Global Distributors Collective

Last Mile Distribution:

State of the sector executive summary

2025

1 Executive summary

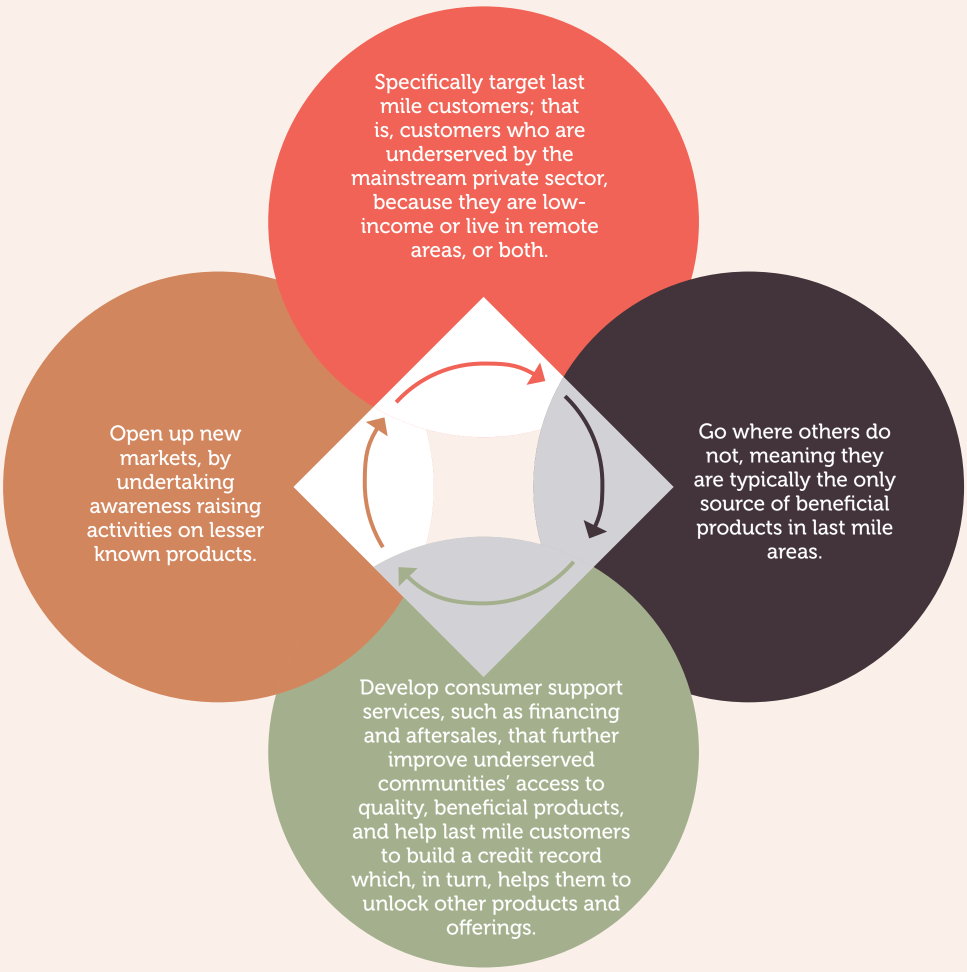
This is the third edition of the GDC's *Last Mile Distribution: state of the sector* (SoS) report series, following reports in 2019 and 2022. This edition explores the latest developments in the last mile distribution sector since 2022 – including the challenges, opportunities, and emerging trends – as well as providing an updated overview of GDC members, or 'last mile distributors' (LMDs). In particular, we explore LMDs' continued importance in creating markets for beneficial products around the world, the resilience and growth that they have demonstrated even in particularly challenging economic and political contexts, the difficulties they have faced in accessing finance and other kinds of support since 2021, the characteristics of resilient LMDs, and LMDs' aspirations for the future. The report draws on three main sources of information: (1) a survey of 114 GDC members carried out in 2024, (2) a literature review of key publications since 2022, and (3) over 40 interviews with LMDs, investors, and development partners.

The 'access gap'

Globally, billions of people lack access to beneficial products including solar lights and home systems (SHS), water filters, improved cookstoves, solar water pumps, and other health, nutrition and agricultural products, with more than 4.5 billion people – over half the world's population – at high risk of climate shocks. For a significant proportion of those lacking access – particularly the poorest and most remote households - the most efficient way to achieve impact at scale and speed is through last mile distributors (LMDs).

At the GDC, we define LMDs as organisations that **sell beneficial products** such as solar lights, water filters, or improved cookstoves **to last mile customers** at the **household** level. LMDs may also undertake other activities - for example, product R&D or consulting - but their **primary focus must be on distribution**.

LMDs are uniquely placed to address the access gap because they:



Trend 1: LMDs continue to play a critical market creation role

LMDs typically operate on the fringes of established commercial markets, creating trust and demand for beneficial products through sales agents, NGO partnerships, and below-the-line (BTL) marketing techniques, before pivoting to retail sales as demand grows. The demand they create attracts other types of companies, such as informal traders selling non-quality verified products, and off-grid solar pay-as-you-go (PAYG) companies. In the face of competition with better-capitalised firms, they often pivot to target new, underserved product categories, customer segments, or geographical locations. On average, 67 per cent of LMD customers live on less than $3.20 per day and 78 per cent live in rural areas. A high proportion are first-time purchasers, and 44 per cent of LMDs target refugees and host communities.

88%

Of GDC members are locally owned

47%

Of GDC members are women – owned

>50%

Of GDC staff and sales agents are women

The 114 members who provided data reported reaching around 24.5 million people to date, with the wider GDC membership and LMD sector likely to reach far more.

Trend 2: LMDs have demonstrated resilience and growth in challenging conditions

LMDs faced challenging conditions between 2021 and 2023: inflation, currency depreciation, insecurity, political instability, reduced access to finance, and devaluation which reduced the value of local currency earnings, therefore stretching consumer affordability. Disasters caused by climate change exacerbated macroeconomic and political challenges, which made LMDs' revenue and profitability trajectories more unpredictable. Neverthless, 61 per cent of GDC members increased revenues between 2021 and 2023, showing resilience and growth. Distributors with revenues above $500,000 grew by 26% in 2023, while those below that threshold saw a 7% decline, indicating that scale makes a difference for resilience and growth potential.

Trend 3: LMDs have found it harder to access finance and support since 2021

The number of LMDs reporting raising funding of all types dropped from 2021 to 2023, with a 40 per cent reduction in grants, 54 per cent reduction in debt, and 75 per cent reduction in equity. Of the 50 or so companies reporting raises in funding, just eight companies raised more than $500,000. 14 companies raised less than $100,000 — often relying on a single small grant.

Grant: Two thirds of the transactions reported in 2023 were grants and total grants volumes decreased by 70%. Grant funding is increasingly provided through Results Based Financing (RBF).

Results Based Financing (RBF) appears to enable LMDs to push further into remote areas, reach a greater proportion of low-income households, and serve more women customers. Whilst LMDs' experiences with RBFs are mixed, RBF programmes are increasingly adapting to meet LMDs' needs.

Debt: While the number of transactions has gone down, the median debt transaction has gone up, meaning the money that is flowing into the LMD sector is concentrated among a handful of companies.

Equity: All LMDs are struggling to raise equity, and when they do manage to raise it, the amounts are typically small.

In addition, women-owned LMDs raised less than half of their male counterparts - despite constituting 47 per cent of LMDs surveyed - while locally-owned LMDs are less likely to raise grants or debt compared to their international counterparts, but raise similar amounts when they do.

Despite a significant proportion of LMDs benefiting from technical assistance (TA), facilities are heavily oversubscribed and smaller/earlier-stage LMDs are under–supported.

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Characteristics of successful LMDs

Resilient LMDs possess a strong, growth- and efficiency-oriented sales function, in combination with actively managing and improving performance across finance fundamentals, ensuring efficient operations, pursuing supply chain diversification, and adapting to the macro environment. They manage FX risk exposure and adapt to regulatory shifts and changes that impact their business model. Successful LMDs optimise company structure, prioritise lean operations, use benchmarking tools to identify improvements, and much more.

LMDs' business aspirations

LMDs are committed to making products accessible to their customers through offering consumer financing, warranties, and repairs. They aspire to sell higher-tier SHS, improved cookstoves, and PUE products, but face affordability, consumer financing, and supply challenges. 72 per cent of LMDs provide consumer financing - mostly through partnerships with MFIs and SACCOs - while some are also offering PAYG and energy-as-a-service (EaaS). But many distributors lack the systems, working capital, and credit risk management capacity to implement these offerings at scale.

56 per cent of GDC members are now selling productive use of energy (PUE) products, which is an increase of 50 per cent since 2019. Sales are growing but volumes remain low, although, encouragingly, LMDs appear to have captured a significant share of PUE markets: a 27 per cent market share for solar water pumps and a 10 per cent share for refrigerators. Models remain costly and complex, and LMDs need funding and support to innovate to find the right business model for selling PUE.

83 per cent of LMDs offer warranties but many would like to go further and offer repair services to extend product lifetimes and improve customer satisfaction, though commercial viability remains uncertain.

Conclusions and recommendations

LMDs play a vital market creation role that raises awareness, educates consumers, enhances trust in technology, and creates demand for beneficial products – but doing so also incurs significant costs and puts pressure on LMDs' profitability. **LMDs are effectively delivering public goods,** yet they must pass those costs onto their customers. This often means that some of the poorest, hardest-to-reach households actually pay more for products than people in wealthier, urban markets. We call this the "**poverty premium".**

Encouragingly, there is an increasing recognition of LMDs' social impact and market creation role among donors, investors, and governments; and of the importance of supporting smaller, locally-owned, and women-owned companies, more broadly.

LMDs have been able to maintain or grow revenues despite challenging conditions, suggesting they are both lean and resilient. Yet, there remains an untapped opportunity to deliver impact at scale and accelerate the growth of markets for beneficial products through increasing funding and support to LMDs.

Three key innovations are needed to unlock growth in the sector

1

Embrace LMDs as market creators that enable sustainable development

Governments and development partners need to adopt a holistic market-building approach that recognises and values market creation alongside commercial performance, scale, and attracting investment. Such an approach would combine grants, RBF, small-ticket local currency debt financing, and TA.

2

Build inclusive financing models with local currency and digital innovation

Stakeholders need to work together to develop local currency and small-ticket debt offerings, as well as risk-tolerant, low-return equity offerings that align with LMDs' needs. There is a need to unlock small-ticket debt financing, especially in local currency. Data-based and digital solutions to streamline lender due diligence processes, including the use of greater automation in credit assessment, can help to reduce transaction costs and more accurately appraise risk.

3

Equip early-stage companies with tailored, scalable support

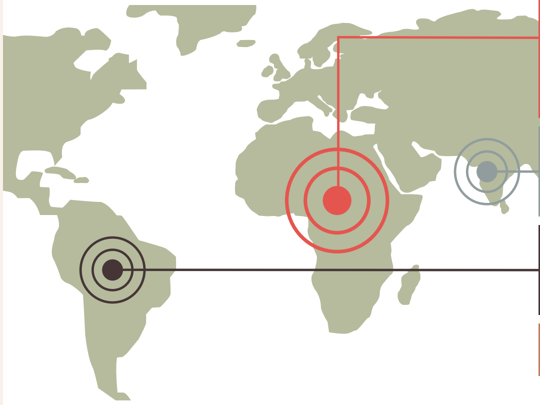
TA providers need to develop enhanced TA offerings, particularly for smaller and newer companies. This includes high-touch, long-term, one-to-one support, cohort-based training, peer-to-peer learning mechanisms, and light-touch guidance and tools. More needs to be done to assist smaller and earlier-stage companies that are currently unable to access any kind of finance or TA, because of high transaction costs and risks. These companies – who are often serving some of very hardest-to-reach households - can be.

GDC membership overview

Survey conducted with 114 GDC members

Geography

Members operate across **45** countries



38% operate in East Africa, **20%** in West Africa, **20%** in Southern Africa

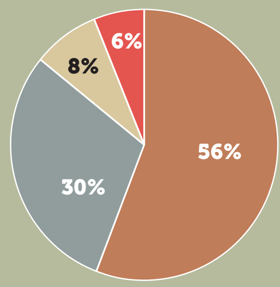
4% operate in Asia and Pacific

3% operate in Latin America

15% are multi-region

Years of operation

On average, members have been operating for **8.5** years



Impact

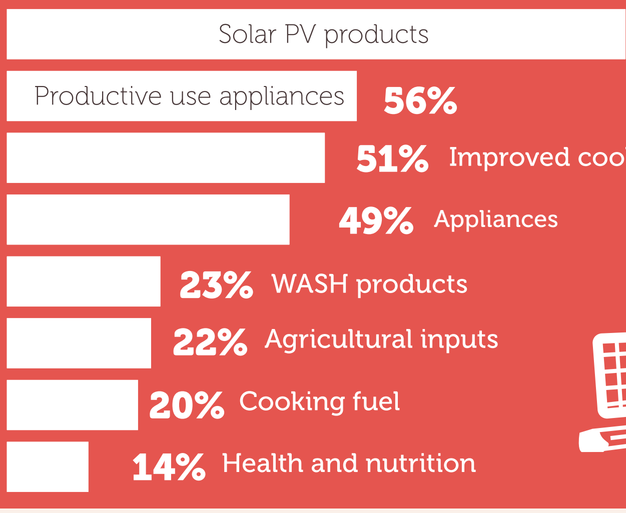
215,000

Average number of people reached to date by GDC members

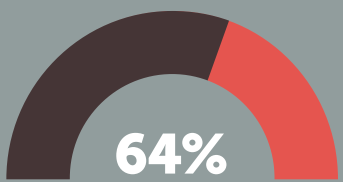
67% of customers earn less than **US$3.20** a day and **78%** of customers are rural

Products

89% of members sell more than one product category



Distribution Channels



64%

Of members sell through more than one

- Sales agents (in house and commission based) **– 88%**
- Retail **– 48%**
- Partner organisations **– 37%**

Ownership

88%

Of companies are locally owned, where **> 50%** of shares are owned by citizens of the countries where the products are distributed

93%

Of companies are locally led, with a citizen of the country of operation as CEO

After-sales and consumer financing

83%

Provide after-sales services and warranties

72%

Offer consumer financing

Notes: [1] all graphics exclude non-responses to that questions – sample size for each question may be lower than the overall 114 responses, [2] customer numbers and poverty levels self-report

About the Global Distributors Collective

The Global Distributors Collective (GDC) is a collective of over 250 last mile distributors (LMDs) around the world. GDC members operate across more than 50 countries, selling beneficial products such as solar home systems, improved cooking solutions, and water filters. The GDC is the world's only entity dedicated to supporting LMDs across a wide variety of sectors and geographies, to help them reach millions of underserved customers.

Strategic goals

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

To 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.

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

For more information about the GDC, please visit www.globaldistributorscollective.org or email GDC@practicalaction.org.uk

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