



Last-mile Distribution Networks

BUSINESS MODEL FEATURES FOR REACHING LOWER-INCOME CONSUMERS WITH NUTRITIOUS FOODS

The **GAIN Business Model Research Project** aims to identify promising business models to reach lower-income consumers with nutritious foods. This series of briefs summarises the results of the project's systematic review of existing research and evidence to identify these approaches.



Serving lower-income consumers: the business and nutrition opportunity

Lower-income consumers represent a large market, estimated at 4 billion people worldwide. Many low-income consumers' diets are lacking in food diversity and quality. There is a business opportunity for private companies to help improve this by providing safe, nutritious foods that meet customers' needs at an affordable price – as long as they do so in ways that are profitable and financially sustainable for the company.

HOW DOES IT WORK?

Final distribution to the consumer is a key challenge in reaching lower-income consumers affordably, particularly in rural and remote areas or crowded lower-income urban neighbourhoods. One way to address this, particularly in places where there are few existing retail outlets, is through creation of a specific last-mile distribution (LMD) network: a set of people who will distribute the product for the 'last mile' to the consumer.



Creating such a network involves recruiting and training distribution/sales agents; providing them with the skills and equipment needed; and giving them appropriate pay, incentives, and supervision. The agents can be employees, contactors, or micro-franchisees. They can sell on foot, bike, using a pushcart or adapted motorcycle, from their homes, or through stalls. The product portfolio they sell can belong exclusively to the network's creator or include other goods.

Incentives and motivations for workers can vary by context, including not only earning income but also gaining social status or serving the community. Many LMD networks focus on women, aiming to both empower women as sellers and reach women as consumers; this approach may have particular benefits for nutritious foods, since women often play a central role in cooking and providing food for their household.

WHAT ARE SOME EXAMPLES?

Danone, Brazil

Danone's 'Kiteiras' approach employed women from low-income neighbourhoods to promote and sell Danone dairy products door-to-door in their communities. As of 2018, it was reported to have a continuously expanding network of saleswomen as well as increasing sales, selling around 148 tons of dairy products per month and reaching an estimated 80,000 consumers.

Unilever, multi-country

Unilever has used a network of over a million 'Shokti Ammas' and 'Shoktimaans' (female and male LMD agents) to sell their products in India, applying similar models in Egypt, Vietnam, Sri Lanka, Pakistan, Ethiopia, Colombia, Nigeria, and other markets.

FanMilk, West Africa

This dairy processor sold frozen dairy desserts through about 25,000 mobile street vendors in lower-income urban and peri-urban areas, including to customers who lacked freezers and thus could not store such frozen foods at home.

GUTS Agro-industries, Ethiopia

This processor of fortified porridge products ran a network of women entrepreneurs who sold door-to-door to households and retailers in low-income areas; the sellers were given branded uniforms, custom tricycles, and training and could also sell other, non-competing products.



WHAT SHOULD A FIRM CONSIDER?

Such networks have numerous advantages. They can reach consumers where they are, increasing convenience; reach areas where existing retail does not; provide marketing; gain consumer feedback; allow for targeting specific customer segments (e.g., parents of infants); and give owners more control. Because they allow for active one-on-one engagement, they can be particularly helpful with a product that is new or requires explanation—for example, products with hidden high nutritional value that needs to be demonstrated to customers. LMD networks can also be useful for products with unproven demand, as traditional retailers are often unwilling to take chances on such products.

LMD networks also have numerous downsides. They are complex and require a significant investment of time and money to set up and run (particularly with regards to the agents' supervision and incentives). Building a dedicated LMD network in rural areas, in particular, can be very costly due to the lack of residential density and small transaction sizes. It can take years before a network is up and running at scale. Sales agents often have both low volumes and small margins; they may not sell enough to sustain a living.

In some cases, shared distribution channels can be created, reducing costs and time; these can include both for-profit channels (e.g., agents of another company with a product that is not a direct competitor) and non-profit channels (e.g., community health workers who earn additional income by selling for-profit goods). However, this needs to be the right fit: the new product(s) must be compatible with existing offerings, and sales agents must have time and credibility to sell them.

HOW TO DEPLOY IT?

To deploy this approach, an entrepreneur could start by examining the alternatives available for reaching customers at the 'last mile' and compare their advantages and disadvantages. Next, the entrepreneur could consider who potential distributors might be and discuss with them to understand their willingness and the amount of income they would need to earn to be interested in the role. The entrepreneur would also need to understand the costs required with recruiting, training, and supervising distributors, and with bringing the product to them. The entrepreneur could then examine the overall cost and compare this to customers' willingness to pay to reveal if a viable business model exists.



To Learn More:

Nordhagen, S, Demmler KM. 2023. How do food companies try to reach lower-income consumers, and do they succeed? Insights from a systematic review. *Global Food Security*. Doi: 10.1016/j.gfs.2023.100699.

van Dijk N, van der Veld N. *BoP Marketing and Distribution: Insights from 2SCALE*. Utrecht: BoP Innovation Center; 2019.

Berthault L, McGrath LK, Magand A. *Women Sales Force: An Impactful Channel for Health-Related Products? Lessons Learned from Practitioners*. Paris: Hystra; 2022 Jan.

Berthault L, Darodes A, McGrath LK. *Leveraging Direct Sales Forces for Impact at the Last 100 Meters: Lessons learned from practitioners*. Paris: Hystra; 2022 Jan.

Santos M, Barrios A. *Inclusive food distribution networks in subsistence markets*. In: *Case Studies in Food Retailing and Distribution* [Internet]. Elsevier; 2019 [cited 2022 Jul 21]. p. 179–88.

While we hope this offered useful advice, users should always consider their company's circumstances when adopting new approaches – and make sure that they are used as part of a broader viable business model. The examples cited come from a 2022 document review and may not be fully up to date.

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