



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

Insights from the Global Distributors Collective and CDC Group

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

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