

# Last Mile Distribution State of the sector report

**Global  
Distributors  
Collective**



## Summary

Billions of people lack access to beneficial products including solar lights, water purifiers, and agricultural inputs. Last mile distributors (LMDs) are critical to ensuring such products reach last mile communities, helping to improve health, wellbeing, and livelihoods. *The Last Mile Distribution: State of the sector report* is based on a survey of 72 members of the Global Distributors Collective (GDC) and interviews with more than 30 sector experts. The report identifies trends, challenges, and opportunities, and makes recommendations regarding how to better engage with, invest in, and support the sector.

## Key points

### Embrace LMDs as enablers of sustainable development

LMDs represent a key opportunity to achieve the Sustainable Development Goals. By distributing beneficial products to low-income and hard-to-reach customers, they not only play a critical role in enabling human potential and wellbeing but also provide last mile job opportunities in retail and sales. By generating demand and helping consumers build a credit history, LMDs also help create sustainable markets, enabling other companies to step in and join LMDs in serving last mile consumers.

### Recognize that there is no one-size-fits-all approach

Three broad groups emerge among LMDs surveyed. (1) Fast-growth companies for whom sales revenue is the main source of income; most of which show sales per full-time sales agent of over US\$10,000 per year, and who have already raised equity. (2) Smaller, stable companies that have more varied income sources, including consumer research for companies or training for governments. And (3) young, experimenting LMDs, whose business models and growth strategies are yet to be determined. This diversity requires financial, technical, and capacity-building interventions to be tailored appropriately.

### Tackle LMDs' top challenges to help them thrive

Despite their differences, LMDs cite similar barriers. Enabling LMDs to prosper means addressing challenges they face in procurement, sales efficiency, and access to finance. This can be done in a range of ways including through centralized purchasing and improving product certification, enhancing sales management platforms, and training services. Access to finance can be improved by adapting existing funding mechanisms and establishing specialist intermediary funds.

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## LMDs driving sustainable development

Today, nearly one billion people lack access to electricity, three billion lack access to clean cooking, 844 million lack access to clean drinking water, and a further 815 million are undernourished.<sup>1</sup> Beneficial household products are vital in helping to address this ‘access gap’ for people at the last mile, improving their health, wellbeing, and livelihoods.

Last mile distributors (LMDs) have an essential role to play in effectively reaching last mile customers with beneficial products. They have strong local networks and a comprehensive value proposition focused on quality, after-sales service, and consumer financing. LMDs also help create sustainable markets by raising awareness and stimulating demand for products in last mile communities, creating the conditions for other kinds of companies to enter and serve last mile communities.

### Sector overview

The report is based primarily on a survey of 72 GDC members. GDC membership criteria require LMDs to sell beneficial products, target last mile households, and have an annual sales revenue of less than US\$5 million per year. As such, the survey provides a snapshot of a subset of LMDs rather than a comprehensive view of the sector as a whole. Interviews were also conducted with over 30 investors, aid agencies, and other sector experts, and an extensive literature review was undertaken.

## Key LMD challenges and potential solutions

### Procurement

LMDs face challenges accessing the right products, at the right price, and on the right terms. They struggle to get reliable information on products and suppliers, negotiate prices and payment terms, and maintain efficient stock levels whilst importing in small quantities. Potential solutions include enhanced product certification, new wholesaler partnerships, and centralized purchasing.

### Sales efficiency

LMDs face a high cost of sales as they seek to serve remote areas and establish trust with risk-averse customers – often whilst providing consumer financing and after-sales services. A salesforce takes time and investment to build, and staff recruitment, training, management, and retention are among the biggest challenges faced by LMDs. Potential solutions include improved software platforms to manage sales, enhanced training-service provision, and cost-sharing between LMDs to unlock economies of scale.

### Access to finance

Eighty six per cent of LMDs surveyed have raised grant funding, 69 per cent have raised debt and 41 per cent have raised equity. However, debt and equity have come mostly from individuals; the kind of longer-term, larger-scale commercial financing needed for growth-stage companies is not widely available. Access to debt finance is more of a challenge for local LMDs. Potential solutions include adaptation of existing funding mechanisms and establishment of new specialist funds, which can make smaller investments, accept a higher level of risk, and provide technical assistance alongside financial support.

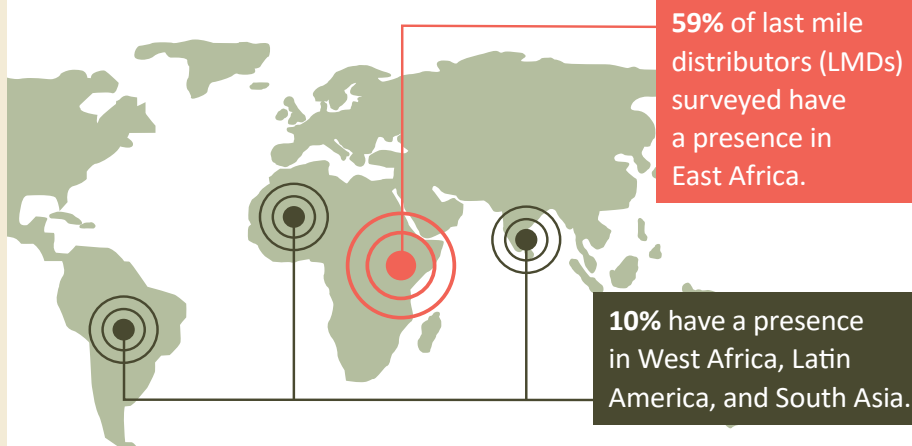


Small, local retail shops, like this one in Kenya, are a common channel that last mile distributors use to sell their products to underserved customers.

# Last mile distributors at a glance

Characteristics of our 72 survey respondents

## Geography



## Customers



Almost three out of four customers\* earn less than

**\$3.20 per day\*\***

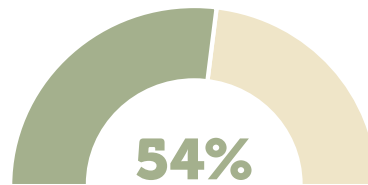
95% of customers live below \$8.40 (as defined as Base of the Pyramid by the World Bank).

## Revenue

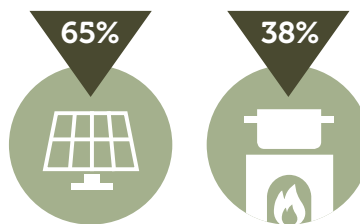
**<\$1 million**

90% of LMDs\* have annual sales revenues of less than US\$1 million per year.

## Products



of LMDs\* sell more than one product category



The two main products being **off-grid solar lights** (sold by 65% of LMDs\*) and **cookstoves** (sold by 38%).

## Impact



Average number of people reached to date by LMDs surveyed:\*\*\*

**167,643**

## Marketing Tactics

89% of LMDs\* have four or more marketing tactics:

**1st**

**Community demonstrations** (used by 93% of LMDs\*)

**2nd**

**Door-to-door demonstrations** (used by 82%)

## Distribution Channels



of LMDs\* use more than one channel



The two main channels being **sales agent networks** (used by 81% of LMDs\*) and **retailers** (used by 56%). 32% sell through **partners**.

## Consumer Financing

**69%** of LMDs\* offer consumer financing



## After-Sales Service

**65%** of LMDs\* offer warranties on their top-selling product



Last mile distributors (LMDs) are organizations that distribute beneficial household products to last mile consumers.

\*Of the last mile distributors surveyed. \*\*The poverty line in lower-middle-income countries. \*\*\*Self-reported.



## Recommendations

**By building markets and reaching last mile customers with beneficial products, LMDs sit at the forefront of sustainable development. Yet, to date, they have been under-recognized and under-supported. To unlock the full potential of the sector and help LMDs to reach millions of underserved customers, action by a range of stakeholders is needed – fast.**

**Aid agencies and foundations** can play a vital role by providing flexible grants and de-risking commercial investment in the sector. De-risking measures could include first-loss facilities, guarantees, or provision of grant-funded technical assistance to investees. Aid agencies and foundations can also support the sector through enhancing product certification schemes and quality assurance, frameworks improving market intelligence, funding social-impact research, and fostering use of more harmonized business-performance metrics.

**Investors** are encouraged to build the data and experience needed to invest in LMDs, either directly or through specialist intermediaries. Local LMDs have exceptional market knowledge and networks, and to capitalize on these strengths investors need to make particular efforts to overcome the barriers these local companies face, particularly when seeking debt finance. Manufacturer interest in finding ways to offer better terms and credit to LMDs, and interest from software companies in using their data to de-risk investments, represent further opportunities for creative innovation. Longer-term, larger-scale investment is required – coupled with intensive

technical assistance and capacity building.

**LMDs** need more opportunities to learn from and collaborate with each other to unlock economies of scale and implement best practices. Networking and matchmaking activities would help LMDs build new partnerships and learn from each other to avoid reinventing the wheel.

**Manufacturers** should ramp up efforts to design and test products in consultation with LMDs and their customers, and aim to build long-term strategic partnerships with them. **Service providers**, such as software and training companies, can do more to develop the low-cost tailored platforms and services that LMDs need to thrive.

**Governments** must recognize the role of LMDs in contributing to development goals, and ensure they are included in dialogue between the public and private sectors.

## Looking ahead

This report shines a light on a part of the last mile distribution sector that has long been overlooked. Further research is required to broaden our understanding of the LMD sector as a whole, and to look in more depth at the specific challenges of different business models. Only by better understanding the sector, and the opportunities for intervention, can we catalyse the urgent action needed to unlock the significant potential of LMDs to contribute to the Sustainable Development Goals.

### References and end note

<sup>1</sup>IEA, International Renewable Energy Agency (IRENA), United Nations Statistics Division (UNSD), World Bank, and World Health Organization (WHO) (2019) *Tracking SDG 7: The Energy Progress Report 2019* [pdf], World Bank, Washington, D.C. <https://trackingsdg7.esmap.org/>

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### About the Global Distributors Collective

The Global Distributors Collective (GDC) is a collective of over 140 last mile distributors who reach underserved customers with products that contribute to the Sustainable Development Goals. The GDC provides a collective voice for distributors to ensure their voice is heard; drives research and innovation across the sector; facilitates the exchange of information, insight, and expertise; and provides critical services that leverage economies of scale. The GDC is hosted by international NGO Practical Action, alongside implementing partners BoP Innovation Center and Hystra. **For more information visit [globaldistributorscollective.org](http://globaldistributorscollective.org)**

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