

A woman wearing a blue headwrap and a purple apron over a blue patterned shirt is smiling and holding a yellow bucket filled with charcoal briquettes. She stands in a market stall under a wooden roof. In the background, there are other market stalls, a sign that says "SOKO JANJA CEPHAL SHO", and a bunch of green bananas hanging from the roof. The ground is dirt, and there are various items like charcoal bags and baskets around her.

PRACTICAL ACTION

Solving the Last Mile Distribution Challenge:
a call to action from the

GLOBAL DISTRIBUTORS COLLECTIVE

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1. EXECUTIVE SUMMARY

One billion people lack access to electricity, 663 million people lack access to clean water, 815 million people are chronically undernourished, and 3 billion people lack access to clean cooking facilities.¹ Basic products such as solar lights, water filters, nutrition products, improved cooking solutions (cleaner and/or more efficient cookstoves and fuels), and electronic appliances have been developed to address these critical access gaps. Thanks to improving technology and cost reductions, as well as new business models and consumer financing solutions, many of these technologies are becoming affordable to 'Base of the Pyramid' (BoP) customers for the first time.

The costs of distributing these life-changing products – particularly the costs of sales/marketing, customer financing, logistics, staff training, and after-sales service – to BoP customers are high. Distributors working in the last mile - in communities that are remote, poor, and/or marginalised - often struggle to access finance, due to the challenging economics of last mile distribution, as well as a lack of market data and investors' lack of experience investing in the sector. Distributors also lack a collective, strong voice in decision-making processes for addressing development challenges, making it difficult for governments, aid agencies, and investors to design policies, programmes, and portfolios that support the distribution sector.

If last mile distributors are not supported, hundreds of millions of people across Africa, Asia and Latin America will miss out on life-changing products and services. These technologies, and the markets needed to deliver them, are essential to achieving the Sustainable Development Goals.



The Global Distributors Collective (GDC) has been formed to respond to this urgent need and opportunity. **With an early base of over 100 distribution companies from across Africa, Asia and Latin America helping to shape its aims and objectives, and a further 13 affiliate organisations interested in collaborating to provide more effective support to distributors, it is emerging as the leading entity representing the interests and needs of last mile distributors around the world.** We estimate that with support the GDC could assemble and represent a community of over 1000 last mile distributors operating across the globe.

The GDC is a partnership based model that acts as a one-stop shop and a community of practice for last mile distributors. It has three principal objectives:

- a). To provide a range of **support services to distributors** that reduce costs and save time, enhancing efficiency and unlocking economies of scale. Services will help distributors to more effectively select products, procure stock, train staff, and more. These services will be offered on a fee-for-service basis, as the sector matures.
- b). To facilitate **match-making and collaboration**, enable the **exchange of information and expertise**, as well as **drive research and innovation** across the sector.

¹ World Bank (2017) Global Tracking Framework 2017: Progress Toward Sustainable Energy, Washington, DC: World Bank; World Health Organization (2017) Fact sheet – drinking water, available at <<http://www.who.int/mediacentre/factsheets/fs391/en/>>; FFAO, IFAD, UNICEF, WFP and WHO (2017) The State of Food Security and Nutrition in the World 2017, available at <<http://www.fao.org/3/a-17695e.pdf>>

- c). To act as a **collective voice** for distributors to ensure their voice is heard, helping to attract investment, shape policy, and create an enabling environment for distributors to thrive.

Currently being incubated by the leading international development innovators Practical Action, the Global Distributors Collective will become an independent structure, involving and representing last mile distributors to the greatest extent possible. The GDC will act as a curator, tapping into and collaborating with existing communities, platforms, initiatives and service providers as a value adding intermediary. Direct programmes will be delivered by a team of implementing partners with skills and experience in last mile distribution, including Hystra and BoP Innovation Center.

Based on extensive stakeholder consultations, including a major consultation workshop held in London on 11th September 2017 with 15 participating organisations, **this publication provides guidance and insight from the perspective of last mile distributors and affiliated organisations on the key challenges faced, and the opportunity to achieve impact through the Global Distributors Collective.**

The last mile distribution sector represents an enormous opportunity to impact the world's poorest and most underserved communities. We call upon governments, aid agencies, development banks and investors to capitalise on this opportunity and ramp up support for last mile distribution, including by supporting and collaborating with the Global Distributors Collective.

Join us in bringing the world closer to achieving the Sustainable Development Goals.

Contact us at GDC@practicalaction.org.uk for more information or to discuss partnership opportunities.

SIGNED BY IMPLEMENTING AND SUPPORTING PARTNERS OF THE GDC:



2. CHALLENGES & OPPORTUNITIES IN THE LAST MILE DISTRIBUTION SECTOR

THE INHERENT CHALLENGE – THE ECONOMICS OF LAST MILE DISTRIBUTION

The barriers that keep last mile distributors from sustainably reaching millions of underserved customers around the world are common across both geographies and product lines.

Customer Challenges:

- **Awareness and risk-aversion:** Customers require education about new products, often accompanied by behaviour change, and are inherently risk-averse. This means customer engagement and marketing costs are high, as distributors seek to build trust and demand, as well as ensure effective adoption.
- **Disposable income and access to finance:** Customers have low, often seasonal incomes, leading to affordability challenges and extreme price sensitivity. In addition they rarely have access to collateral or finance so that they can pay for products over time.
- **Geography:** Customers tend to live in remote, sparsely populated areas, increasing the cost of physically distributing products, maintaining an effective salesforce and performing after-sales services.



Business Challenges:

- **Access to finance:** Distributors struggle to raise finance, particularly working capital for inventory and consumer financing. The focus of investment in the sector has been on technology development rather than the human side of distribution.
- **Access to information:** It is costly and time-consuming to identify quality products, find reliable supply chain partners with commercialised products, access business planning tools, and learn about new trends and best practices in the sector.
- **Talent:** It is particularly expensive to recruit, train and retain an effective last mile salesforce. Products are 'push' products and so difficult to sell (which can result in low incomes, at least in the beginning), and the salesforce must be highly mobile to avoid market saturation.
- **Data management:** Companies lack sophisticated back-end systems, particularly IT for logistics and supply chain management.








Policy and Investment Challenges:

- High **taxation** on imported products and components;
- Difficult or time-consuming **importation** processes with high minimum order quantities;
- Challenging **broader business environment** e.g. limited physical infrastructure or corruption;
- Lack of **market intelligence**, impeding effective decision-making;
- Limited **investor experience** in the sector; and
- Lack of **consistent definitions, terminology, and standards** in various sectors to advocate and discuss the issues and solutions in one unified voice with consistent messaging. This also makes it challenging for distributors to sell reliable, certified, and tested products.

Note that these challenges particularly affect local last mile distributors who are often working in isolation, without the same support networks or access to capital as Western-founded distributors operating in developing countries.

OPPORTUNITY #1 – THE TRANSFORMATIVE IMPACT OF LAST MILE DISTRIBUTORS

A range of products exists that is specifically designed to meet the needs of ‘Base of the Pyramid’ (BoP) customers. Individually, these products improve lives and deliver specific development outcomes. Taken together, they have a transformative impact on a family’s quality of life, and are essential to achievement of the Sustainable Development Goals. Women and children tend to benefit the most, as these technologies are used primarily in the household. Examples include:

Product Category	Development Impact
 Solar lighting	Solar lanterns and home systems provide cleaner and safer homes, help families save money on expensive and inefficient kerosene, enable children to study and adults to work after dark, and increase the health and safety of women and children.
 Water filtration	Water filters provide clean drinking water, removing the risk of waterborne diseases such as cholera, typhoid, and dysentery.
 Improved cooking	Efficient cookstoves save money on fuel, reduce indoor air pollution (which kills over 4 million people every year ²), and may reduce the time women spend collecting firewood and preparing food. Using cleaner burning fuels such as ethanol, biogas, LPG, and pellets with higher quality stoves provides further health and environmental benefits.
 Nutrition food products	Nutritious food products such as fortified flour, rice, and vegetables increase food and nutrition security for families and decrease the risk of malnutrition (the underlying cause of almost one third of child deaths each year).
 Electronic appliances	Products like mobile phones and computers provide connectivity, facilitate better communication, enable education, and offer entertainment.
 Health products	Products such as eyeglasses, pre-natal kits, contraceptives, de-worming pills, rapid diagnostic tests for malaria, and sanitary napkins can have a range of impacts eg. Improving productivity, reducing risk of childhood diseases, improving hygiene, enabling family planning, and improving maternal health.
 Agricultural inputs	Products like water pumps, irrigation kits, seeds, efficient farming tools, and fertilizer lower labour costs, reduce waste, improve productivity, and increase quality of produce, ultimately increasing income for smallholder farmers.

Effective distribution channels are essential to deliver these socially impactful products to people who need them most. Last mile distributors also play a critical role in generating employment and entrepreneurship opportunities in geographies and markets where economic opportunities are scarce. Sometimes distributors target women, youth, or marginalised groups as sales agents and technicians, and provide broad training on business acumen, leadership, and entrepreneurial skills. This results in improved livelihoods and empowerment along the supply chain. What’s more, distributors often enable better financial access by providing customers with a formal credit history, for example through pay-as-you-go (PAYG) financing models.



OPPORTUNITY #2 – A GROWING BUSINESS MODEL ECOSYSTEM CHARACTERISED BY INNOVATION

Responding to the improving technology performance and reducing costs, an increasingly diverse range of companies and business models is trying to solve last mile distribution challenges. The main types of last mile distribution actors are detailed in Annex I. These organisations use a variety of channels, including harnessing existing retail infrastructure, building door-to-door entrepreneur networks, working through community-based organisations, partnerships with NGOs, and micro-franchising models.

Although few of these organisations have reached scale or proven commercial viability with their distribution models, there are certainly examples of significant impact, broad reach and business model innovation. Some last mile distributors have sold close to or more than a million socially impactful products in their target markets.³ Recent research by Deloitte highlights several examples last mile distributors that are reaching the BoP (and ‘deep BoP’, <\$1.25 a day) with critical goods and services in a financially sustainable way.⁴ This represents an opportunity to leverage those innovations that are working and learn from them to help the whole sector grow and scale.



Photo: BoP Innovation Center

OPPORTUNITY #3 – MECHANISMS EXIST FOR DONORS AND INVESTORS TO EFFECTIVELY SUPPORT LAST MILE DISTRIBUTORS

Last mile distributors often offer a range of products to customers, both to increase the depth of impact and to help generate the revenues required to cover the cost of distribution infrastructure. Distributors sell products cutting across sectors such as energy, health, education, water, sanitation, food, and electronics. In contrast, governments, aid agencies, donors and investors tend to be organised by sector. This makes it difficult for them to support distributors in a holistic way that cuts across product categories and areas of development impact.

Some financiers have established mechanisms to support small and medium enterprises in priority sectors as part of broader efforts to promote job creation and encourage economic growth. Such concessional financing models could be used to support last mile distributors of products that deliver basic services and development impact. In addition, many aid agencies currently fund NGOs to support revolving groups and community/women groups to distribute and develop loan products for socially impactful technologies. This approach could be broadened to include private sector models.

There is also increasing interest amongst financiers in supporting market-based solutions for basic products or services, which have greater sustainability and scale than approaches involving heavy end user price subsidy or free distribution. These tools tend to be sector-specific and include challenge funds, results-based financing schemes, and de-risking mechanisms such as credit guarantees or concessional financing facilities. These tools are attractive because they have relatively low transaction costs and are relatively low risk.

However, ‘picking winners’ in this way is problematic for the last mile distribution sector for two reasons. One is that it forces last mile distributors to compete against product-oriented companies, which are preferred by investors because they are bigger, lower-risk and better understood. This means the playing field is inherently unequal. The second reason picking winners is problematic is because it’s market distorting, since it involves providing significant

³ Examples include Toyola Energy (cookstoves), M-Kopa (PAYG solar systems), Grameen Shakti (solar home systems), Sunny Money (solar lanterns), Greenlight Planet’s easy buy vertical (solar lanterns), Total Awango (solar lanterns).

⁴ Deloitte (2017) Reaching deep in low-income markets, available at <<https://www2.deloitte.com/us/en/pages/operations/articles/economic-sustainability-low-income-markets.html>>

competitive advantage to a minority of big businesses, which often do not reach BoP consumers. This excludes the large number of smaller firms found downstream in last mile distribution, who do not receive support because of the higher risks, higher transaction costs, and increased company 'churn'.

To effectively channel resources to last mile distribution, and support a greater variety of more context-specific models in the hardest-to-reach markets, different approaches are needed – 'collective' approaches, which make support available to the distribution sector as a whole.

OPPORTUNITY #4 – THE POWER OF A COLLECTIVE VOICE TO INFLUENCE POLICY AND ATTRACT INVESTMENT

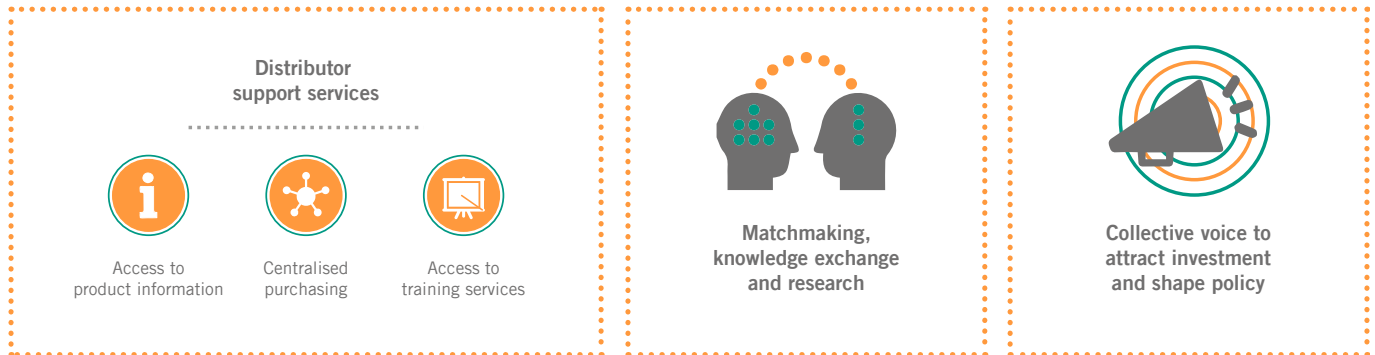
A number of entities exist with the aim of facilitating a better enabling environment for specific sectors. For energy, for example, Lighting Global and Global Off-Grid Lighting Association (GOGLA) work to grow the off-grid lighting market through focusing on mobilising investment, undertaking advocacy, and promoting quality. The Global Alliance for Clean Cookstoves and the Global Alliance for Improved Nutrition (GAIN) have similar missions but are specific to the clean cooking and nutrition sectors respectively. National Associations for sectors such as renewable energy and clean cooking are active at a national level in many countries. While effective to varying degrees in their efforts to shape policy and attract investment, these entities play an important role and demonstrate the power of a collective approach in a sector.

Last mile distributors lack a distinctive voice in decision-making processes that affect their businesses. This is particularly true for last mile distributors that are not industry-specific but work across a range of product categories and sectors. **Several attempts have been made to galvanise the sector, most notably a Shell Foundation conference in 2013 around Hystra's report Marketing Innovative Devices for the BoP, which brought together 15 last mile distributors who confirmed the need for collective action; the MIT Practical Impact Alliance Working Group on Distribution Challenges at the BoP in 2015; and a GOGLA/Frontier Innovations Foundation roundtable event in 2016. However, due to a lack of a driving force, no further progress has been made and these efforts have stalled.**

The GDC represents an opportunity to build on the successes and lessons of global and national associations – and work closely with those associations – to develop better representation for the last mile distribution sector as a whole. Based on GDC consultations to date, existing associations are interested in and supportive of efforts to strengthen distributors' collective voice.

3. THE GLOBAL DISTRIBUTORS COLLECTIVE: KEY ACTIVITIES

The GDC has three primary activities, as illustrated in the below graphic and detailed further in the following three subsections.



3.1 DISTRIBUTOR SUPPORT SERVICES

In a mature industry, ‘support services’ reduce the burden on individual companies by unlocking efficiencies and economies of scale. The last mile distribution sector is still nascent and as such there are few support services available to distributors. This means that distributors often have to reinvent the wheel to develop their own systems and processes, at great expense.

The GDC will support the emergence and growth of high quality, affordable support services for distributors in two ways:

- The GDC will showcase and share information about best-in-class support services currently available.** Examples include Angaza (enables PAYG for energy products) and What3Words (enables distributors to locate and track a remote customer base). The GDC will also identify and support emerging services, such as current attempts to develop holistic software solutions for last mile distributors.
- Where distributors’ needs are not being met, the GDC will pilot, test, and scale innovative solutions.** The three priority needs of last mile distributors identified by the GDC are access to **product information, centralised purchasing, and access to training services**. The GDC will build out appropriate services to meet these needs, as detailed in the following sections. In the longer term the GDC will explore other services that leverage economies of scale and process including logistics support, after-sales service, and end-of-life product management. The GDC will work with partners as much as possible in development and delivery of these services.

Grant and concessional financing will be needed to cover the cost of experimentation and learning needed to develop new distributor support services and to figure out the business models which will enable them to go to scale on a commercial basis. Over time, projects will transition to fee-for-service models, until they reach a point where they can be scaled through commercial finance.

This ‘collective’ model will enable governments and donors to effectively ring-fence support for last mile distributors. It will benefit a higher volume of distribution businesses serving a wide geographical market, without taking on the high risk associated normally with supporting individual distribution businesses directly.

3.1.1 ACCESS TO PRODUCT INFORMATION

One of the biggest challenges last mile distributors face is identifying and sourcing products. Distributors struggle to identify quality products and understand certifications, meaning they invest large amounts of time and money trialling and testing different technologies themselves. In addition, many products are not effectively commercialised, because they stagnate in the prototyping phase, or fail to be aspirational to customers because of inappropriate design, pricing, packaging or marketing. This means distributors must constantly assess if a product is a prototype or has been commercialised, and to what degree it is ready for widespread distribution.

There are some databases and platforms that have emerged to aggregate products, such as Mangoo Marketplace,⁷ Global Alliance for Clean Cookstoves' Clean Cooking Catalog,⁸ Technology Exchange Lab,⁹ GAIN's Enable Platform,¹⁰ Engineering for Change's Solutions Library,¹¹ and GIZ's DC Appliances Catalogue.¹² However, these databases are not targeted at distributors, and as such are limited in their usefulness:

- Platforms rarely include information that distributors need, such as information about warranties or product availability.
- Often anyone can upload a technology or product onto these databases, meaning they can become too large for distributors to navigate, and do not help them assess product quality.
- Technologies that are uploaded tend to be in various stages of development, making it difficult to identify which products have been fully commercialised and are ready for widespread distribution.
- Nearly all product information platforms are industry-specific, meaning distributors working across sectors need to navigate many different platforms.
- Product reviews either do not exist or, when they do, can come from NGOs that have given products away for free, making reviews unreliable for distributors as they seek to assess the commercial viability of a product in their market.

The GDC aims to **improve access to product information across a range of categories, making it quicker, easier and cheaper for distributors to access high-quality, low-cost, fully-tested products.** We will do this through:

Product Database

The GDC will bring together product information from existing databases across the sector, and make it available online in a more appropriate and accessible format for distributors. The product information provided will be based on the kind of information distributors tell us they need. This includes, for example: retail pricing by region, approximate distributor pricing by region, availability of products by region, import requirements, and stage of product development.

The database will ensure effective quality control, consumer protection and maximum benefit to end users in a number of ways:

- Both distributors and users will be able to evaluate the products, ensuring end-users (as well as distributors and funders) have access to valuable information about the quality and practical use of the products
- By including up-to-date data around prices and availability, the database will improve market transparency so that customers are better informed and can make better purchasing choices
- We will work closely with certifications for product categories where they already exist. Where these categories do not exist we will evaluate technologies by conducting operational, environmental and social due diligence on manufacturers of quality products – this may ultimately be outsourced through building local testing capacity.

Consumers insights and supplier partnerships

The GDC will advise on gaps in technology availability and hence opportunities for product development. Through its network of distributors, the GDC will be well placed to provide guidance on real needs and preferences of those living in communities in target regions. This can inform both initial technology development and adaptation of existing products for new markets, to ensure products effectively meet the needs of BoP consumers. The GDC can also

⁷ <https://www.mangoo.org/>

⁸ <http://catalog.cleancookstoves.org/>

⁹ <https://www.techxlab.org/>

¹⁰ <https://www.gainhealth.org/enable-platform/>

¹¹ <http://solutions.engineeringforchange.org/>

¹² [https://energypedia.info/wiki/File:GIZ_\(2016\)_Catalogue_PV_Appliances_for_Micro_Enterprises.pdf](https://energypedia.info/wiki/File:GIZ_(2016)_Catalogue_PV_Appliances_for_Micro_Enterprises.pdf)

leverage its distribution partners to undertake in-country market surveys and prototype testing to ensure that products developed are suitable for roll-out in target markets. Finally, the GDC will provide a match-making service linking product manufacturers with last mile distributors.

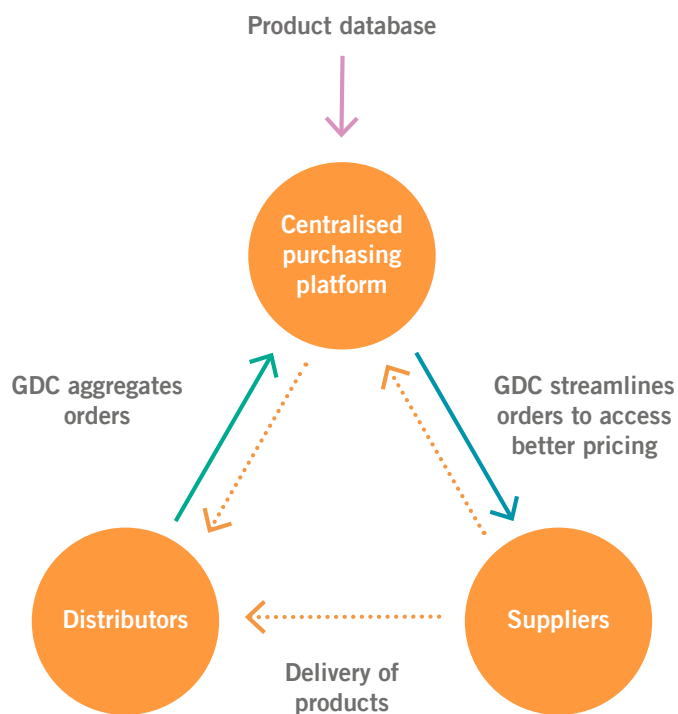
In this way, improved access to product information will not only save costs for distributors and better equip them to diversify their product suite, it will also benefit suppliers who will have a clearer path to market, better feedback loops, and access to a worldwide network of distributors.

3.1.2 CENTRALISED PURCHASING

Once last mile distributors have identified appropriate products, they need help in negotiating good terms for those products (not just on pure product costs but also on logistics and import terms). At the same time, the small volumes they start with limits their ability to access good prices.

Some last mile distributors operating in the same country have started to join forces informally to overcome these challenges, for example by purchasing jointly from the same manufacturer, sharing containers to reduce the costs of freight and improving their bargaining power.

The GDC will set up and implement a centralised purchasing platform to make this possible at a global scale. The first player able to create a platform linking suppliers and distributors would have a strong competitive advantage as a first entrant, aggregating demand from an ever-growing base of distributors and attracting product manufacturers looking for outputs for their products. This is the opportunity the GDC seeks to capture, and is illustrated in the graphic shown.



The objectives of this platform will be to:

- Negotiate prices with product suppliers in bulk, overcoming the ‘small volume’ barriers that individual distributors face and supporting suppliers to streamline orders and reduce transaction costs;
- Standardise terms and contractual relationships;
- Aggregate products from given geographical sources, which will make small experimental orders feasible and economical;
- Guarantee product quality (only verified products will be on offer), and provide support on returns and litigation issues if products delivered do not work or do not meet the promised quality standards; and
- Potentially, provide centralised in-country storage and logistics, ie, working with suppliers to enable or play the role of country-level (or regional) importers/wholesalers.

Concretely, we propose to do this first through a high level business plan to evaluate the size of the opportunity. This initial study will also help us identify priority products for centralised purchase and possible pilot countries with a critical mass of last mile distributors. We will then test the platform and approach in selected pilot countries.

In this pilot, we will create a platform where distributors can come to place orders, including their required quantity, delivery location(s), and latest acceptable delivery date. In parallel, we will work with suppliers to ease their logistics burden and streamline orders so that distributors can access better pricing. Depending on the existing distribution infrastructure for the chosen products, we may also establish the necessary local logistics (warehouses, transport, etc) to provide real added value to distributors.

Once the opportunity and scope of work of the purchasing platform is confirmed, we will replicate the model in more geographies and add product lines as per market needs.

3.1.3 ACCESS TO TRAINING SERVICES

Last mile distribution is a people-centred business. There is a high need for skilled and trained staff and salesforce. However, training services for distributors are currently limited. Those that are available (see Annex II) are often either prohibitively expensive or are subsidised by specific donors and only available to a small number of companies. There is also no central source of information about training services for distributors to access. Distributors need better access to more comprehensive training services that meet their needs at a more affordable price.

The GDC aims to tackle this challenge by undertaking a series of activities, as illustrated in the below graphic:



Build a training resource hub

A diverse range of training materials exist that would be beneficial for last mile distributors, but this material has not been widely shared, largely because there is no central initiative to coordinate its exchange. The GDC will work with training providers and research bodies to collate resources from across the sector and make them available online. This will ensure that distributors have access to quality open source resources, as well as information about what services are available to which segments and at what price.

Develop new training materials to plug critical gaps

Training material tends to be market or model specific. In addition there are critical gaps in existing training services, in particular:

- **Sales and marketing:** How to build a convincing value proposition, including appropriate end-user payment solutions; how to effectively build, manage, and incentivise sales networks; how to affect behaviour change and consumer adoption; and how to build a customer base and maintain customer relationships.
- **Products and suppliers:** How to identify and manage product portfolios, inventory, and supplier relationships.
- **Gender:** How to empower women throughout the value chain.

The GDC will develop practical, tailored training materials in these areas, as well as other areas where gaps are identified, such as management/leadership and financial literacy . We will pilot these materials with distributors and seek feedback to refine the materials accordingly.

Work with partners to provide better digital training services

Building on the success of existing platforms, including the online ‘bootcamps’ developed by BoP Innovation Center through the Inclusive Business Accelerator platform, we will work with partners to develop and adapt online training services for distributors to maximise access to and use of training materials.

For new training material, training will be delivered as a series of modules, which will include practical tools, methodologies and real-life examples, which participants can follow at their own convenience. On the platform, course participants will be able to interact with each other and experts - such as mentors from the Miller Center for Social Entrepreneurship - will be available to provide support and feedback. In this way, the platform will help to build a community of practice, facilitating collaboration and peer-learning amongst distributors, as well as between distributors and experts.

Deliver regional training workshop series

We will develop a series of regional/country-based workshops to deliver low-cost, in-person training to distributors. This will involve identifying and working closely with existing training providers, local universities, and training centres, as well as local companies and industry associations, to think through how high-quality training that meets the needs of distributors can be provided on an affordable and sustainable basis in the longer term. Such partnerships could involve companies helping to design curricula or releasing staff to provide training to students.

Providing last mile distributors with better access to training services will enable distributors to better manage their businesses and product portfolios, more effectively train and retain their staff, measure their impact, empower women, improve business performance, and ultimately reach more people. This also benefits suppliers, who will be able to leverage more effective and efficient sales networks to sell their products.

3.2 MATCHMAKING, KNOWLEDGE EXCHANGE AND RESEARCH

Established industries benefit from tailored events and online platforms that provide opportunities to share recent and future market trends, showcase new products and business models, do business, and exchange knowledge and network with peers. The distribution sector for socially impactful products is too small and spread out to have any such forums, meaning last mile distributors tend to operate in isolation. This results in a lack of knowledge about 'who's who' in the sector, a needless reinventing of the wheel, an inability to leverage experience and learn from each other, and a lack of collaboration to achieve economies of scale.

The solution is to create more opportunities for distributors to come together to collaborate and share knowledge, both digitally and in person. There are four main ways to achieve this:

Distributor membership database

The GDC is already working to build a soft membership of distributors operating around the world, across product categories. Our current database includes over 100 distributors but with additional support we estimate it could grow at least ten fold. Each distributor would have a profile on the GDC's online platform, to give an indication of the organisation's size, geographical footprint, business model, track record, product categories, and more.¹³

Having a comprehensive database of members will enable the GDC to support match-making efforts between distributors and to easily seek feedback and aggregate information that can be shared more broadly across the ecosystem to build the sector's 'collective voice'. The GDC will also develop a regular email newsletter for members as part of its basic infrastructure, to keep distributors updated with emerging trends, exciting opportunities, offers/asks, and useful case studies.

This database will also be of value to other market actors, who can search the database using different search functions (e.g. geography, product type). This will give suppliers a better grip on distribution partners in their target geographies, and will give funders better insights into different companies they could support. The GDC can also play a role in facilitating these relationships.

Distribution events

The GDC will facilitate an increased number of interactions between distributors by hosting low-cost, local events. This will not only enable distributors to share experience and learning, but will also kickstart partnerships. Consultation with distributors suggests that there is significant potential for cost-saving partnerships that maximise impact. In one case, two distributors are collaborating to set up a shared office, with one servicing the urban/peri-urban market through a door-to-door distribution model, and the other servicing the rural market through a retail distribution model. Sharing infrastructure is projected to halve fixed costs.

Podcast

The GDC will launch a podcast series on innovation in the last mile distribution sector. While there have been a number of webinars and reports on last mile distribution best practices, these have traditionally been delivered by external experts. Distributors have stated that they would benefit greatly by hearing directly from practitioners talking honestly and openly about their challenges, mistakes, accomplishments, and strategies for success.

¹³ This will be done in synergy with the centralised purchasing platform to avoid duplication

As such, the podcast will be from the perspective of the last mile distributors themselves. It will involve interviews with leading practitioners sharing their thoughts on business models, day-to-day challenges, and lessons learnt. This will build the capacity of individual organisations to overcome the challenges they are facing, as well as inspire new entrants and enable them to learn from the successes and failures of others. The podcast will be open source, with episodes disseminated and promoted widely across the sector.

Sharing learning and driving new innovative research

The GDC will work with other networks and industry associations to support the collation of existing research and data from across the sector, and make it easily accessible. The GDC will summarise key views and learnings on last mile distribution, highlight priority research needs in the sector, and support those organisations undertaking research to ensure findings inform distributor thinking and practice.

Examples of areas where innovative research is needed in the sector include:

- **Link between community health worker networks and sales agent networks:** Currently it is very difficult for community health workers to cross-sell other products since the health sector is strictly regulated. Those who have tried to sell innovative durable goods have failed to build a sustainable business model. Can this be done? How can lessons from unique organisations such as Living Goods be leveraged to enable other distributors to sell these products? And can community health worker models be made more sustainable by allowing the sale of higher margin consumer products?
- **Link between distribution and mini-grid sectors:** There is a huge opportunity to improve the viability of mini-grids by boosting demand for electricity through the sale of electrical appliances and equipment. However, product distribution is not core business for mini-grid developers and they lack expertise and resources to do this effectively. How can we facilitate partnerships between mini-grid developers and distributors, enable knowledge exchange, leverage last mile data from both sectors, and support developers to build distribution channels themselves?
- **Link between distributors and NGOs:** How we can leverage the broad reach of NGOs such as World Vision, who are reaching remote and untapped markets, to enable market based distribution of key products and services?

3.3 COLLECTIVE VOICE - TO ATTRACT INVESTMENT AND SHAPE POLICY

In addition to enhancing access to information and supporting the emergence of support services which help distributors improve business performance, in the long-term the GDC has a crucial role in providing a collective voice for distributors to inform the design of policies, programmes, and funds.

Improving access to finance

One key area where a collective voice is needed is around access to finance. Distributors struggle to access finance - this is partly linked to the challenging economies of last mile distribution, but is also linked to a lack of market data, investors' lack of skills and experience investing in the sector, and the relatively small ticket requirements.

Subsidised capital is essential to mitigate risk and navigate challenges inherent in BoP markets, and does not prevent enterprises from ultimately reaching financial sustainability.¹⁴ The biggest unmet capital needs for distributors are: working capital for supply chain management; consumer financing capital for providing payment plans to poor end-consumers; equity for growth; and seed funding, particularly for piloting innovations, launching new product categories, and new market entry. New concessional financing mechanisms specifically designed to support distributors are required to meet these needs.

The GDC will work closely with its network of distributors to generate data and improve transparency around the economics of last mile distribution and financing needs. **This includes developing standardised business performance and impact metrics/tools, helping create a common language across the sector for the measurement, analysis, and reporting of performance and social impact.** This will allow distributors to more effectively quantify and verify impact for investors, donors, and other partners, who can therefore make more informed decisions. It will also allow enterprise data (eg. annual turnover, sales volumes, customer repayment rates, customer demographics, impact, etc) to be aggregated and anonymised to provide more accurate market intelligence. Analysis of such data will enable a better understanding of what capital is most effective in creating desired outcomes in a complex market where there is no one-size-fits all approach.

¹⁴ Deloitte (2017) Reaching deep in low-income markets, available at <https://www2.deloitte.com/us/en/pages/operations/articles/economic-sustainability-low-income-markets.html>

In this way the GDC can develop specific recommendations around capital spending, to help investors and donors understand how they can best stimulate, scale, stabilise or support long-term maturation of the last mile distribution sector. The GDC will also support investors to enter the sector, encourage the sharing of information between financiers, and provide practical support to investors and donors.

Galvanising support for demand-side challenges

A collective voice for distributors is needed in order to secure better support with unlocking markets. Although local market activation is critical to the success of the entire supply chain, currently it is distributors who bear the primary burden, undertaking marketing and awareness-raising activities and behaviour change campaigns in the communities in which they operate. This is essentially done 'for free' with little support from other stakeholders.

Governments, donors and manufacturers can play a key role in helping to address the demand-side and awareness challenges of these last mile markets, as well as stimulate greater adoption and use. One example of how they can do this is through category-level brand-agnostic marketing, education and behaviour change communication initiatives. This has benefits across the supply chain and gives distributors greater scope to focus on local execution and customer service.

Influencing decision-making and shaping policy

Finally, distributors also lack a collective voice in decision-making processes, making it difficult for governments and aid agencies to design policies and programmes that support the distribution sector. The GDC will work closely with global industry associations, such as GOGLA and the Global Alliance for Clean Cookstoves, as well as national industry associations, to develop guidance on the state of the sector and recommendations on national policy issues that affect last mile distributors, such as taxation and importation. This will be disseminated to government, aid agency, and investor audiences to inform decision-making processes.

4. GOVERNANCE, REVENUE MODEL AND NEXT STEPS

4.1 GOVERNANCE

The GDC will be delivered by a team of implementing partners led by Practical Action, who will co-ordinate the GDC's activities and manage its overarching infrastructure.

Implementing partners currently include Hystra and BoP Innovation Center. The GDC will continue to build out and formalise its membership of last mile distributors from across the globe, and will work closely with this group as well as supporting partners in both design and delivery of key activities.

Each implementing partner will be responsible for design and delivery of one or several areas of GDC activity, in line with their skills and experience. Hystra will lead on the centralised purchasing activity and BoP Innovation Center will lead on the access to training component. Practical Action is currently the lead of the remaining activities (access to product information; matchmaking, knowledge exchange and research; and building a collective voice), but welcomes additional implementing partners to lead or support in delivery as appropriate.

A Steering Committee comprised of implementing partner representatives will be established to oversee progress in design, fundraising, and delivery of GDC

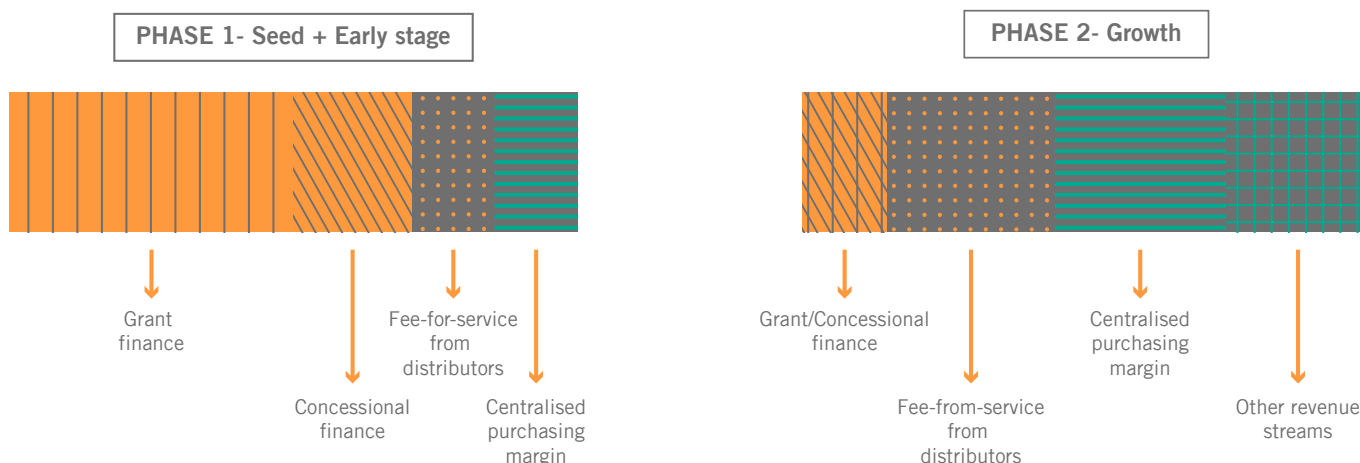


activities. In future, the Steering Committee will establish a high level Advisory Group to support strategic direction of the GDC.

Ultimately, we will seek to establish the GDC as an independent entity, involving and representing last mile distributors to the greatest extent possible.

4.2 REVENUE MODEL

The GDC will use a blended revenue model, with proportions changing over time. Many of the GDC’s activities will initially be funded through grant or concessional finance, but as the organisation grows, a significant amount of revenue will come from paid-for services and margins from services. The GDC will explore other revenue streams as it continues to grow, which may include fees for match-making services, consulting income from product testing and analysis, commission from fundraising, and data monetisation. This revenue model is illustrated below.



Practical Action, Hystra, and BoP Innovation Center will identify and pro-actively engage a range of funders, seeking support either for specific activities for the GDC as a whole.

4.3 PRIORITIES AND NEXT STEPS

The GDC has an ambitious portfolio of work and as such will adopt a staged approach to execution. Initially, the GDC will focus on building and iterating three critical support services (access to product information, centralised purchasing and access to training services). With each service being driven by a different implementing partner, design and implementation of all three activities can happen simultaneously. In addition, the GDC will prioritise efforts to stimulate and facilitate matchmaking, knowledge exchange and research. A collective, inclusive approach is essential to the success of the GDC, and we welcome partnerships with organisations who can support in design and delivery of these priority areas.

With these foundations in place, the GDC will focus on building a collective voice for distributors, as well as begin to explore other services that leverage economies of scale and process. Examples of areas to be explored further as the GDC develops include logistics support, support for end-user financing, after-sales service, and end-of-life product management.

5. CONCLUSION

We have an opportunity to impact the world's poorest and most underserved communities in a way that has never been done before and with tremendous reach and scale. To do this we need increased recognition and support for the last mile distribution sector, and the adoption of a collective approach. By supporting the Global Distributors Collective, you can help make this a reality and bring the world closer to achieving the Sustainable Development Goals.

JOIN US ON OUR JOURNEY AS WE BUILD ON INNOVATIONS, SUCCESSES AND LESSONS LEARNED TO HELP BUSINESSES TAKE LIFE-CHANGING PRODUCTS TO MARKET.

Contact us at GDC@practicalaction.org.uk for more information or to discuss partnership opportunities.

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Registered Charity No. 247257 Company Registration No. 871954

ANNEX I: TYPES OF ACTORS IN THE LAST MILE DISTRIBUTION SECTOR

Actor	Competitive Advantage	Examples
National small or medium enterprises (SMEs)	Have strong local knowledge and networks and sell products that are tailored to local consumer preferences.	Sola Yetu, CleanStar Mozambique, Burro, SGFE Funds, Guts Agro Industry, Farinos
Multinational Corporations (MNCs)	Leverage or extend current distribution channels to sell products/services with development impact	TOTAL Awango, Unilever Pureit, Danone Fan Milk
MNC / NGO Partnerships	Use NGO reach and relationships and MNC finance to extend value chains into rural areas	Danone-World Vision, Bata Shoe Company-CARE, Unilever-BoP Innovation Center
Mission-driven social enterprises	Can focus on solving complex distribution challenges and achieving impact through access to grant funding and concessional finance	Solar Sister, Living Goods, Agrics, Chakipi Acesso
Microfinance Organisations	Leverage distribution networks and consumer financing capability to sell products with impact, either single-handedly or in partnership with distribution companies	Finca, BRAC, Kiva, Musoni, Bharat Financial Inclusion
Manufacturers with some proprietary distribution	Deploy a range of routes to market and sell through third-party distributors of all kinds, on both an exclusive and non-exclusive basis. For PAYG manufacturers, distribution partnerships with mobile network operators and other franchisee models are becoming more commonplace.	D.Light, Greenlight Planet, Toyola Energy, Envirofit, M-Kopa, Mobisol, Off-Grid Electric, PayGo Energy
Mobile Network Operators	Leverage distribution networks and mobile/mobile money customer base to sell products/services which in turn help to drive mobile and mobile money use.	Safaricom, Airtel, MTN, Tigo

ANNEX II: TRAINING SERVICES CURRENTLY AVAILABLE FOR LAST MILE DISTRIBUTORS

Form of training	Advantages	Disadvantages
Accelerator and incubator programs, eg. GSBI Accelerator, Laureate Global Fellowship, Echoing Green Fellowship	Strong support for social enterprises in business fundamentals, developing business plans, pitching, and getting investment ready.	Accessible to a small number of companies - often Western-based social enterprises with networks and access to capital Not tailored to specific needs of last mile distributors
Consultancy training, eg Whitten and Roy, Practical Action Consulting, Winrock, BoP Innovation Center, Hystra, Energy4Impact	High quality training in sales and marketing, catered to specific needs of distributors	Too expensive for many distributors Often provided on a subsidised basis, and therefore only offered to a small number of companies
Online and mobile-based training, e.g. +Acumen, Inclusive Business Accelerator	Globally accessible and affordable, and sometimes with dedicated modules on last mile distribution or BoP marketing	No direct face to face interaction (Partly) dependant on stable internet connection Rarely tailored to specific needs and different segments of distributors
Technical training provided by universities, colleges, industry associations and businesses eg. Anthropower, African Management Initiative	Support for staff with technology needs (eg. installation, safety, after-sales service)	Can be expensive Limited in scope to technical issues, not covering other business skills such as sales, marketing or logistics Can be out of date and not in line with the latest trends
Training provided by product suppliers, eg. Grameen Greenway, Greenlight Planet	Support for distributors in understanding how the technology works through demonstrations, and support with marketing material	Training is product specific No training on how to sell or market technology, or support for user adoption and behavior change
Training packages developed by distributors themselves, eg. Solar Sister, Solar Aid	Tailored training based on experience, for those involved in all levels of distribution (sales managers, sales agents, retailers, etc)	Training packages are developed at significant expense to each distributor and considered to be intellectual property – not shared or open-source. Packages are specific to each company and need to be adapted if they are to be relevant to the sector as a whole