

The State of the Last Mile Distribution Sector 2022

Reflections and future-gazing

**Global
Distributors
Collective**

Funded by:



Transforming
Energy
Access

GDC host:

**Practical
ACTION**

GDC implementing partners:

HYSTRA
hybrid strategies consulting

**bop
inc**



Credit: Pawame and Alexandre Allegue

Agenda and objectives

Part 1: Presenting the state of the last mile distribution sector

- Overview of progress and impact since 2019
- Four key trends

Part 2: Launch of the GDC strategy 2022-25

Part 3: Breakout groups (optional)

- Open ended deep-dives into the issue that most interests you
- Led by speakers



Who you'll hear from today - companies and experts



Ajaita Shah
Founder and CEO
Frontier Markets
(GDC member)



Siten Mandalia
Co-founder and CEO
Solaris Offgrid



William Ponela
Founder and CEO
Zonful Energy
(GDC member)



Prashanth
Venkataramana
Co-founder and CEO
Essmart
(GDC member)



Holger Siek
Project Manager
**Frankfurt School of
Finance & Management**

Who you'll hear from today - GDC team



Emma Colenbrander
Head of the GDC
Practical Action



Lucie Klarsfeld McGrath
Partner
Hystra



Emile Schmitz
Managing Director
Bopinc



Charlotte Taylor
Communications and
Impact Manager, GDC
Practical Action

Part 1: Understanding the state of the last mile distribution sector

State of the Sector update 2022

Key questions

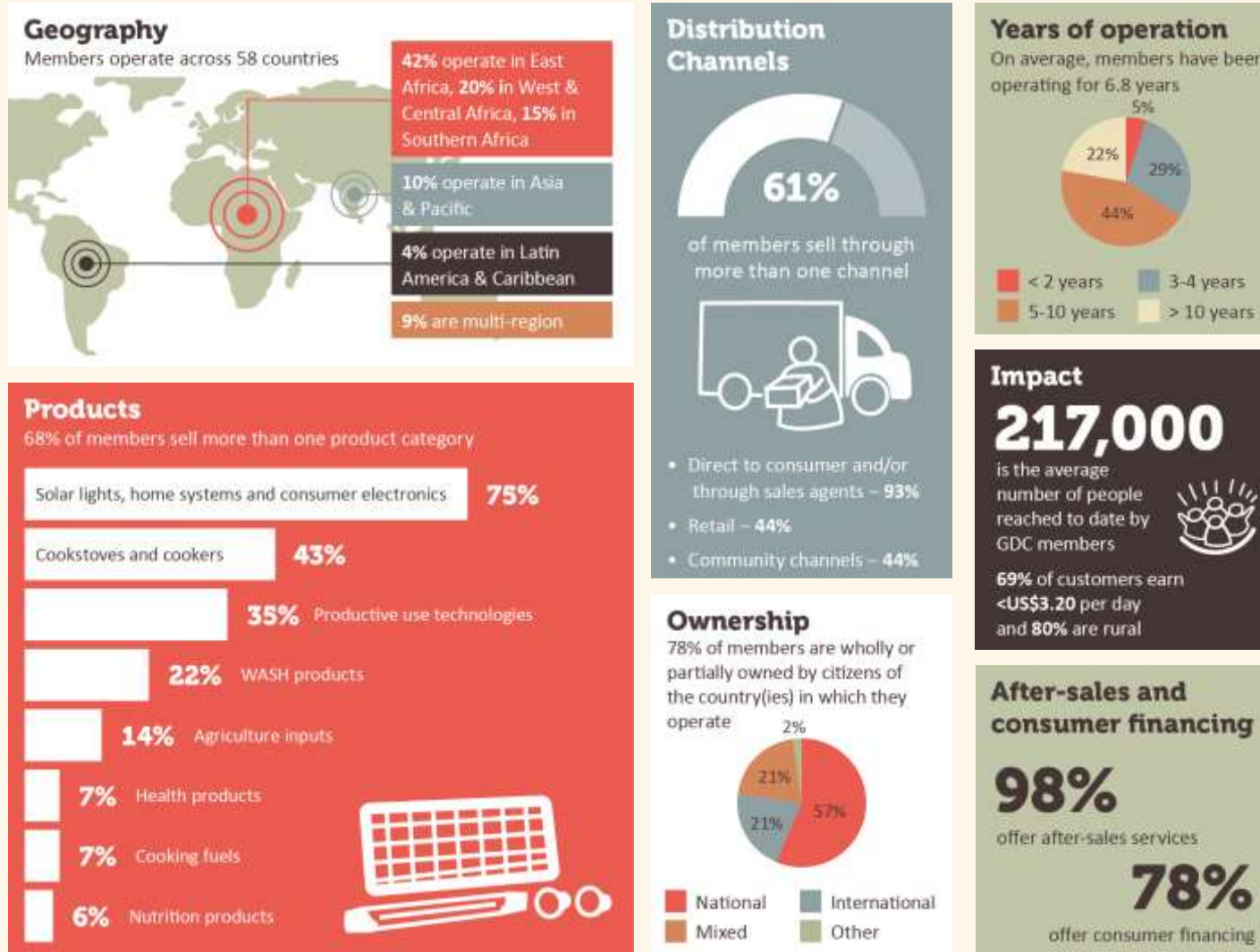
How has the LMD sector evolved, what progress has been made and what does the future look like?

Data sources

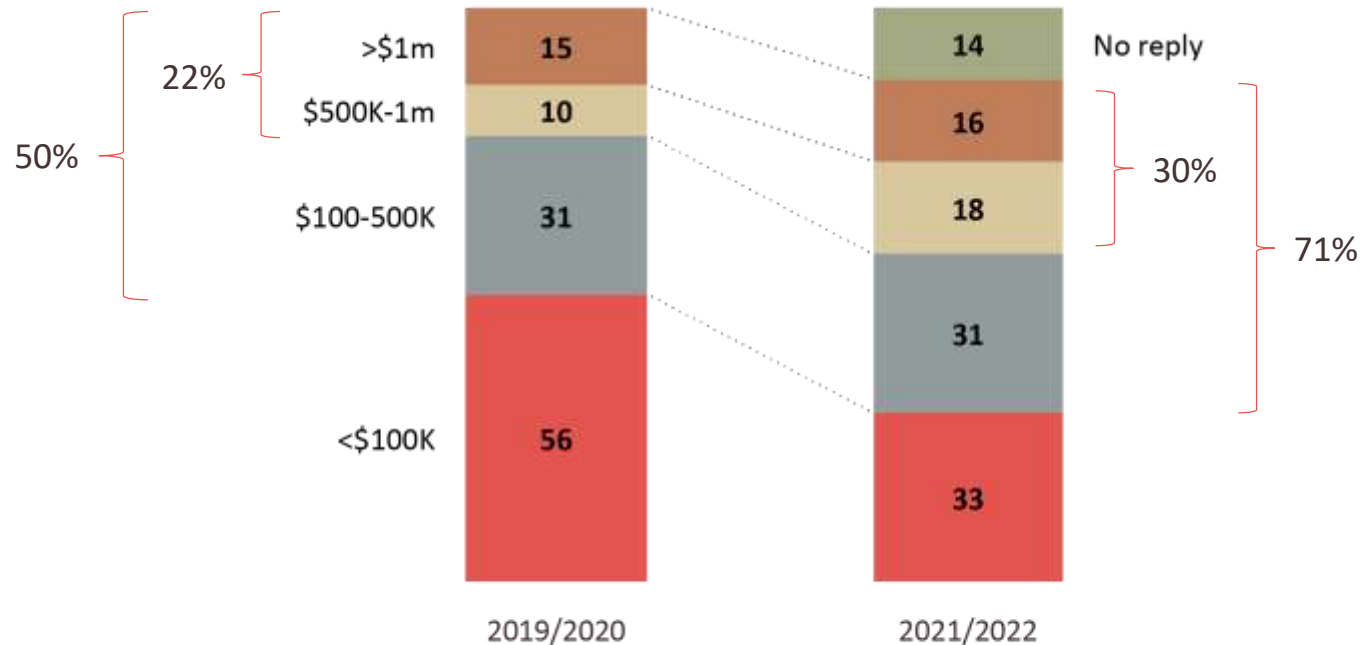
Survey with 132 GDC members

Insights, data and case studies gathered since 2019

GDC membership overview



The sector is growing and achieving higher levels of impact



* Reply at the time of sign up, i.e. either 2019 or 2020

Number of GDC members by annual revenue in 2019/20 and 2021/22 (sample: 112)

217,000

is the average
number of people
reached to date by
GDC members



A rise of 29% from
167,000 in 2019

The sector has seen some churn among young, small companies, but not as much as expected

26

have closed
(confirmed or very likely).*

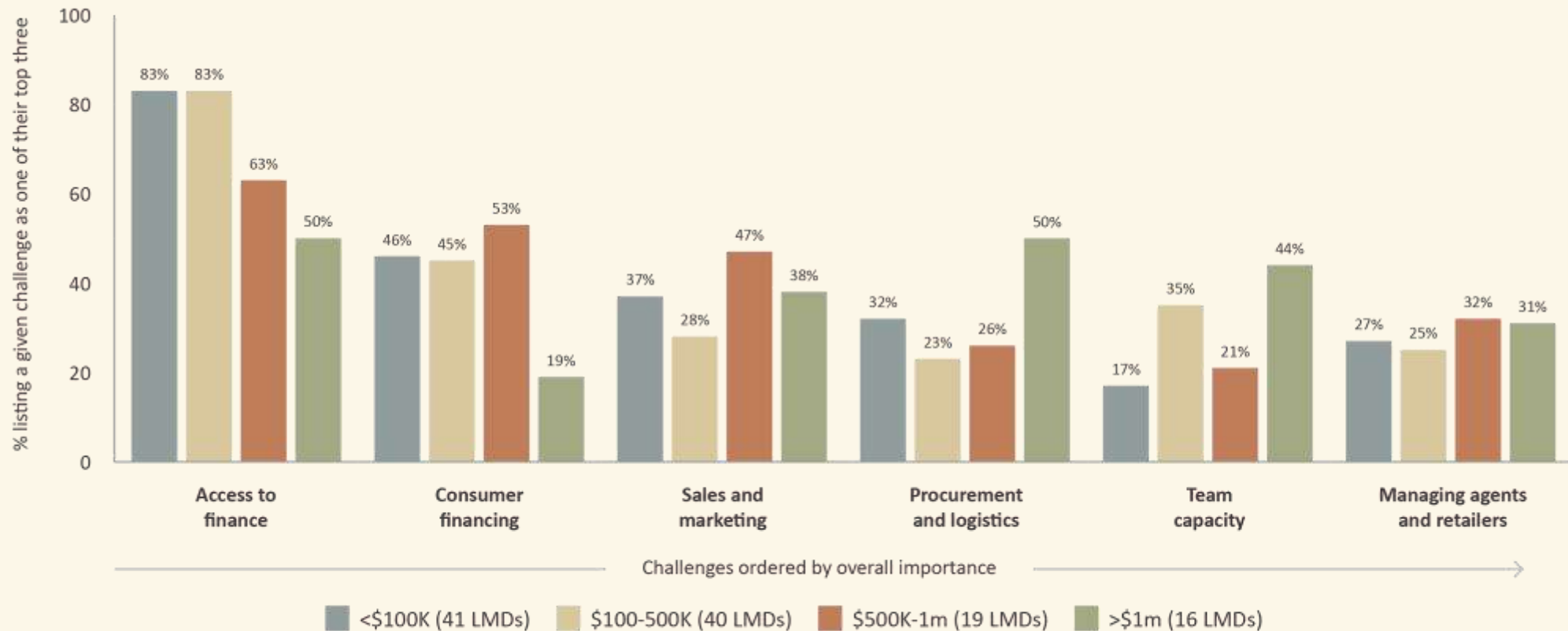
- 69% had annual turnovers of <\$100k.
- Little is known about reasons for closure

*13% of 2019-20 membership



Credit: Veritas Vision

Challenges faced in 2022 are largely unchanged since 2019



Percentage of GDC members listing a given challenge as one of their top three, by revenue group

TREND 1: Access to finance

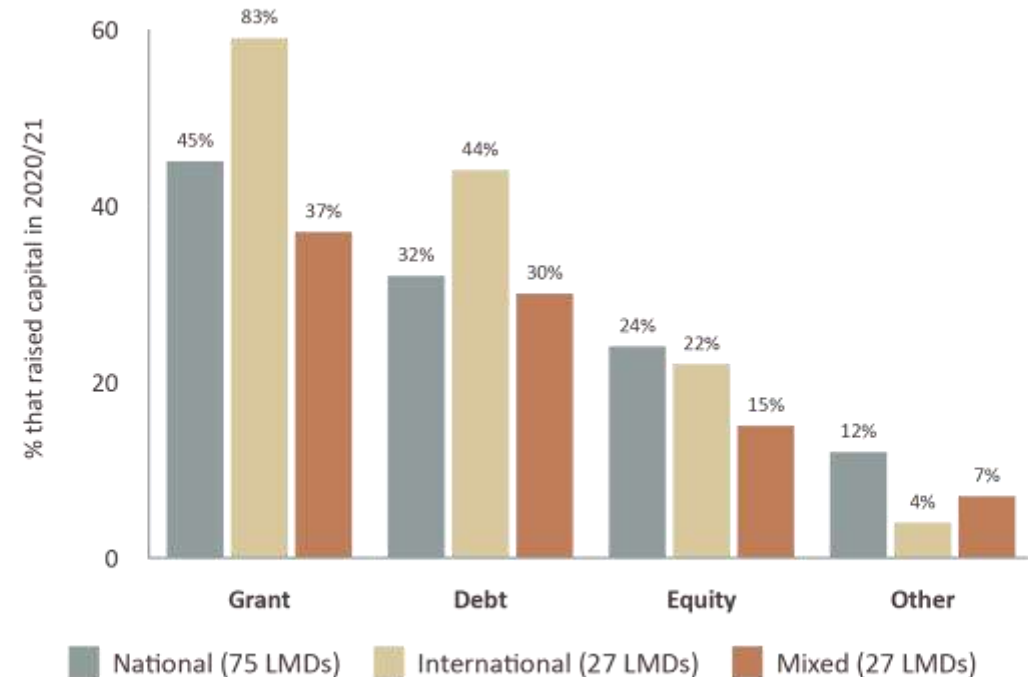
LMDs have been successful in raising funding, even during Covid-19

62%

of GDC members have raised at least one kind of funding since 2019

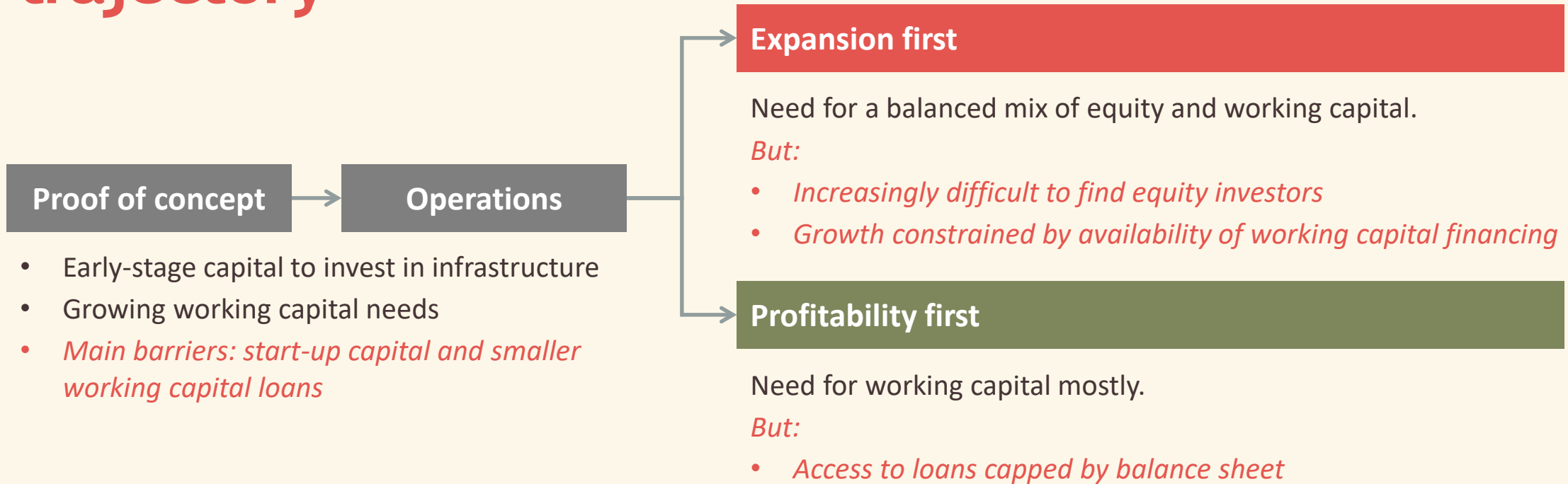
- 46% have raised grants
- 33% have raised debt
- 21% have raised equity

Nonetheless, access to finance is still the most cited barrier



Percentage of GDC members that raised capital in 2020 or 2021, by funding type and ownership

Fundraising challenges are similar for all early-stage LMDs, then vary depending on growth trajectory



The good news: more fit-for-purpose solutions are emerging

Growing recognition that profitability is not always linked to scale

Smaller (typically local) LMDs have achieved more sales per dollar of capital raised (all types of capital) than their larger international counterparts



We and other investors are re-thinking the way we deploy capital, as we look at ways to replicate many smaller companies sustainably serving last mile customers, as well as the few that can sustainably expand into multiple markets. - *Acumen*



Emerging opportunities



Crowdfunding




Equity + TA




Digitalisation

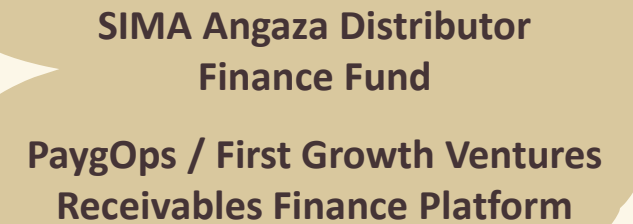
Emerging solutions



Charm Impact
Wajenzi



VentureBuilder
GET.Invest Finance
Readiness Support facility




SIMA Angaza Distributor
Finance Fund
PaygOps / First Growth Ventures
Receivables Finance Platform

Yet some sources of finance remain under-exploited

Under-exploited opportunities



Carbon
finance




Other
Results-Based
Financing

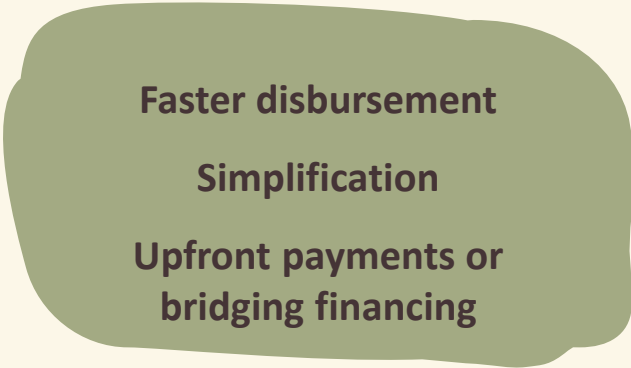


Local
finance


What's needed



Simplification via
intermediaries, eg. Solstroem
Aggregation



Faster disbursement
Simplification
Upfront payments or
bridging financing



De-risking via social impact
incentives or first-loss cover,
eg. Aceli Africa

TREND 2: Digitalisation

LMDs are digitalising an array of business functions



A few years ago we helped LMDs build software solutions, now the focus has shifted to helping them buy and configure software solutions. - *Enable Digital*



Credit: EcoFiltro

Four key areas in which digitalisation has accelerated

Assisted e-commerce

Eg. Econome has partnered with Sevi to adopt an assisted e-commerce model with women's groups

Digital marketing

Eg. Mwezi uses geo-location data to give digital nudges to customers in proximity of a product

Online field staff training

Eg. Sistema.bio launched the 'Sistema Academy' to deliver weekly training through Google Meet

Digital after-sales service

Eg. Zonful Energy uses an 'Uber-like' app for solar home system technicians

Digitalisation unlocks opportunities, but challenges remain

- Digitalisation creates efficiencies, and makes it easier to scale-up operations, enter new markets and diversify product offerings.
- Also creates opportunities to unlock finance, and to monetise data and insights.

But...

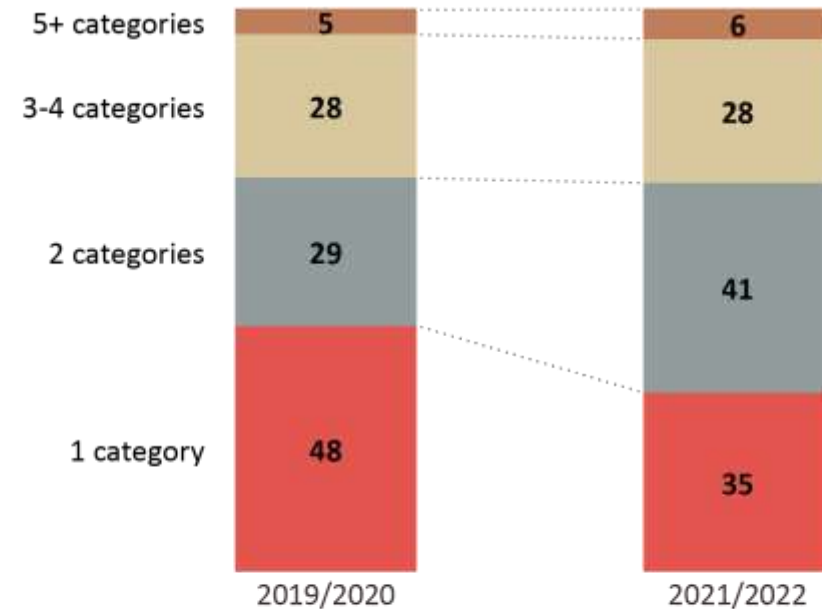
- Offline activities remain critical
- Many LMDs operate in markets not ready for a digital transformation
- LMDs still struggle to find solutions that match their specific needs (lack of interoperability, affordability challenges)



TREND 3: Product diversification

LMDs seem to have found the ‘sweet spot’ of product categories

- 12% increase in LMDs selling more than one product category
- Average number of product categories sold unchanged: 2.1
- Future: diversification within product categories rather than between product categories – but highly dependent on context



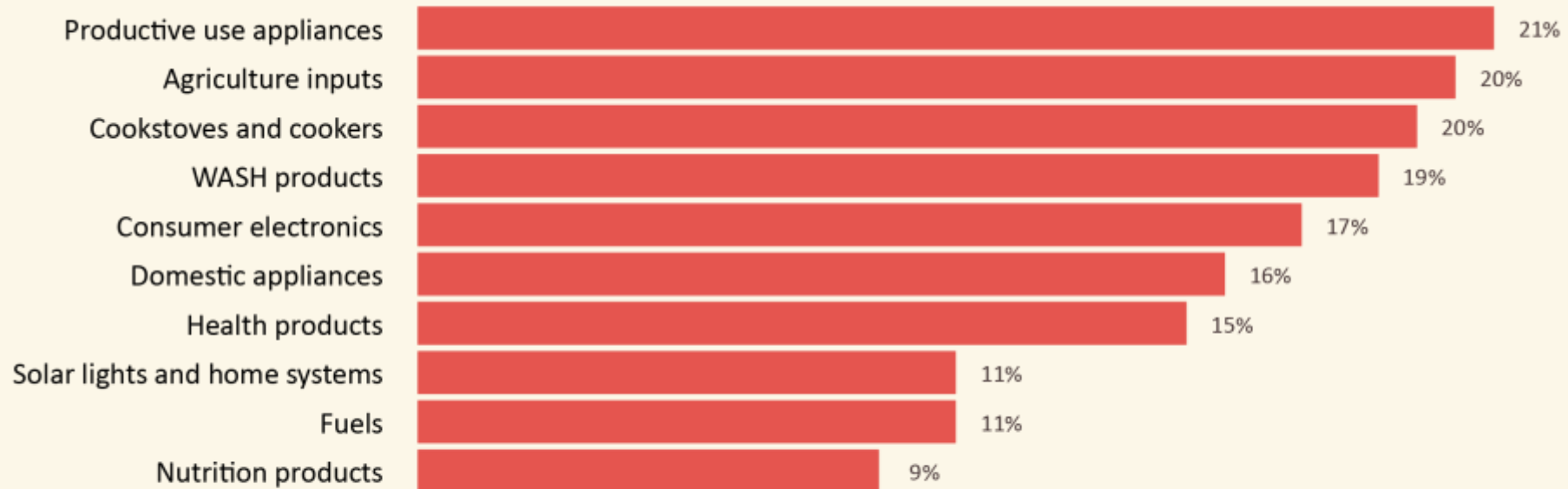
* Reply at the time of sign up, i.e. either 2019 or 2020

Number of GDC members selling different product categories (sample: 110)

The most dramatic trend in product baskets has been the rise of productive use technologies

35% of GDC members sell PUE products, up from just 6% in 2019

26% of members sell solar water pumps, 14% sell refrigerators



Percentage of GDC members interested in selling product categories in the future (% of 132 LMDs surveyed)

But selling PUE is complex and products are often not market ready

After-sales support and quality are more important than ever

- Almost all (98%) of GDC members offer some kind of after-sales service.
- 25% increase in members offering warranties

In the energy access sector...

- Of GDC members selling solar lights and home systems, 92% sell products that meet Verasol Quality Standards
- Of GDC members selling cookstoves and/or cookers, 70% sell products that meet ISO voluntary performance targets.



Credit: Essmart

TREND 4: Consumer financing

More LMDs are providing consumer financing, albeit reluctantly

- 9% growth in GDC members offering consumer financing
- Few LMDs have been able to outsource consumer financing
- Managing working capital, particularly receivables, has long been a challenge for LMDs



Credit: Efficiency for Access / Story by Design

LMDs are getting better at managing credit

- Historically LMDs have lacked expertise in credit operations and tended to decentralise credit risk management to agents/retailers
 - But this is changing...
-
- More sophisticated credit management → more efficiency, easier to attract working capital, able to reach more customers
 - LMDs will need to balance commitment to improving access to affordable products with need to ensure portfolio quality, to avoid high default rates and over-indebtedness of consumers



Credit: Vitalite

Conclusion

An impactful, resilient and increasingly professional sector

Future depends on:

- a) LMDs accessing the finance they need**
- b) the sector learning from LMDs' experiences to accelerate growth/impact**

Part 2: GDC Strategy 2022-25

Vision and mission

Vision

A world in which all communities have access to beneficial products that improve their lives

Mission

To help last mile distributors make beneficial products available and affordable to all

Strategic goals

1

Help distributors improve business performance, by providing - and enabling others to provide - solutions and services that help save time, reduce costs, build capacity and develop catalytic partnerships.

2

Build a collective voice for the sector by generating and sharing learnings, raising the profile of distributors, and helping the broader ecosystem to work effectively with distributors to achieve shared impact goals.

What we have done well

69%

of GDC members say the GDC has helped their company introduce new business practices*

79%

Say the GDC has helped them achieve a greater sense of connection to the wider LMD sector

* Findings from survey conducted with 132 GDC members between November 2021 and February 2022

Independent evaluation (March 22) found:

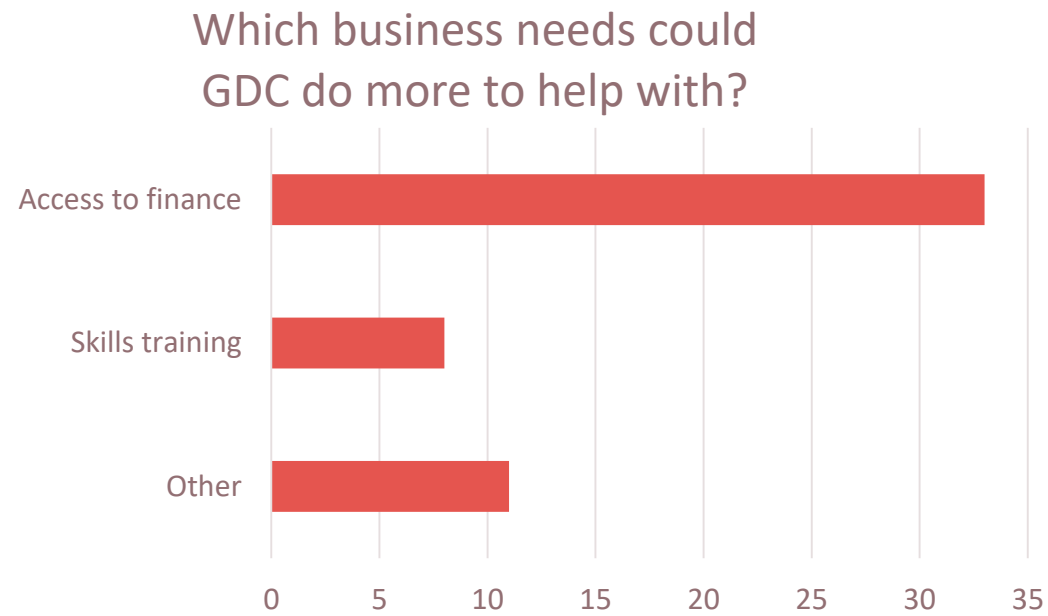


The GDC has had significant success in achieving sustained impact on some elements of the system it is operating on, notably in addressing the lack of visibility of the last mile sector and the limited access LMDs have to information.



Where we can do more / better

Where members want more support



Independent evaluation (March 22) found that GDC can also do more to:

- Tailor training services depending on stage of growth
- Drive replication of innovations

Our 2025 goals

Our 2025 goals

1. **Overall impact of GDC members:**
the GDC membership as a whole reaches 10m people in 2025 (from 6.4m in 2021)
2. **Growth of members' businesses:**
the average number of people reached per GDC member is 50,000 in 2025 (from 32,000 in 2021).

We will also track

- the % of GDC members reporting improved business performance (increased sales, efficiency and/or profitability) as a result of new business practices, or new business partnerships attributed, at least in part, to GDC activities (target 75%)
- the \$ of new funding committed to the LMD sector (target: \$10m), and the # of new services (eg. software solutions, training services) being commercialised for LMDs (target: 10), attributed, at least in part, to GDC activities.

Three workstreams to help distributors improve business performance

1. **Accelerating innovation** – funding and support to develop, test and showcase innovative business practices and partnerships that enhance performance, with a particular interest in digital innovation and the circular economy.
2. **Building capacity** – training and technical assistance to accelerate replication of best practice across the sector, delivered: in-person and virtual, in cohort and 1:1 settings, and in peer mentoring and expert training formats.
3. **Access to products, suppliers and services** – guidance, tools and support to help distributors select the right products and partner with the most appropriate suppliers and service providers, whilst helping these stakeholders to better meet distributor needs through for example product field testing.

Three workstreams to build an enabling environment for distributors to thrive

1. **Access to finance** – tools, resources and structured dialogue (amongst investors, as well as between investors and distributors) to help distributors get investment-ready, inform investor decision-making, and support those investors focused on the LMD sector to raise funds.
2. **Market intelligence and research** – to inform decision-making amongst distributors, investors and sector support organisations, through a benchmarking tool and research into topics such as profitability, product strategy and informal retail.
3. **Member engagement and advocacy** –
 - a) Knowledge exchange, networking and matchmaking amongst members, and between members and other stakeholders.
 - b) Raising the sector's profile, celebrating member achievements and helping others to engage with the LMD sector.

Contact us



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