes systems and appliances, smartphones and digital financial services on a 'pay-as-you-go' basis. In its pilot phase, M-KOPA Nigeria started out as a cash-based business but moved quickly to adopt digital payments by enabling bank transfers. However, this payment method did not integrate properly with their Customer Relations Management (CRM) system. This meant that sometimes customers' solar systems were being switched off for non-payment when payments had in fact been made. M-KOPA shifted their payment model to using digital payment platforms, backed by agent and mobile banking networks such as Quickteller and Paystack. These systems integrated with their CRM system and enabled quick, small payments that motivated sales agents with a small commission - a 'regular shot in the arm'. Without having an efficient set of digital payment solutions in place, the impact of COVID-19 on payments and revenues would have been far more severe.

GDC's webinar on '[Gender inclusion in last mile distribution](#)'. The GSMA also has excellent [resources](#) on bridging the digital gender divide.

2. Decide whether to build something in-house or off-the-shelf

In-house solutions are generally more expensive than off-the-shelf solutions and more appropriate for organisations operating at scale, such as Unilever. Off-the-shelf solutions can provide a more cost-effective solution for smaller companies. Despite the fact that off-the-shelf solutions are not built for a single customer from scratch, they still offer different levels of customization, allowing companies to tailor the solution to their needs. Having said this, some companies continue to face challenges identifying affordable off-the-shelf

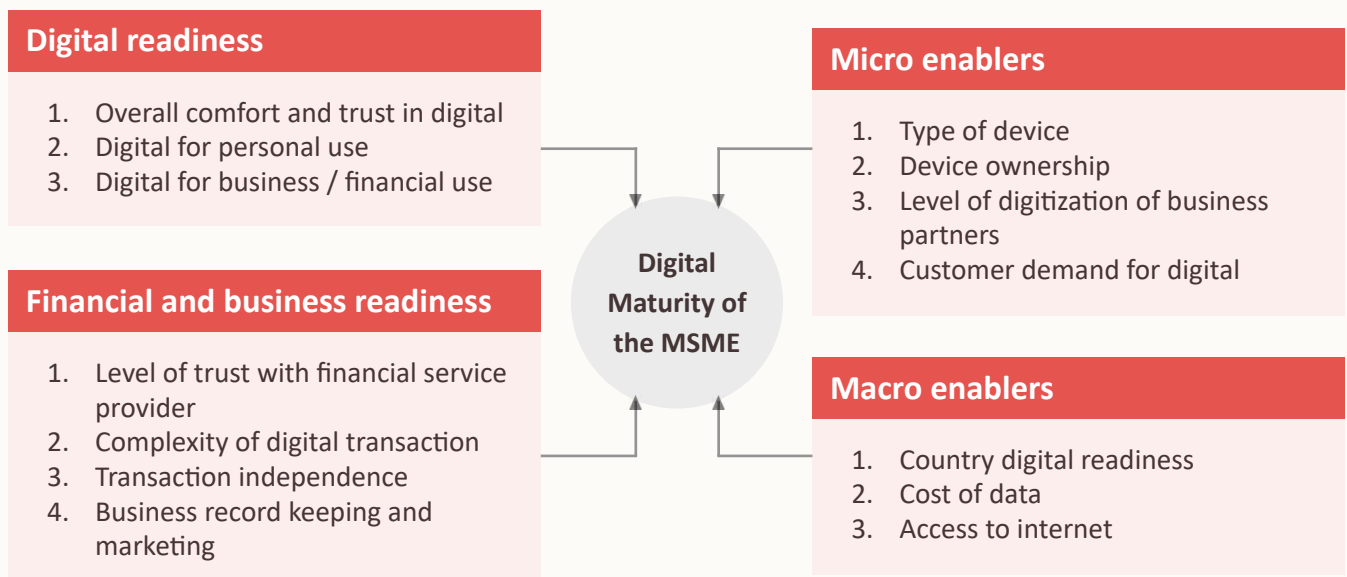


Figure 5: A framework for assessing the digital maturity of end-users⁶

solutions that meet their particular requirements. With growing competition amongst software providers, we expect a wider range of solutions to become available and affordable to LMDs in future.

3. Choose a software solution that will meet both current and future business needs

When choosing a software solution, it is important to consider how it integrates with existing business infrastructure, processes and practices. Solutions need to work seamlessly with ordering and payment solutions that are already in place, and should ideally continue to be appropriate as businesses scale. Table 2 shows a (non-exhaustive) list of software solutions that are used by GDC members, to help companies understand what solutions are currently available and start conversation with suppliers.

4. Drive adoption and usage of the chosen digital ordering and payment solution

The chosen solution will only work if it is adopted by end-users, be they agents, retailers or customers. The benefit of using the solution must be made clear, to incentivise users to invest time and effort in learning a new digital platform. Additional online and offline support may be required to help drive adoption, such as through a dedicated training programme or a hand-holding phase. When users

become more comfortable using a digital service, the level of support can be decreased and/or support can be provided remotely, for example through call centres or via SMS. Companies can refer to the [Digital Confidence Design Tools](#) by IDEO to find principles for driving digital adoption, and consider using [Unilever's Five Levers for Change](#) to turn insights into interventions that drive sustainable behaviour change.

How Companies are Innovating: Digital Marketing

- **Integrated online and offline interventions can be used to build familiarity with digital channels that can be used to reach customers more cost-effectively in the long run.** For example, Every1Mobile places posters at sales points that illustrate how a customer can sign up to a digital loyalty programme, and include a customer testimonial explaining how digital interaction enabled them to access a discount.
- **Data-Driven Social Media Campaigns: Having strong customer data – including sales data, repayment history and customer feedback - creates opportunities for targeted digital marketing via social media.** Companies can target specific demographic groups or customers in a given geographical location with a given message, increasing campaign

⁶ <https://content.accion.org/wp-content/uploads/2020/10/msme-digital-maturity-assessment.pdf>

effectiveness. Using geo-location data, digital nudges can be sent when a customer is in close proximity to a product or service.

Spotlight on Mwezi

Mwezi is a pay-as-you-go off-grid solar distributor in Kenya. They have tested a range of methods to tailor marketing messages to individual customers to drive sales, including by leveraging data generated through their Angaza software platform. Examples include:

- Selecting the most creditworthy customers, retrieving their phone numbers from the Angaza platform and sending them SMS messages with discounts, benefits for referrals and product information.
- Using geolocation data to track which customers are within a certain distance of their agro-processing mills, sending SMS messages to those customers suggesting they use the mill and providing incentives for them to do so.
- Using local radio broadcasts (e.g., farmer information shows) to talk about products and share a phone number for enquiries, which has been very successful in generating leads and sales with little investment.

Solutions to Explore

COVID-19 has accelerated marketing efforts, it is useful to look at the five principles outlined in Figure 6. This model, developed on the basis of best practices adopted by companies in the sector, is not exclusive or exhaustive but the principles are complementary and can be combined.

- **Leverage trusted networks:** Low-income, risk-averse customers often do not readily trust digital messages and offerings. This can be mitigated by getting endorsement from a trusted network or brand first. For example, Sastodeal managed to get government



Figure 6: Five Principles for Digital Marketing

endorsement to deliver products during the pandemic, helping to build trust with rural consumers.

- **Digitize loyalty programmes:** Retaining existing customers is cheaper than acquiring new ones and loyal customers are more likely to make referrals. Digital rewards don't need to be physically delivered by sales agents, which reduces costs. For example, when Copia faced challenges delivering physical rewards to customers, they started offering digital loyalty points as a reward. After some initial challenges, this solution has proven cost-effective in driving repeat purchases and ensuring customer retention.
- **Incentivize referrals:** Low-income customers primarily make purchase decisions based on peer recommendations. Acquiring new consumers is expensive so generating referrals through existing customers is more cost-effective.
- **Target messages locally:** Companies can obtain granular data on specific customer segments in a given location, through digital engagement - tracking what messages they open, and which adverts or products generate the most click throughs. This data can then be used to develop highly targeted, localised messaging in local languages.

- **Use familiar platforms:** Learning how to download and use a new platform poses a barrier to adoption and most existing platforms already offer a range of ways through which companies can engage with customers. For example, Proximity Designs significantly increased the quality of leads by using Facebook advertisements and chatbots.



Prepared by Emile Schmitz and Johan van der Schaaf from Bopinc

Figure 7: Proximity Designs is using chatbots on Facebook – a platform their customers already use

Accounting	Field operations management incl PAYG		Inventory management	Digital ordering	Digital payments - NB very country specific	After-sales	Call centers	Data analysis
<u>Quick-books</u>	<u>PaygOps</u>	<u>Paygee</u>	<u>Unleashed</u>	<u>Boost</u>	Mobile wallets - USSD (Mpesa, Bkash)	<u>Freshdesk</u>	<u>Xcally</u>	<u>Google Data Studio</u>
<u>Xero</u>	<u>Angaza Hub</u>	<u>Maad</u>	<u>ShipStation</u>	<u>Shopify</u>	Mobile wallets - social media (Whatsapp pay, Google pay)	<u>Zendesk</u>	<u>3CX</u>	<u>Looker</u>
<u>Palladium</u>	<u>TaroWorks</u>	<u>Fieldpro</u>	<u>ERPlain</u>	<u>Kudigo</u>	Mobile wallets MNO (MTN money, Airtel money)		<u>Ameyo</u>	<u>PowerBI</u>
<u>Sage 50 cloud</u>	<u>Notice-board</u>	<u>Upya</u>	<u>Odoo</u>		Mobile wallets - Fintech (Paypal, Paystack, Interswitch)			Customer data collection: <u>ODK</u> , <u>SurveyCTO</u>
<u>Tally</u>	<u>Salesforce</u>	<u>FieldBuzz</u>	<u>Dukaree</u>		Mobile wallets - Banks (Amole, Equitel)			

Table 2: Example software solutions used by GDC members and their functionality

Additional Resources

- [E-commerce - GDC Webinar](#)
- [MIT-D-Lab: The Demand Engine: Growth Hacking Strategies for Scaling Demand at the BoP](#)
- [Better Than Cash Alliance](#)
- [Online Sales: Lessons Learned - GDC Webinar](#)
- [IDEO: Designing for Digital Confidence](#)
- [Digital Impact Alliance: Principles for Digital Development](#)
- [Gender inclusion in last mile distribution - GDC Webinar](#)

3. Remote Field Team Management

“It’s hard, especially in the beginning, to get people that are often not too familiar with digital platforms and representation, to connect and for the first time present themselves online to others and engage’ - Sistema.bio

The Challenge

In many countries, lockdowns prevented field teams from being able to move around to meet with customers, make sales or deliver products. This put the incomes of staff paid on commission at risk, presenting companies with a potential retention problem. With social distancing in place and offices closed, field teams were unable to work together face to face, either 1-1 or in groups. Companies faced short term challenges around how field teams should use their time while they were unable to operate. As lockdowns ended but

social distancing continued, companies have faced longer-term challenges around team motivation, training, incentivisation, monitoring, remuneration and retention. 40% of companies interviewed highlighted challenges in these areas.

This section explores challenges and solutions in three key areas:

Engagement: How to motivate remote field staff and keep them connected with the organisation.

Peer exchange and training: How to best build capacity, provide professional development opportunities and facilitate learning.

Remote performance management: How to keep track of and enhance staff performance.

How Companies are Innovating

1. Enabling staff to get connected and feel engaged

In times of crisis, it is vital that field teams stay connected and engaged with the company, and that they feel valued. Communication is key. Companies took immediate steps to provide personal protective equipment (PPE), share health information and to reassure staff regarding their job security. Field teams had to switch almost overnight to meeting online, which required staff capacity building alongside the provision of hardware such as wifi dongles, smartphones and laptops.

As time has passed, field teams have continued to do more meetings and workshops remotely. Many are acutely aware of the importance of the social side of work, and the need to ensure that more isolated staff still feel like part of a team. Even small tokens of appreciation, for example celebrating staff birthdays via WhatsApp chats and group calls, strengthens motivation and mutual accountability.

A number of companies took steps to provide financial security to staff and their families, such as paying a salary equivalent to a % of commission, or



Figure 8: Framework for managing teams remotely

providing relief funds for staff members' families.

For example, Sastodeal set up a relief fund that staff could access if their family members were made redundant as a result of the pandemic. SunCulture paid a percentage of average commission to agents while credit sales were paused for 2.5 months, to ensure they had some income, to build loyalty and minimise agent churn.

2. Facilitating peer exchange and training

Many companies switched to undertaking some or all field staff training online. Initially this was to make the most of downtime while field staff were unable to work; but now the companies are seeing the benefits of this approach, they are adopting it permanently.

Ecofiltro, a water filter company in Guatemala, delivered a one day face to face training to their whole field team every three months before the pandemic. When COVID-19 made this impossible, they were able to boost field team performance through a highly interactive in-house, online training course that includes videos and quizzes. Now, the organisation is exploring the option of providing small incentives to agents that score highly in tests. The team undergoes frequent training sessions, and each session recaps and reinforces learning from previous sessions. Remote training will continue once COVID-19 abates, since it is much more cost-effective than face to face gatherings.

M-KOPA Uganda provided its staff with remote training in soft skills through an in-house training curriculum, and in management through LinkedIn courses. Participation in training activities was tracked through the online platforms, giving management visibility of courses taken and test performance. These opportunities were considered to be essential for keeping over 1000 remote field agents engaged with the organisation when they were unable to work.

Sistema.bio went digital with the 'Sistema Academy'. The sales team received weekly training over an eight week period, through Google Meet. Prior to the pandemic, training was conducted face to face and region by region; but now with sales staff from across the country coming together

online, there is more scope for experience-sharing and peer learning across the regional teams.

3. Remote performance management and tracking

By using software that tracks staff activity, output-based KPIs and frequent check-ins, managers can effectively manage field teams remotely. Setting and communicating KPIs is essential for accountability - staff need to be aware of the rewards for high performance and consequences of poor performance. Good remote field staff management focuses on tracking outputs (e.g. number of leads generated, sales made, or repayment rate achieved) rather than inputs (e.g. number of hours worked or time spent on the road). Sales agents appreciate being trusted to achieve agreed objectives independently.

SunCulture developed an in-house IT system before COVID-19 hit, which collects data to track staff performance, and understand gaps and challenges. This, combined with a competitive commission structure and clear career development paths, has enabled effective remote management for field staff.

M-KOPA Uganda manages a team of 250 full time staff that supports 1000+ commission-based agents. Performance is tracked through an 'end of shift' report that tells each manager how their team is performing, and suggests where more support is needed. There is also a 'weekly beat plan' for managers that are underperforming, which logs challenges, and agreed actions to address challenges, in order to track progress.

Noticeboard, a remote collaboration platform used by Jumia and others to share information, train, engage and manage field teams, can also be used for this purpose.

Solutions to Explore

This section focuses on digital solutions companies can use to implement some of the business practices highlighted in the previous section. We recommend that large, well-resourced companies develop in-house tools or customise off-the-shelf solutions. For smaller LMDs however, this might

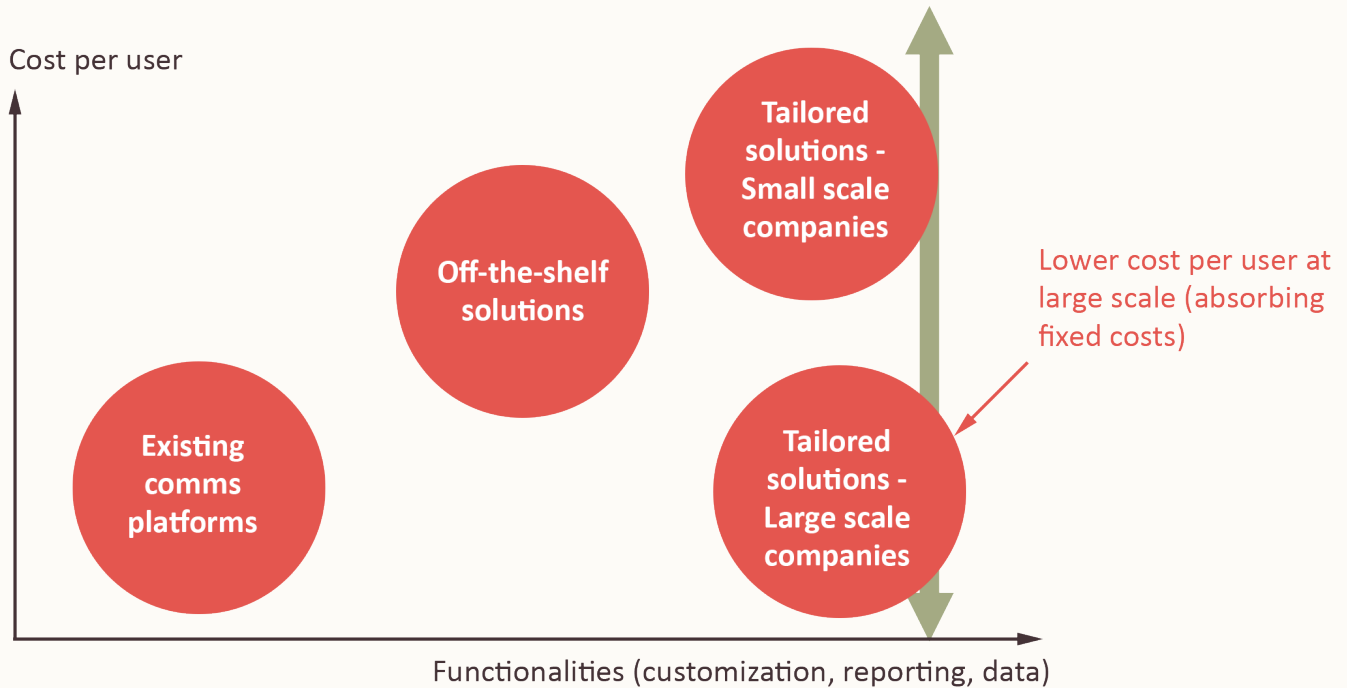


Figure 9: Software solutions to consider depending on LMD size and specific needs

be challenging. The feasibility of different solutions depends on the functionalities needed, and the cost of implementation. Due to budget constraints many LMDs use 'consumer' platforms like WhatsApp, Facebook or Zoom to manage field staff. Even for smaller companies, it is worthwhile exploring the costs and benefits of more bespoke platforms that provide additional functionality.

Steps companies can take now:

- 1. Ask field staff** how they currently interact with management and peers, their likes/dislikes about the current solution, as well as what they struggle with. Feedback should be sought on platforms that are being considered for adoption.
- 2. Use consumer platforms to deliver training and manage performance.** Communication through platforms such as Whatsapp, Facebook or Zoom

is best suited to smaller organisations, with simpler needs or lower budgets. Larger or more complex organisations are more likely to need dedicated, or customised solutions.

- 3. Evaluate and if possible, test the platforms being considered.** Look at functionalities, ask for demonstrations, critically review, negotiate prices and if possible run a pilot with a few agents to test effectiveness. Examples of suitable learning management software platforms for LMDs are [Edume](#), [TalentLMS](#), [African Management Institute](#) or [Learn.ink](#).

Prepared by Emile Schmitz and Yvonne Achieng from Bopinc

Additional Resources

- [Software Solutions for LMDs - GDC Webinar](#)
- [How LMDs have dealt with the COVID-19 crisis - GDC Webinar](#)
- [The Power of Data in Last Mile Distribution](#)

4. Partnerships for Growth: Multinational Corporations (MNCs) and E-Commerce Platforms

“ We need to be really smart at alliances’ - EcoFiltro

The Challenge

Faced with higher risks and uncertainties as a result of COVID-19, companies have sought partnerships to reduce costs, enter new geographies or expand product categories, without having to make significant upfront investments. This section focuses on LMD partnerships with multinational corporations (MNCs) and e-commerce platforms. These are two types of partnership where we see significant innovation and potential for growth, where we see exciting examples of how they can be effective. However, designing partnerships can be time-consuming and many struggle as a result of poor strategic alignment or limited benefit to the companies involved.

How Companies are Innovating

1. Multinational Corporations

Our assessment of 22 partnerships between MNCs and LMDs found few examples of successful partnerships that go beyond corporate social responsibility.⁶ We observed that:

- Successful partnerships are most common in the FMCG, food, telecoms, energy and financial services sectors.
- Most partnerships assessed are not yet fully mature or well-established.
- Many have been de-risked through grant funding from an aid agency or foundation initiative, such as P4G Partnerships or Danida’s Market Development Partnerships programme, and are not yet operating purely on commercial merit.

- Many involve smaller companies selling MNCs’ products, or MNCs selling products made by smaller companies.
- Sometimes MNCs provide additional financial or technical support to LMDs, usually through a dedicated programme or foundation such as the TRANSFORM programme, co-funded by Unilever and UK aid, or Danone Communities.

Spotlight on Naya Jeevan

Naya Jeevan has partnered with doctHERs and Unilever, via the TRANSFORM and Shadbad programmes, to provide health and hygiene products and services to women in rural Pakistan. Through this partnership Unilever builds brand loyalty and demand for its products, while the rural entrepreneurs (‘Guddi Bajis’) in Naya Jeevan’s network benefit from financial and technical support including access to Unilever’s stock management platform, LeverEDGE.

In some cases, MNCs have invested in LMDs.

For example, Shell Foundation and Danone Communities have taken equity and provided working capital to partner companies including Dharma Life, Bboxx, and Jibu. In other cases, MNCs and smaller companies have set up co-owned joint ventures, such as Saaf Sehatmand Services, a high-nutrition food company co-owned by Reckitt Benckiser. There are also examples of MNCs setting up wholly owned subsidiaries, such as Olam, a global food and agri-business recently set up Jiva to provide services and inputs to farmers in remote areas.⁷

MNC engagement is relatively advanced in the off-grid solar sector, indicating the direction that MNC engagement is likely to take in other sectors. As of

⁶ The multinationals included Unilever, Reckitt Benckiser, Danone, Arla, Safaricom, Total, Orange, Walmart, Pepsi, Shell and BP.

⁷ <https://www.jiva.ag/>

Why and how do MNCs partner with LMDs?	Why and how do LMDs partner with MNCs?
To build brand and distribution in rural areas	MNCs can have good quality products
To test new products and services	MNCs can offer good trade terms
To strengthen supply chains by offering products/services to employees and suppliers	MNCs can offer grant, debt or equity funding
To learn more about a potential market opportunity	MNCs can offer technical support (e.g. use of logistics software)
To sell partners' products	MNCs can sell products, manage payments and distribute at scale
Corporate Social Responsibility (CSR)	MNC have large scale operations that LMDs can tap into to scale own networks

Table 3: Why and how LMDs and MNCs partner

2019, there had been over \$875m direct and indirect investments by MNCs, and 30+ joint ventures/commercial partnerships. 75% of investments were considered to be commercially motivated. For example, French utility Engie invested directly in Bboxx, while Deutsche Bank invested indirectly via SunFunder, a leading debt provider. Other MNCs have set up joint ventures - for instance APA Insurance has partnered with pay-as-you-go off-grid solar company Azuri, to offer Azuri customers insurance.⁸

LMDs seeking to partner with MNCs should consider whether their own business represents a value-stacking opportunity. MNC engagement in the off-grid solar sector has accelerated because MNCs are interested in the 'value-stacking opportunity' presented by pay-as-you-go solar

home systems. Customer ownership of an asset which can be used as collateral, as well as a track record of repayments, presents an opportunity to offer a wide range of products and services on credit, maximising lifetime customer value and average revenue per user. MNCs are focused on learning – understanding customers, testing products and services, and exploring new markets. Value-stacking models lend themselves to cost-sharing and channel partnerships between MNCs and smaller companies in telecoms, FMCG, digital finance and distribution sectors.⁹

2. E-Commerce Platforms

Conventional e-commerce partnerships for sales, ordering, payment and delivery can be effective - but only if a company's customers are using the internet, social media and digital payments to some extent. For example Guardian Health, a pharmacist and telepharmacist in Uganda, has successfully partnered with Jumia, Africa's leading e-commerce platform, to establish an online shop where customers can order and make payment, as well as a home delivery service where Jumia riders deliver products from Guardian Health stores to customers.

However, for many LMDs, partnerships with e-commerce platforms do not yet make sense, since customers are not yet accustomed to online sales, ordering and delivery. Customers may not use the internet or social media, rendering online marketing ineffective. They may not be familiar with digital payments, or have confidence that a product ordered and paid for online will actually be

Water pumping and utility services	Fast-moving consumer goods	Crop and health insurance	Marketing and branding
Smartphones and batteries	LPG cookstoves	Consumer lending	Customer data resale
Internet and telecom service	Appliances for productive use	Mobile money, transaction clearing	Credit measurement
Product Hardware: Design, Manufacturing Software: PAYG platform	Retail Sales Marketing, customer acquisition, sales & distribution of hardware	Finance Asset financing using PAYG / Mobile money (where available)	Service After-sales support; customer relationship management; system remote monitoring, diagnostics and maintenance
Existing PAYG off-grid solar value chain			

Table 4: A Commercial Opportunity recognised by MNCs: Value-Stacking in the Pay-as-you-Go Off-Grid Solar Sector (Wood Mackenzie Power & Renewables, 2019)

⁸ <https://www.azuri-group.com/azuri-and-apa-insurance-introduce-affordable-income-and-funeral-cover-for-solar-customers/>

⁹ Wood Mackenzie Power & Renewables, 2019

delivered. Imprecise or inaccurate addresses can also make home delivery a challenge.

If customers are not yet online, LMDs can still explore assisted e-commerce models in which agents and retailers use an app to manage sales, ordering, payments and/or after-sales service on behalf of customers. For example:

- **Frontier Markets**, an LMD in India, has built an app that enables women entrepreneurs in its network to see current stock levels, place orders, and make digital payments on behalf of customers. While this is a proprietary app rather than a partnership with an existing e-commerce platform, the company has leveraged a fintech partnership to facilitate cashless payments. This proved important when COVID-19 hit, making cash withdrawals difficult for customers.
- **Connect India**, an e-commerce and logistics company in India, helps companies to supply their retailers with stock, improving stock management through data analytics to better predict future stock needs, whilst making use of working capital more efficient.

Why and how do eCommerce Platforms (ECPs) partner with LMDs?	Why and how do LMDs partner with eCommerce Platforms?
ECPs can buy products from distributors and sell them	Some ECPs can supply retailers with stock
ECPs can take a margin on sales made through their marketplace	ECPs can drive online sales – but only if customers are online
ECPs can make money offering a range of services to marketplace seller companies	ECPs can take online payment – but only works if there is digital payment infrastructure & sufficient trust
	ECPs can fulfil orders – but only if the ECP has distribution infrastructure in place
	ECPs can provide LMDs with software – but specialist software solutions, such as those described in the Digitising Customer Relations and Remote Field Team Management sections, are often more affordable or appropriate.

Table 5: Overview of why and how e-commerce platforms and LMDs partner together.

In the short-term we expect LMDs to focus on building assisted e-commerce models, but in the longer-term, we expect to see dedicated, customer-facing e-commerce platforms designed to meet the needs of low-income, rural customers.

A pioneer in this area is Digifarm, Safaricom’s marketplace for farmers to access products, services, financing and support from a range of partners. Partners include iProcure (inputs), FarmDrive (loans), Arifu and iShamba (learning content). The platform is monetised through M-Pesa transaction fees and market access trading fees.

As e-commerce platforms extend their reach, they are likely to increase their offering to meet low-income customers’ diverse product, service, financing, information and support needs. It is likely that they will partner with LMDs in a wide range of ways in order to do so - some such as Jumia, are already exploring opportunities to do so.



Figure 10: Digifarm’s mobile application

Solutions to Explore

Companies should carefully evaluate potential partnership opportunities before investing too much time in developing them, asking themselves questions such as those outlined below. If there is uncertainty in any of these areas, LMDs should consider carefully whether the partnership makes sense, as well as whether the potential benefits and the chances of success justify the time investment.

- Are there suitable partners in your countries or sectors that would help you reach new customers or better serve existing customers?
- If it is an MNC – could they sell your product, or could you sell theirs? Is there an obvious source of funding or technical support available, if this is needed for the partnership to succeed? If the partnership involves substantial risk, is there a source of grant funding available that can help to de-risk it for both parties?

- If it is an e-commerce platform - are any of your customers online? Do they use the internet and trust online ordering and payments, or could they be supported to adopt these practices at reasonable cost? If not, could an e-commerce platform help you to work with your agents or retailers more effectively?
- Are both parties clear on their objectives, and is a partnership the best way to meet them?
- Is there alignment of values/culture?
- Do you have a champion within the partner organisation, who is able to promote the partnership to the wider organisation and secure management buy-in?
- Are both partners able to invest time in partnership design and implementation?

- Is there sufficient trust on both sides for the partnership to succeed?

If companies do decide to move ahead, we encourage them to start small and to plan for failure:

- Start small: Partnerships require the most resources in the initial set up phase. Companies embarking on partnership design should start small, and pilot partnerships to demonstrate potential before seeking to scale them up.
- Plan for failure: Given how frequently partnerships do not work out, it is important to plan for failure as well as success. This can help to avoid any potential animosity in a situation where a partnership does not succeed and needs to be brought to an end.

Prepared by Charlie Miller from Practical Action.

Additional Resources

- [Partnership Design in Social Enterprise, D-Lab, 2020](#)
- [Online sales for LMDs - GDC Webinar](#)

Conclusion

Although the early impact of COVID-19 was severe, companies have proven themselves to be adaptable and resilient in their response. By making smart use of working capital, digitising customer relations, switching to remote management of field teams and building mutually beneficial partnerships, companies have been able to continue operating and in some cases, to thrive. COVID-19 has accelerated adoption of digital solutions, by companies and their customers, enabling information, products and services to be made available at lower cost. These solutions and ways of working are likely to remain in place long after the crisis has come to an end.

The outlook for business and investment remains uncertain, with heightened risks from the ongoing health crisis and its economic impact. Leaders will need to build agile companies that can respond quickly to demand shifts, changes in the operating environment, and emerging risks. With the right support, we have every confidence that they will rise to the challenge of making essential products and services available and affordable to millions of low income customers, throughout the crisis and beyond.