

Global Distributors Collective



Investment-readiness self-assessment for last mile distributors

November 2022

Practical
ACTION



The GDC is hosted by Practical Action, alongside strategic and implementing partner Bopinc



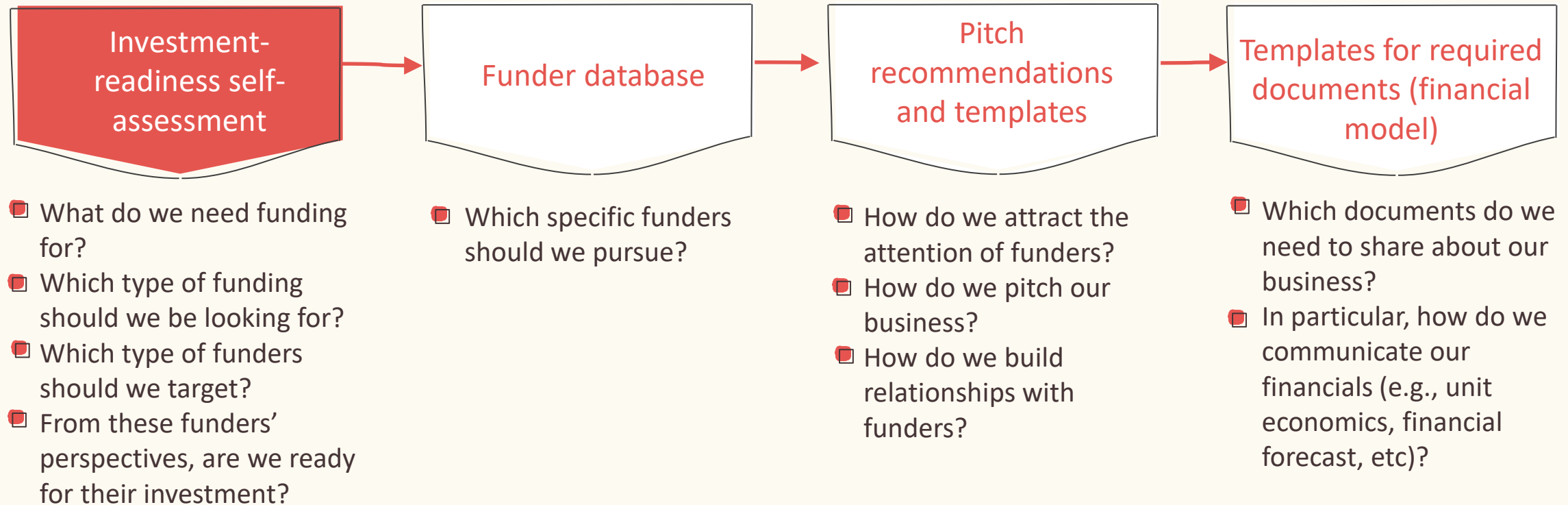
Acknowledgements

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www.get-invest.eu/

Overview of investment-readiness tools for LMDs

A set of simple tools for last mile distributors (LMDs) looking to begin their fundraising journey



**What do we
need funding
for?**



What do we need funding for?

Companies raise money for a variety of different purposes, e.g., so the business can get off the ground, to be able to run day-to-day operations, to expand, or to transform in some way. These purposes can often translate into different expenditure categories:

Capex

- Major purchases that your company makes, which are used over the long term (more than one year) to improve your company's performance in the future. E.g., vehicles, a warehouse, or office equipment.
- Capex can also include intangible assets, such as intellectual property.
- You will typically list Capex in the **investing activities** section of the cash flow statement.
- Capex can be financed through **equity, debt, or grants**.



Sometimes companies raise capital not for a specific purchase, but to strengthen a company's balance sheet (maintain a reasonable leverage ratio)

What do we need funding for? (continued)



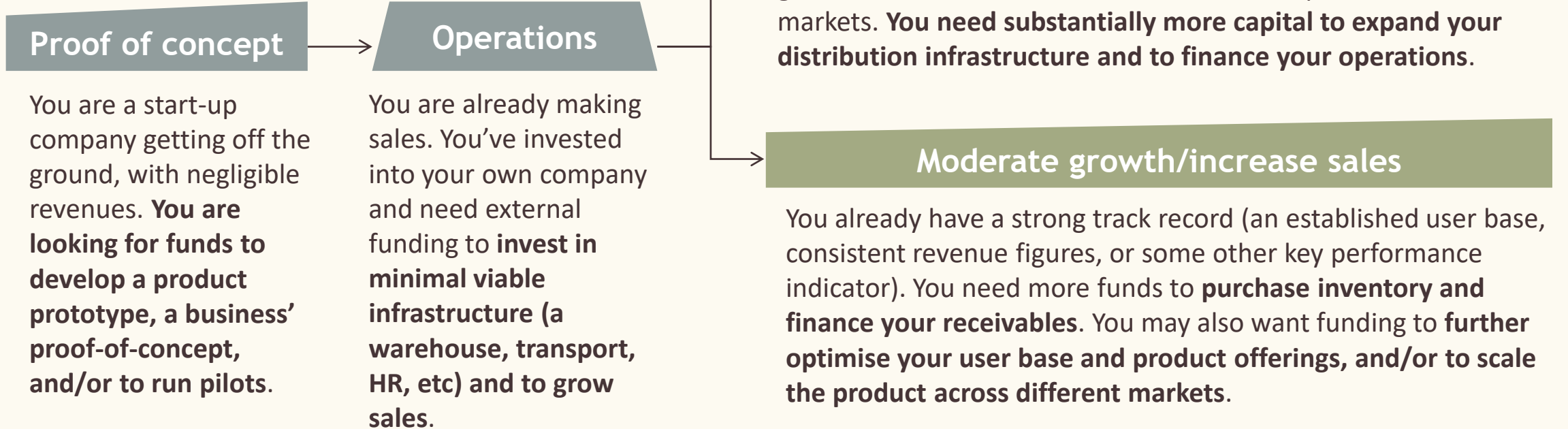
Sometimes companies raise working capital not for a specific purchase, but to operate with more liquidity

... and Opex

- Day-to-day expenses that your company incurs to keep its business running (for items used within one year). E.g., inventory, salaries of staff, commissions, or rent.
- You will typically list Opex in the **operating activities** section of the cash flow statement.
- You will typically finance Opex with your own revenues, but will also need to borrow to have enough cash to cover working capital needs (**working capital loans**).

What do we need funding for? (continued)

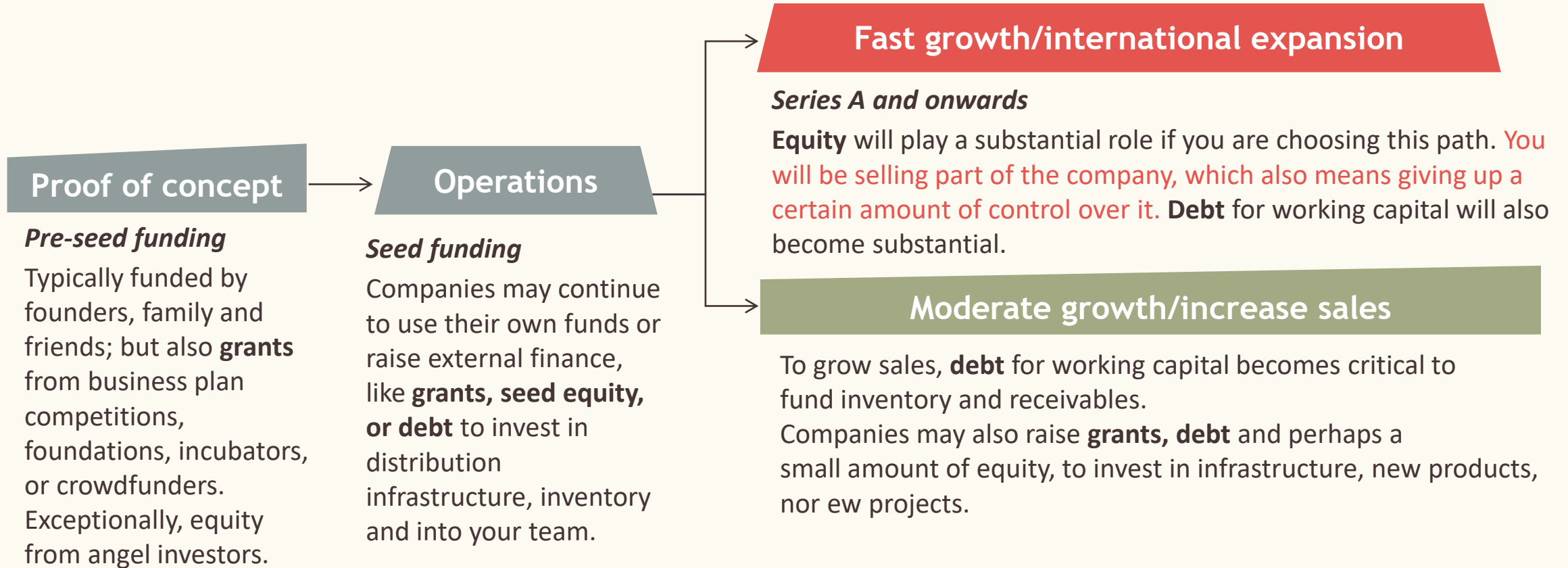
Funding needs often vary based on the development stage of your business, and on your objectives...



**Which type(s) of
funding match
our needs?**



Which type(s) of funding match our needs?



More on these types of funding

Least onerous

Crowdfunding

Grants

Debt

Revenue sharing

Convertible
equity/debt

Equity

Most onerous

Sourcing funding from masses online

- This refers to crowdfunded donations. Not to be confused with crowdfunded loans/crowdlending platforms (see under debt), or crowdfunded equity.
- Includes platforms like [Gofundme](#).
- There is no obligation toward funders beyond delivering rewards.
- This is a good option if you want to sell products to consumers, without giving up control of the company.
- Crowdfunding requires a lot of planning and energy to “go viral”.

More on these types of funding

Least onerous

Crowdfunding

Grants

Debt

Revenue sharing

Convertible
equity/debt

Equity

Most onerous

Receiving a donation from a foundation aligned with your mission/enterprise

- “Free money” but often comes with strict reporting requirements.
- Grant awards are often competitive, which requires significant effort in proposal writing.
- For-profit companies can get grants with mission alignment, i.e., impacts achieved by the company are aligned with the objectives the of funder.
- Grants can be in the form of upfront grants, or disbursed after achieving specific milestones (e.g., results-based financing).
- Examples of funders actively supporting LMDs are [AECE](#), [D-Prize](#), [DOEN foundation](#), and [USADF](#).

More on these types of funding

Least onerous

Crowdfunding

Grants

Debt

Revenue sharing

Convertible equity/debt

Equity

Most onerous

Borrowing money and repaying it with interest, according to a timeline

- Debt can be used to finance fixed assets as well as to finance working capital (eg via revolving line of credit).
- Expect negotiations around terms: grace period, interest rate, term.
- Lenders need to be convinced about your capacity to repay.
- Currency of the loan may be problematic if it is not matched by the currency of your revenues (e.g., a USD loan to be repaid with revenues in different currency).
- Lenders may require collateral in the form of fixed assets, inventory or receivables account.
- You don't give up any control (unless limitations with selling asset).
- Can have limitations if you need to pay back upon additional financing.
- Crowdlending platforms such as [Charm Impact](#), [Bettervest](#) and [Lendahand](#) are important lenders in the sector.
- Examples of other types of lenders to LMDs include specialised investors and funds such as [Beneficial Returns](#) and the [SIMA Angaza Distributor Finance Fund](#).

More on these types of funding

Least onerous

Crowdfunding

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Equity

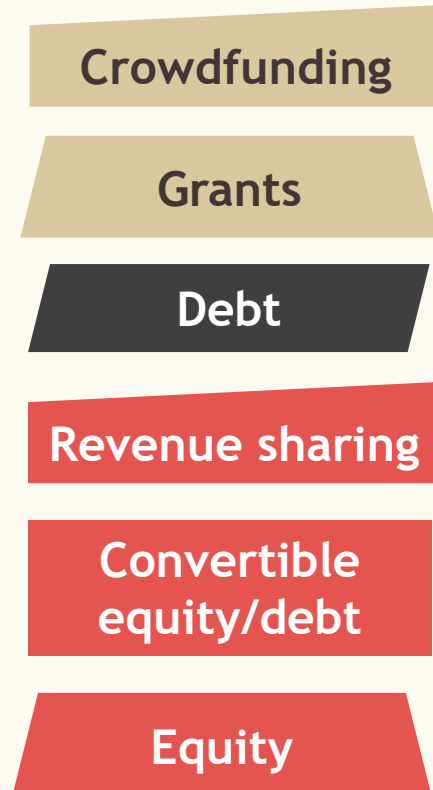
Most onerous

Fundraising instrument that provides investors recurring payments based on the company's financial results ("revenue share" or "profit share" deals)

- Companies can offer a set percentage of sales revenue or a percentage of a specific net profit metric and pay it to investors as a form of interest payment on a loan.
- Good option for getting capital into the company without diluting equity.
- You will need someone who understands your cash flow/repayment possibilities to set the repayment conditions and schedule.
- Can link to impact metrics to lower your return.
- Can put stress on accounting system/cash, or discourage future investors, as this will often need to be paid off first.

More on these types of funding

Least onerous



Most onerous

Raising financing that will later convert to equity, but is simpler to do right now

- Easier for earlier stages/smaller rounds.
- Comes in as debt (with interest rate + repayment obligation), or equity on balance sheet.
- Allows postponing the difficult exercise of company valuation until the conversion.
- Investors typically don't have voting rights until the conversion.
- Often includes valuation cap and discount rate – investor gets a good deal for taking an earlier risk.
- Use simple, quick documents for agreements with investors (e.g. SAFE) to reduce the time spent negotiating the terms of the investment.
- Convertible equity can come with complications; sometimes the valuation is already fixed, the repayment obligation may be delayed until after the conversion decision, etc.
- Most early-stage investors active in the space do this, e.g., elea foundation, Persistent and Gaia Impact.

More on these types of funding

Least onerous

Crowdfunding

Grants

Debt

Revenue sharing

Convertible
equity/debt

Equity

Most onerous

Selling part of the company and voting rights, in exchange for money

- Issued for large amounts of funding (\$2-5M+ depending on sector).
- Requires the largest negotiations around control and ownership. Biggest discussion point is often valuation of the company, while many other important terms may get less attention.
- Can simplify with off-the-shelf documents (e.g. Series Seed) for under \$3M.
- Early-stage investors active in the space include Acumen, [elea foundation](#), [Persistent](#) and [Gaia Impact](#).

Which types of funders do we approach?



Which types of funders do we approach?

Grants

- Foundations
- Programs from governments or development partners
- Crowdfunded donations
- ...

Debt

- Banks (local or international)
- Specialist financial intermediaries, including crowdlending platforms
- Foundations
- Development Finance Institutions
- Corporations/CSR
- Government programmes
- ...

Equity and quasi-equity

- Impact investors/patient capital
- Philanthropic investors
- Foundations
- Angel investors
- Private equity
- Venture Capital (VC)
- ...

Cannot stress this enough:
be aware of currency risk for
debt finance in hard
currency from international
sources

Which types of funders do we approach?

- The GDC's Last Mile Disitribution Capital Continuum: trends, gaps and opportunities research mapped concrete investors with a track record in last mile distribution, active at different stages of company growth.
- This information can be found in the GDC's LMD funding database.



Pre-seed funding



Seed funding



Small working capital facilities



~Series A

Working capital facilities



Equity

Small working capital facilities



Post-series A toward commercial capital

Which types of funders do we approach?

The GDC's LMD funding database provides an overview of relevant funders, who can be filtered by sector, geography, type of finance, ticket size, and stage of company growth:

- *Pre-seed, seed, early growth, accelerated growth, and slower growth.*

See who funders have invested in before. Are any of their previous investments in companies similar to yours?

Make sure you go through their websites as a starting point. Check their eligibility criteria to make sure you qualify.

The screenshot shows the GDC's LMD funding database interface. At the top, there are filters for Sector (Off-grid solar), Geography (East Africa), Type (Grants), and Investment Stage (Seed). Below these are size filters for \$10K and \$100K, and a red 'Filter' button. The main table lists funders with columns for Fund Name, Type, Size, Investment Stage **, Sector *, Geography, Application, and Examples of GDC investees.

Fund Name	Type	Size	Investment Stage **	Sector *	Geography	Application	Examples of GDC investees
AECF/REACT	Grants or repayable grants	\$50K - \$500K	Seed	All, Improved cooking, Off-grid solar	Sub-Saharan Africa	Several windows a year	Inyeneri, Vitalite Zambia, Zonful Energy
D-Prize	Grants	up to \$20K	Invest in new ventures that distribute proven poverty interventions.	Agriculture, All, Health, Improved cooking, Off-grid solar, Water & sanitation and hygiene (WASH)	Global	Bi-annual competition	Altech, Mukuru Clean Stoves, Endurance Electric, Harness Energy, Deevabits Green Energy, Livelyhoods, Essmart
DOEN Foundation	Grants and debt (convertible notes and equity also possible)	\$25K - \$250K	Give special attention to initiatives which are in a pilot and/or starting stage.	All, Improved cooking, Off-grid solar	East Africa (Kenya, Tanzania, Rwanda and Uganda) and India	Open	Pollinate Group, Frontier Markets and Livelyhoods, Inyeneri, Jiro-Ve, Offgrid Box, Shine, Simusolar, Sistema.bio
elea foundation	Grants, convertible grants and equity for early-stage companies	\$50K - \$500K	Mostly invest in early-stage companies (between pre seed and series A). After proof of concept, companies need to prove unit economics and clear path to profitability.	Agriculture, All, Health, Improved cooking, Off-grid solar, Water & sanitation and hygiene (WASH)	Global	Open	Essmart, ATEC

**Are we ready for
investment?**



From these funders' perspective, are we ready for their investment?

Levels ↓ Criteria ↓ Types of funding ↓

VILLAGE CAPITAL VIRAL PATHWAY™ Village Capital 2017										
Level	Name	Team	Problem and Vision	Value Prop	Product	Market	Business Model	Scale	Exit	Type of funding typically closed at this level
9	Exit in Sight	Team positioned to navigate M&A, IPO.	Global leader in stated vision.	Cited as the top solution in the industry solving this problem.	Product recognized as top in industry.	Clear line-of-sight to industry dominance.	Minimum 2x revenue growth for multiple years.	Strong unit economics for multiple customer segments.	Growth with exit.	Acquirers
8	Scaling Up	Team is recognized as market leaders in the industry	Systems-Level Change validated.	Multiple renewals with low sales effort. Customers in multiple markets love the product.	Strong customer product feedback in multiple markets.	Brand established. Hard-to-beat partnerships for distribution, marketing, and growth.	MOM revenue meets industry standard.	Growth of customer base accelerates month-on-month.	Team has turned down acquisition offer.	Close Institutional VC for Recurring Revenue + Growth
7	Hitting Product-Market Fit	C-suite as good or better than founding CEO and can stay with company through its growth and exit phases.	Impact is successfully validated.	Majority of first sales in target market are inbound.	Product is built for scale and additional offerings in progress.	Sales cycles meet or exceed industry standard.	Business model validated - Validation of strong unit economics.	Evidence of strong unit economics across multiple markets.	Team has strong relationships with multiple acquirers.	Close Institutional VC for 1st Sales, Market Expansion
6	Moving Beyond Early Adopters	Team has proven sales, product dev skills, and management ability to support a growing team for scale.	Sales validate impact tied to solution and grow as solution scales.	Sales beyond initial target customers. Customers love it and are referring the product to others.	Complete product with strong user experience feedback.	Supply/distribution partners see their success aligned with the company's success.	Sales begin to map to projections. Evidence of decreasing CAC with growing customer base buying at target price.	Company has cleared regulatory challenges and (if applicable) is implementing a strong IP strategy.	Team has identified specific acquirer(s) or other exit environment.	Close Round with Angel and Early VC
5	Proving a Profitable Business Model	Team has clear sales/ops understanding and strategy.	Evidence of impact tied to solution-the company has evidence that by growing the business, company solves the problem.	Target customers love the product and want to keep using it.	Fully functional prototype with completion of product for wide commercial distribution in sight.	Team is having conversations with strategic partners to capture their market faster/cheaper than the competition.	Financial model with evidence of valid projections to reach positive unit economics.	Vision and initial evidence of positive unit economics in two markets.	Inbound interest from large strategics.	Angel/Seed Funding Starts
4	Validating an Investable Market	Team has clear understanding of how their target market operates and has strong industry contacts in this market.	The company can articulate system-level change - how this solution would transform the industry.	Evidence of differentiation through initial target customer feedback that the solution solves their problem significantly better than others in the market.	Team has clear understanding of product development costs and how to build the initial product cost-effectively.	Total evidence of \$1B+ total addressable market.	Team has financial model with cost and revenue projections articulated and a strategy for hitting these projections.	Initial evidence that multiple types of customers find value in the solution or in an extension of the product that the company is well-positioned to develop.	Evidence of growth trajectory that could lead to IPO, acquisition, or self-liquidating exit.	Friends and Family, BootStrap
3	Solidifying the Value Proposition	Team has technical ability to build fully functional product and has a clear understanding of the value chain and cost structures in their industry.	The company can articulate why they're the best ones to solve this problem.	Evidence that customers will pay the target price. For B2C - 100 customers, for B2B - 5 customers and conversations with multiple stakeholders in each.	Team has built a working prototype and a product roadmap.	Initial evidence through sales that team can capture initial target market.	Team can articulate projected costs along the value chain and target cost points to reach positive unit economics.	Clear strategy to move to multiple markets.	Initial evidence that team can capture better than any incumbents.	Grants for R&D (Hardware)
2	Setting the Vision	Team has senior members with lived experience of the problem and/or deep understanding of their target customer's problem.	The team can solve the problem and can articulate its vision at scale - what does the world look like if they succeed?	The team has potential customers who provide evidence that solution solves key pain point - product is a painkiller, not vitamin.	Team has a basic low-fidelity prototype that solves the problem.	Team understands any regulatory hurdles to entering the market and has a strategy to overcome them.	Company can point to pricing and business models of similar products in the industry as further evidence that their revenue assumptions hold.	Initial evidence that multiple markets experience this problem.	Vision for growth has company solving a large piece of the global problem in 10 years.	
1	Establishing the Founding Team	Strong founding team - at least 2 people with differentiated skillsets.	Team has identified a specific, important, and large problem.	Team has identified their hypothesis of their target customer - the specific type of person whose problem they are solving.	Team has ability to develop low-fidelity prototype and has freedom to operate - not blocked by other patents.	Team can clearly articulate total addressable market, the percentage they will capture, and initial target market.	Team has identified an outline of revenue model.	Team has identified multiple possible markets or customer segments and has aspiration to scale.	Team understands what an exit is and has a vision for how they will ultimately provide a return for their investors.	Type of funding closed at this level

- The Village Capital VIRAL Pathway: Venture Investment-Readiness and Awareness Levels can help you measure how investment ready you are, using the language of investors.
- The VIRAL framework outlines 9 levels that companies go through over their lifetime. It also identifies milestones across a range of criteria: team, product, business model, and others.
- Assess your company against each of the **criteria** in the top row.
- Find what **level** you are at and therefore which **type of capital** you should be raising.
- Apps like abaca can help you go through self-assessment.

Source: Village Capital. [Click here](#) to read in full.

Investment-readiness framework criteria

Team

External investors will want to see a strong team, with relevant experience, and knowledge of the market and industry.

Problem and vision

Investors will want you to have clearly identified the problem your company wants to solve, how you plan to solve it, and why you are best placed to do this

Value proposition

You will need to know who your customers are. Do you have evidence that they will pay your price? Do you have evidence that your solutions solve their problems better than others? How much do they value your products and services?

Product

If developing a new product or technology, investors will want to know at what stage of development it is (prototype, patents, etc). **This is not always relevant for distributors, where the emphasis is on how you design and manage your distribution and sales.**

Market

You should be able to demonstrate a clear understanding of the addressable market, market share you will capture, regulatory issues, and have a clear strategy and potentially partners to enter the market.

Business model

You will need to be able to describe your business model, pricing, costs along the value chain, and have financial showing positive unit economics and financial projections.

Scale

You may have identified other markets to expand to, have a strategy for expansion, and evidence that your business model will work. **Note this is not as relevant for LMDs not pursuing a fast growth strategy.**

Exit

You may be expected to provide evidence of a growth trajectory that will eventually lead to an IPO or acquisition, allowing your investors to exit. **Note this is not as relevant for LMDs not pursuing a fast growth strategy.**

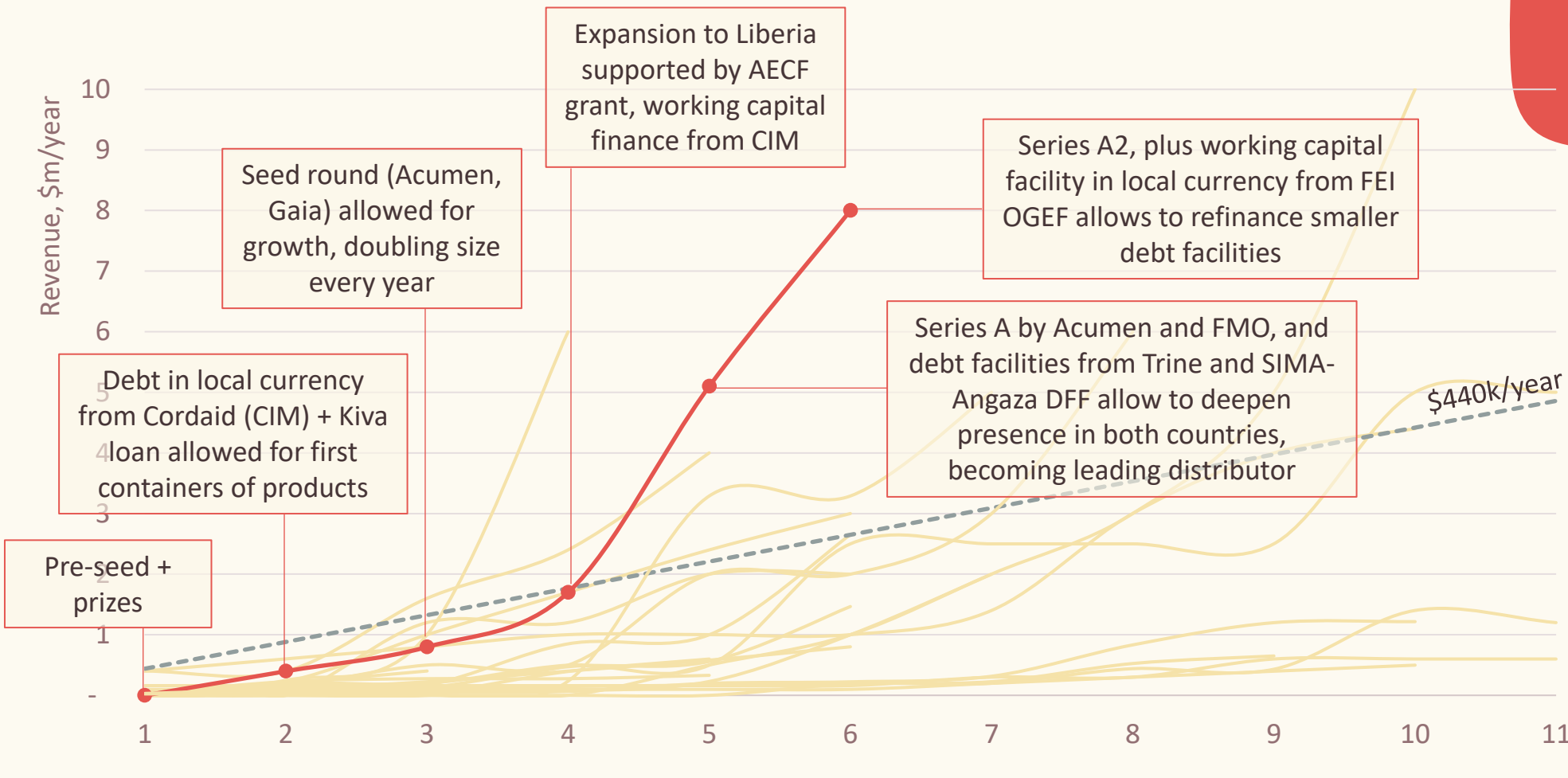
	Team	Problem and Vision	Value Proposition	Product	Market	Business Model	Scale	Exit	Typical Funding
Exit in Sight (9)	Our team is prepared to navigate a merger, acquisition or PO.	We're a global leader in solving this problem.	We're recognized as the top solution to this problem.	Our product is recognized as the top in the industry.	We have a clear line of sight to industry dominance.	Our revenue has met or exceeded investors' targets for multiple years.	Unit economics are strong for multiple markets or customer segments.	We're on the cusp of an exit and reaching the finish line.	Acquires IPO
Scaling Up (8)	Our team is recognized as market leaders in the industry.	We're beginning to have systems-level change in solving our problem.	Customers are renewing or repurchasing without much sales effort.	Our product is successfully handling dramatic growth.	We have hard-to-beat partnerships for distribution, marketing, growth.	We're rapidly growing each month and we've got a path to profitability.	Growth in our customer base is accelerating month-on-month.	We've turned down an acquisition offer already.	VC: Series C, D+
Product-Market Fit (7)	We have an experienced team that has outperformed the competition in growth.	We have a clear understanding of the problem and a solution that is built for it. Our product is built for it & new customers are in excess.	Our sales cycle meets or beats the industry standard.	We've validated our business model. We have strong unit economics.	Our unit economics are positive in multiple markets.	We have strong relationships with multiple potential acquirers.			VC: Series B, C
Moving Beyond Early Adopters (6)	Our management product & sales are ready for growth.	Our product is ready for growth, in the market, and gathering feedback.	Our suppliers & distributors see meaningful benefits from our success.	Our customers acquisition costs are going down & pricing is going up.	We've cleared regulatory challenges and have a clear IP strategy.	We've identified specific acquires or other exit options.			VC: Series A Debt
Profitable Business Model (5)	We have a clear strategy and understanding of sales.	We have evidence that our solution is solving our customer's problem.	Our initial target customers love the product and keep using it.	Our product is almost ready for broad commercial distribution.	Large partners are talking with us about distribution, marketing, etc.	Our actual revenues & costs support future positive unit economics.	Our unit economics are tipping to positive in at least two markets.	We're seeing inbound interest from large potential acquirers.	VC: Seed Angel
Validating an Investable Market (4)	We understand how our market operates & have strong industry contacts.	We can explain how this solution will transform the industry.	Customer feedback shows that our solution is better than others.	Our team understands product management and associated costs.	We have evidence that our total addressable market is over \$1B.	We have projected revenues and costs and have a strategy to hit them.	Customers in multiple markets find value in our solution.	Serious companies have made serious investments in our industry.	Angel Friends & Family
Value Proposition (3)	Our team can build the product & understand the value chain.	We can articulate why our vision offers a superior value proposition.	We have evidence that customers will pay our target price.	We've built a working prototype and have a product roadmap.	Initial sales provide evidence that we can capture our target market.	We can articulate the cost structure & unit economics in our industry.	We have a clear strategy to scale to multiple markets.	Evidence suggests our value proposition is of interest to acquires.	Angel Friends & Family Personal Credit
Setting the Vision (2)	Our team has personally experienced the problem.	We have a vision for how to solve the problem and can execute on it.	Potential customers validate that our solution will solve a key point.	We've built a low-fidelity prototype.	We understand applicable regulations & have a strategy for compliance.	Existing pricing and business models support our revenue model.	We have evidence that multiple markets experience this problem.	We have a vision of how to ultimately deliver liquidity to investors.	Friends & Family Personal Credit
Founding Team (1)	We have 2+ co-founders with differentiated skills sets.	We've identified a specific, important and large problem.	We have a hypothesis for how we will solve this problem.	We have the ability to develop a low-fi prototype.	We know our total addressable market size and target market share.	We have an outline of a revenue model.	We've identified multiple markets or customer segments.	We know what an exit is and understand its importance to investors.	Friends & Family Personal Credit

Your company may score different "levels" in each criteria. Your overall level, however, is the maximum level in which all criteria are fulfilled.

Examples of GDC members' growth and fundraising journeys: **Easy Solar**



Leading distributor of PAYG off-grid solar products in Sierra Leone and Liberia, having reached 120,000 customers to date

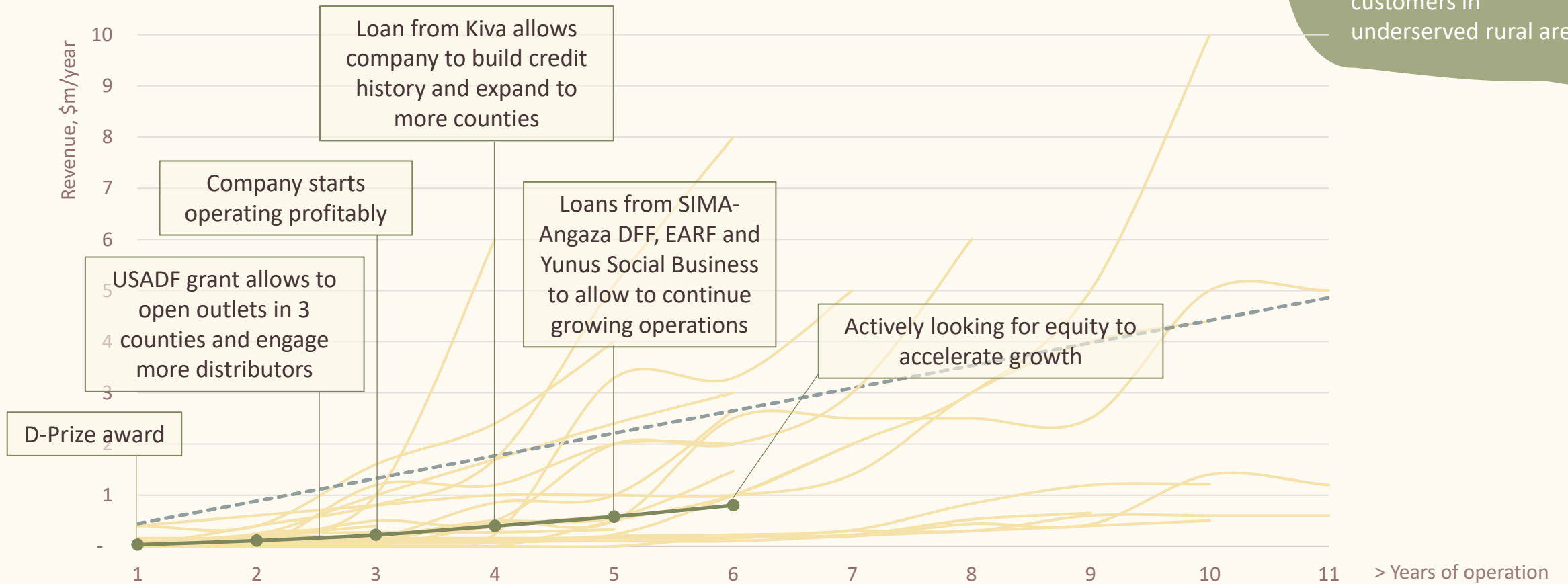


Lighter curves in the background represent the growth trajectories of other LMDs we have researched on

Examples of GDC members' growth and fundraising journeys: Deevabits Green Energy



Distributor of PAYG off-grid solar and appliances, with presence in 8 counties in Kenya, reaching 27,000 customers in underserved rural areas



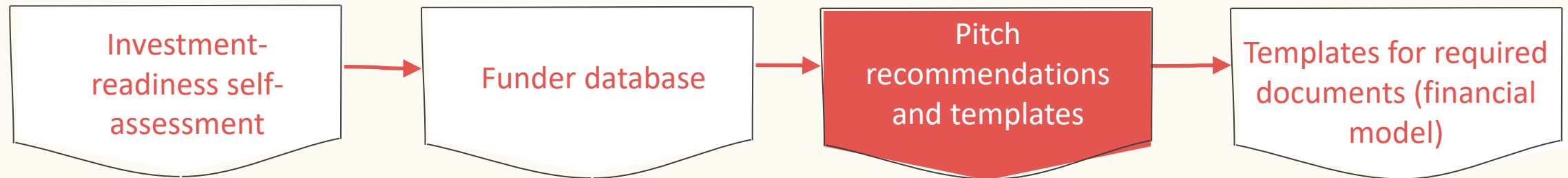
What's next?



What's next?

Once you have identified investors you'd like to engage with, using the GDC [LMD funding database](#), how do you approach them and how do you pitch to them?

Next: go to the *pitch recommendations and templates* (find this in our [Knowledge Hub](#)).



Useful resources / helpful links

- Village Capital VIRAL, <https://medium.com/village-capital/entrepreneurs-and-vcs-need-to-be-more-precise-in-the-way-they-talk-to-each-other-3e714e7a5245>
- Abaca, <https://abaca.app/> - do a self assessment
- Abaca, <https://abaca.app/investment-readiness-training> - read more...
- Explore GOGLA's access to finance resources at the Off-Grid Solar Energy Academy (<https://www.gogla.org/node/1405/>) to get more detailed information on equity and debt financing, which will be applicable beyond the off-grid energy sector.