Best Practices for BoP Door-to-Door Distribution

PIA Working Group
BoP Distribution Challenges
2015

MIT
Practical Impact Alliance

About the Practical Impact Alliance

Led by MIT D-Lab, the Practical Impact Alliance (PIA) is a membership group that brings together leaders from diverse organizations with aligned missions to share learning, collaborate, and develop best practices. PIA member organizations include corporations, international nongovernmental organizations (NGOs), government agencies, and social ventures.

Through theme-focused working groups, a field-based co-design summit, an annual conference, and MIT student engagement opportunities, PIA member organizations increase their individual and collective impact all while leveraging and supporting the work of MIT programs focused on global poverty alleviation.

About the Last-Mile Distribution Challenges Working Group

PIA formed a working group in 2015 to exchange and document best practices around last mile distribution strategies. The working group included fast moving consumer goods companies Ajinomoto, Danone, Johnson & Johnson, Mars and SC Johnson; international nongovernmental organizations World Vision and Grameen Foundation; and social ventures Community Enterprise Solutions, Greenlight Planet, and Living Goods.

The group was co-led by MIT D-Lab and SC Johnson and gathered monthly in 2015 to share and discuss case studies on the subject. A total of 14 case studies were presented and discussed including nine by PIA members and five by guest speakers. These included representatives from ADB (Asian Development Bank), the BoP Innovation Center, Mercy Corps, Unilever, MIT Center for Transportation and Logistics, and Snow Trading International. Additional content and cases were contributed by the BoP Innovation Center.

Authors

Saida Benhayoune
MIT D-Lab, Scale-Ups Program

Jona Repishti
MIT D-Lab, International Development Innovation Network

Contributors

Roger Perez
Brandeis Heller School of Social Policy & Management

Emile Schmitz
BoP Innovation Center

Contents

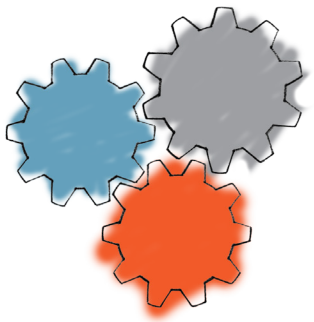
Background

As more corporations, NGOs, and social ventures have endeavored to bring life-enhancing products to Base of the Pyramid (BoP) markets over the last decade, three distinct models for last-mile distribution have emerged: last-mile retail, institutional partnerships, and door-to-door (D2D) distribution networks. The choice among these distribution strategies should be informed by careful consideration of product characteristics, market conditions, and organizational capabilities and priorities.

New products with a social value proposition often require consumer interaction to build awareness, convey product benefits, and encourage adoption. Consequently, a large number of organizations are adopting the high touch door-to-door distribution model, particularly as they enter new markets with new products.

Building effective D2D distribution networks is time and resource intensive but it is an investment that can have a high payoff if the network is established to be scalable. However, success stories are scarce as there is no one-size-fits-all model to set up high performing distribution networks, and, most organizations have been learning on their own through trial and error.

Building upon the collective knowledge of PIA members and field experts, this document captures patterns and best practices in setting up and managing effective and scalable D2D distribution networks. ***Best Practices for Door-to-Door Distribution*** is intended to serve as a guide for practitioners who are working on building and/or managing these types of networks.



Key Components

Success Factors

Scalability Drivers

Across literature agents engaged in door to-door models are referred to using different terminology including Village Based Entrepreneurs (VBEs), Village Entrepreneurs (VEs), micro-entrepreneurs, DTV (direct to village) sales agents. For simplicity, this document refers to them as "door-to-door agents" or simply "agents."

Many of the best practices presented in this guide are addressing constraints that are more acute in rural contexts. However, many of these are also applicable to urban and peri-urban agent networks. Additionally, the documented practices apply to D2D distribution networks independently of their type (proprietary versus shared) or their compensation structure.

Finally, this practitioner guide also presents case studies that illustrate a few of the documented practices. These are sourced from the PIA members' contributions to the working group on Last Mile Distribution Challenges and are complemented with a few cases provided by the BoP Innovation Center.

We hope that you will enjoy and benefit from the insights in this practical guide. This is not intended to be an exhaustive list of best practices but rather the sum of the knowledge shared by the PIA working group members on this theme. The guide will be updated by D-Lab as more research is conducted in this area.

For questions or feedback, please contact:
impact-alliance@mit.edu

Is door-to-door the right model for you?

The D2D distribution model is a high investment and high control strategy. However, while an agent network can provide a strong competitive advantage, establishing one takes a long time and significant resources, often delaying financial sustainability for several years. It is therefore important to consider carefully if it is the right path for your product, market, and organization before engaging in setting up a D2D distribution network.

Here are a few questions that can help you determine if the investment in a D2D model is the right path in your situation.

Does your product require high touch with the customer or consumer?

1. Does your product have a complex value proposition that needs to be described in detail to the customer?
2. Does your product require detailed explanation or demonstration for proper use?
3. Does your product require of customization (adjustment, fitting, bundling...) to meet the customer's requirements?
4. Does your product require a significant change in the consumer behavior for use or adoption?
5. Does your product require after-sales interaction (maintenance, refill, service, etc.)?

If your answers are YES to most of the questions above then your product requires the high touch approach of a D2D distribution network.

Does your market require high push to trigger product trial and sales?

1. Are your target customers familiar with your product or very similar ones?
2. Does your company have a trusted brand (or brand penetration) in the target market?
3. Do your target customers need your product and consider it a priority?
4. Is your product superior in performance and affordability to existing alternative solutions?
5. Do your target customers currently spend more than the lifetime cost of your product on alternative solutions?

If your answers are NO to most of the questions above then your market requires the high push approach of a D2D distribution network.

Do your organizational priorities presently align with the D2D model capabilities?

1. Is gaining customer information and feedback a high priority for your organization?
2. Is control over branding a high priority for your organization?
3. Is developing depth in a single market a high priority for your organization?
4. Is financial independence a lower priority for your organization?
5. Is scaling to broader geographic markets a lower priority for your organization?

It is important to consider these questions in the context of your present organizational priorities. These will change as your organization grows and so may your distribution model. If your answers are YES to most of the questions above then your product does align with the capabilities of a D2D distribution network. If you have mixed answers, you may have conflicting priorities and should consider making some tradeoffs. Typically these tradeoffs are made over time as the product evolves, the market matures and the organization develops.

You should now have some idea about whether or not the D2D model is the right fit for you. However, even though the D2D model may be the right fit, it could be impossible to implement. In other cases, even if it is not the right fit, it may be the only possible way to catalyze your market. Consider the following few questions to verify if some of these situations apply to your case.

1. Does your product have handling requirements (temperature, humidity, fragility, etc.) that could seriously compromise the product integrity through the use of a D2D sales model?
2. Does your product physically constrain (size or weight) the delivery of the product to the customer by a D2D agents network?
3. Is the population density in your target market too low to allow D2D sales using accessible transportation means?
4. Are there serious safety, cultural or regulatory barriers for people to work as D2D sales agents in your target market?

If you answered YES to any of the questions above, you probably should not consider the D2D model as its implementation may be extremely difficult and costly. However if your answer to all of the questions above is NO and to the following question is YES, the D2D model may be the only alternative to bring your product to market.

5. Are there serious safety, cultural or regulatory barriers to opening retail shops in your target market?

If the D2D distribution model is not the right fit for you, there are other possible models such as last mile retail, institutional partnerships or other hybrid models to explore. To help you further navigate this question, consider using the D-Lab BoP Distribution Compass, a dynamic decision making tool designed to help inclusive business practitioners identify the most appropriate distribution model for their product, market and organization. [Link.]

What type of door-to-door network is the best fit for you?

Now that you have established if the D2D distribution model is the right fit for you, it is important to consider which type of D2D model better fits the needs of your product, market and organization. There are two important considerations to think about when selecting a D2D distribution model: Proprietary versus Shared and Salary versus Franchise.

Proprietary versus Shared

Proprietary D2D: ***A network of door-to-door sales agents carry and sell products from a single company, addressing specific or related needs (e.g. health, energy, agriculture). This model is appropriate when demand for the product is high and the organizational capabilities are strong.***

Shared D2D: ***A network of door-to-door sales agents carry and sell products from multiple companies and brands, addressing a range of related or unrelated needs. This model is appropriate when the demand for the product and/or the organizational capabilities are limited.***

The choice between a proprietary and a shared D2D distribution network should be made in consideration of the product characteristics, the market opportunity and the organizational capabilities. Here are a few questions that can help determine which of these two options is a better fit.

Does your product complement a varied basket mix?

1. Does your product require minimal time and effort to explain the value proposition, demonstrate use and fit it to the consumer need?
2. Does your product characterize as either a high volume or high margin product?
3. Does your product characterize as either a high social impact or a highly desirable aspirational product?

If your answer is NO to any of the questions above, the D2D shared model may not be the right fit for you and a proprietary model may be the better fit. Products that require a high level of consumer interaction are at risk of not being prioritized by sales agents who need to maximize their return per transaction. Fast moving goods and high margin products complement each other and provide an opportunity for the agent to ensure a sufficient income. Lastly, a mix of aspirational and impact products is ideal to guarantee consumer demand and drive social impact through each transaction.

Does your market provide sufficient economic opportunity for agents?

1. Does your product experience any seasonal demand?
2. Is your product at risk of reaching rapid market saturation in small catchment areas? (expensive durable products such as premium solar lights or cook stoves)
3. Does your product generate insufficient sales volume and/or margin to produce a reasonable income for distribution agents?

If you answered YES to any of the questions above, a D2D proprietary distribution model may not be right for you. Products with seasonal demand, that have limited repeat sales, or don't warrant large enough sales volume or margin are best incorporated in a mixed basket of goods to strengthen the value for the customer and the agent.

Does your organization have the capabilities to establish and grow an agent's network?

1. Does your company have the financial and human capabilities for hiring and training a D2D agent network in the target market?
2. Does your company have the financial and human capabilities for accessing supply chain infrastructure (transportation, storage...) in the target market?
3. Does your company have the financial and human capabilities for navigating cultural norms and regulatory requirements in the target market?

It is important to consider these questions not only at a pilot stage but also in the context of scale. If your answer is NO to any of the questions above then a proprietary model may be a risky investment for you.

There are no black and white answers. A shared model may be the better fit for your need, but the feasibility of it will still rely on the existence of an appropriate multi-product channel in your market. It will also depend on the availability and willingness of other organizations to partner with you to establish one. On the other hand, your need may be better served by a proprietary model, but your organization may lack the capabilities to establish and grow such a network sustainably. Here again, trade-offs are often necessary. Often organizations start with a proprietary model at small scale while their product requires a high level of interaction to gather user feedback, establish the demand and the brand, then move to a shared model to offset the costs of scaling up sales.

Salary versus Franchise[1]

Franchise agents: *Agents buy the products outright and sell them for a margin. The financial risks for working capital and upfront investment are taken by the distribution agent. This model is appropriate in markets where demand for the product is high and capital investment costs are low.*

Hybrid agents: *Agents are paid a sales commision but the company is responsible for investing the required capital. The financial risk for capital investment is shouldered by the company and the agent is responsible for the working capital. This model is the best option when products already have a market but the overhead costs are high.*

Salary agents: *Agents act as company employees and they receive a base salary along with a commission on sales. The financial risk for capital investments and working capital is absorbed by the company. This model is necessary in markets with low product demand and that require larger upfront investments in capital costs.*

The choice of an appropriate compensation model should be made in consideration of the demand for the product (or basket of products) and the capacity of the agent and the company to absorb financial risks. Here are a few questions that can help you determine which compensation model better fits your situation.

Is the demand for the product strong enough?

1. Is the product known (not new) among target customers?
2. Does the product address daily needs of the target customers?
3. Is the value proportion tangible in the short term?
4. Is the product affordable and very competitive compared to existing alternatives?
5. Is it easy for potential new costumers to witness or experience the benefits of the product?

If you answered YES to most of the questions above, you may be able to consider a franchise or hybrid scheme where agents are compensated by receiving a margin or commission on the sales instead of a salary. Otherwise, you may have to offer a base salary to secure a recurrent income for the agents and incentivize them to make the extra effort necessary to push product sales. To further reduce the market risk for the agents and help them succeed, it is also important to invest in demand creation activities and provide ongoing marketing and promotional support to generate a pull for the product.

Is the financial risk acceptable to the agents?

1. Is the upfront cost for setting up a business low and affordable for the agents?
2. Is the working capital to run the business low and affordable for the agents?
3. Do the agents have access to secondary sources of income and time to pursue?

If you answered NO to any of the questions above then you should consider a hybrid or salary model where your organization shares a portion of the financial risk with the agents. This could be by taking on the capital investment costs and/or working capital costs. In this case, the organization needs to have the capacity to be heavily involved in setting up and managing the agents' network. Strategies to reduce financial risk for agents include offering product on consignment, facilitating access to affordable finance and establishment of self-help groups and village savings and loan associations.

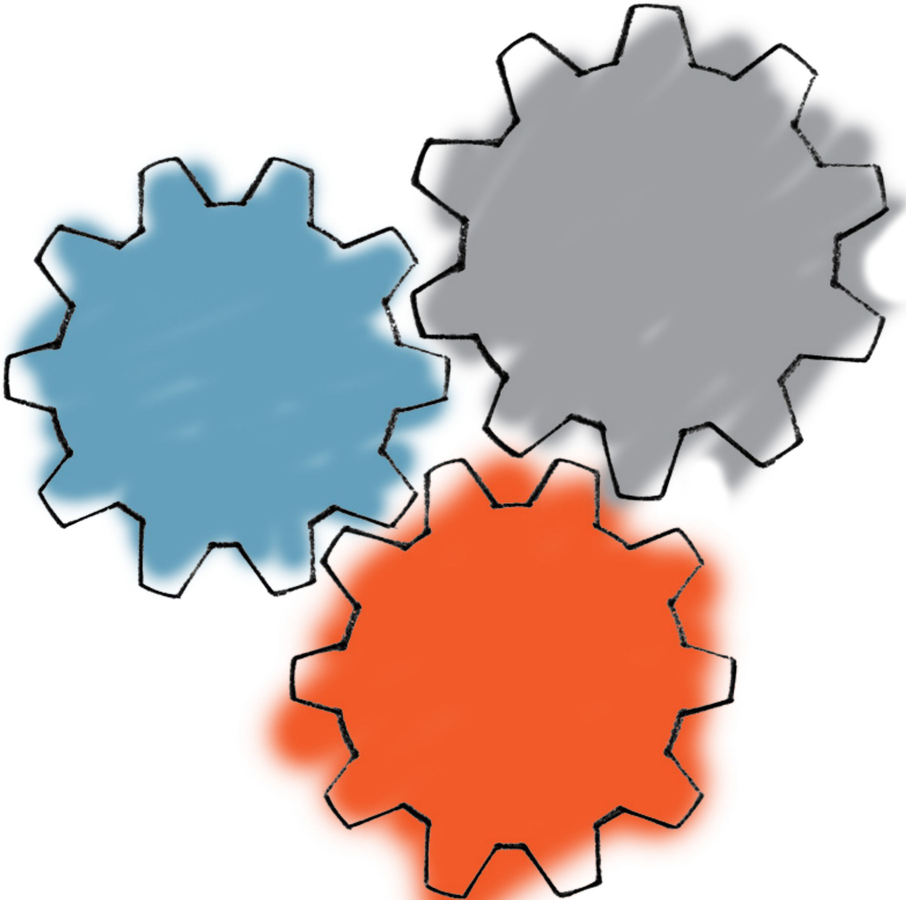
Compensation schemes tend to evolve as market risks are retired and the agents' financial capacity is developed. Often, when the product is new and demand is still diffuse, companies invest in reducing financial risks for agents by taking on capital investment, working capital costs, and sometimes offering base salaries. As demand grows, sales processes are proven and the economic opportunity for agents is more obvious, companies tend to move towards the franchise model allowing the agents to take on more financial risks.

The best practices that follow apply equally to any type of D2D distribution network. Whether you chose a proprietary or a shared model, a franchise, salary or hybrid compensation scheme, it is essential to establish the appropriate processes and management practices for the agents network to function and scale effectively.

---

1. Salary vs Franchise definitions: Definitions adapted from Business Innovation Facility June 2012 insider: The 'last mile' challenge The limitations of the village entrepreneur model. In the original definition the three modes referred to as Pure Play Entrepreneurs, Quasi Entrepreneurs and Hybrid entrepreneurs. N. Dutt.

A framework for door-to-door distribution in the BoP



Key Components

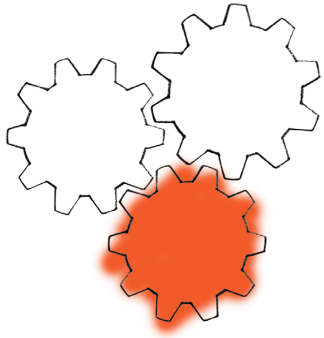
Recruitment
Training
Equipment & Branding
Marketing
Monitoring
Incentives

Success Factors

Agents as Beneficiaries
Local Leadership
Incentives Alignment
A Culture of Trust
A Service Approach
Community Development

Scalability Drivers

Access to Finance
Decentralized Functions
Product Basket Diversification
Optimized Inventory Management
Leveraged Technology
Strategic Partnerships



Setting Up the Distribution Agent Network

The Key Components

The network of distribution agents is the foundation of a D2D distribution model. Competent and motivated agents are the key to accessing difficult markets and lowering customer acquisition costs. However, identifying, training, and retaining an effective agent network in BoP markets require careful planning and oversight as well as a significant investment of time and resources. Although there are no cookie-cutter approaches for setting up a D2D agent network, we have identified several good practices that have proven to be effective in fostering successful and scalable networks. These practices include tips for recruiting, training, equipping, marketing, monitoring, and incentivizing agents.

Socially embedded, skilled, and well-equipped agents are high performing 'touch-points' who serve as product and brand ambassadors to their communities.

Recruitment

Effective recruitment is critical to the short- and long-term sustainability of the D2D model. It minimizes attrition rates and operating costs, which are the main causes of most early failures. It is important to target individuals that display a unique and relevant mix of talents, assets, and motivations to successfully carry out distribution tasks and to also drive the desired social impact in their communities.

What to recruit for

Connected
Strong ties to the community, direct access to the target customers, and the capacity to understand customer motivations and aspirations.

Trusted
Proven ability to inspire trust and positively influence key community opinion leaders.

Mission-driven
Personal alignment with the product and company making it natural to become an effective product and brand ambassador.

Income-motivated
A desire and/or need to generate additional income that is relatively consistent and not contingent on seasonal labor fluctuations.

Talented
Demonstrated potential for strong interpersonal communication, entrepreneurial drive, and sales skills.

Effective recruitment strategies

Referrals
Invite referrals from trusted agents, local partners, community leaders, and social networks to identify connected and trusted candidates.

Screening
Use interviews to screen for essential job requirements such as literacy, numeracy, or communication skills, while also assessing the motivation and aspiration fit.

Self-selection
Design introductory immersive trainings to serve as an opportunity for the agents to evaluate their own fit and motivation to pursue the engagement.

Profiling
Analyze agents' performance data to identify characteristics of high performing agents in your current network and look for similar attributes when expanding the team.

Area mapping
Ensure that communities are not oversaturated with agents and that each agent has sufficient catchment area to be successful in the short- and long-term.

DANONE - BRAZIL

In an effort to increase market penetration in northern Brazil, Danone established a D2D proximity sales channel in the city of Salvador. Danone empowers women entrepreneurs (Kiteiras) to become financially independent by selling product bundles in their underserved communities. High performing Kiteiras with leadership skills are promoted to Madrinhas (godmother), a role that gives them recruiting and management responsibilities for selecting and developing new Kiteiras.

However, as Danone expanded operations in the region, recruitment and retention of local women entrepreneurs proved difficult. Traditional human resources processes were inadequate and resulted in high turnover and increased operational costs. In response, Danone worked with NGO partner World Vision to leverage the robust local community trust-network built around their GOL.D program, to identify and evaluate potential candidates.

World Vision community mobilizers were best positioned to identify and engage individuals with the desirable qualities and a real need for income generation. They also played a key role in connecting Kiteiras to a broader range of capacity building opportunities—such as savings and other life skills trainings—offered by the GOL.D program. The Kiteiras channel represents 10 percent of the company's total sales in Salvador.

Training

The availability of experienced and skilled candidates is often a limiting factor when recruiting micro-distribution agents in BoP markets. Hence, training is not only a necessary investment, but also an opportunity to drive social impact beyond that of the distributed good or service. Carefully designed and delivered trainings are proven to increase agents' performance and retention. Successful companies implement training strategies that go beyond the sales and technical skills; they approach training as a holistic opportunity to engage and empower their agents, and as an investment in the human and social capital of their target market for increased resilience in the long term.

What to train for

Product and market knowledge
In-depth knowledge of the product or service offering, the target market segments, the company mission, and the brand identity so agents can effectively deliver the intended value and customer experience.

Technical skills
Effective communication, customer service, and other sales and marketing techniques that are culturally relevant to the local context.

Small business management
Business and financial literacy in areas such as bookkeeping, cash flow management, inventory tracking, people management, etc.

Technology use
Efficient use of any tools, vehicles, and technology that is essential to conducting sales in the field.

Life skills
Organization and time management skills, as well as general education pertaining to positive personal, social, and economic outcomes such as in nutrition, health, or saving practices.

Effective training practices

Accessible
Simplify concepts and standardize sales processes as much as possible to improve their uptake and consistency across the sales network.

Tailored
Assess cohorts' skills and adapt training modules to better address the identified knowledge and skill gaps.

Experiential
Utilize experiential training techniques such as interactive games, videos, job immersion, and "shadowing" of experienced agents in the field.

Continuous
After initial immersive training, provide continuous refreshers and progressive upgrades throughout the year.

Convenient
When scheduling trainings, accommodate agents' family and community schedules, and other employment obligations. Mitigate geographic constraints for increased attendance and effective participation.

Certified
Provide certification to celebrate achievement, confer legitimacy, and build self-confidence.

Transferable
Establish a Training of Trainers (ToT) model that leverages the knowledge of experienced agents and/or partner institutions and create peer-to-peer support networks.

LIVING GOODS - UGANDA

Living Goods (LG) is an impact-driven social venture that empowers women to become micro-entrepreneurs by delivering health products and services in Uganda and increasingly, in other African countries. Much of LG's success stems from the talent and commitment of its local health promoters, making it an essential component of the business model.

LG identifies agents through community referrals. The company also relies on statistics from seven years' of performance data to identify factors that indicate a high-performing agent (age, education, motivation, number of years in the area). Selection is realized through in-person interviews and cognitive tests that evaluate literacy, numeracy, relevant skills, and personal motivation. Once selected, health workers participate in a three-week intensive health, business, and product training course at a local LG branch. Upon completion, health agents are rewarded with a certificate of their accomplishment and return monthly for refresher trainings to refine business acumen and health expertise.

For the agents' convenience, trainings are delivered in local branches which also serve as product distribution centers. They include both classroom training and experiential practice. In an effort to appeal to all learners, training is comprised of formal classroom lessons, videos, games, and role plays, as well as shadowing health promoters.

In 2015 LG has grown its network to 2,800 community health promoters in Uganda and 200 in Kenya with a low attrition rate of only 15 percent.

Equipment & Branding

Equipment and branding can play a large role in capturing the attention, trust, and loyalty of BoP customers. For sales agents, equipment and branding can enhance their day-to-day effectiveness and provide them legitimacy, a sense of identification and belonging, as well as confidence and status within their community. These investments often provide a good return as they improve agents' performance and retention and generate cascading benefits such as attracting new agents and differentiating product and service quality.

What to equip agents with

Sales tools
Provide culturally relevant sales and marketing instruments such as brochures, pamphlets, demos, and samples to help agents explain the product functions and benefits.

Branded equipment and signage
Display consistent and conspicuous branding on products, equipment, and agents' clothing so that customers can easily identify the product and the agent as a legitimate sales representative for the brand.

Communication tools
Consider equipping agents with mobile phones, tablets, and similar technologies to improve their connectivity to their customers and the company, boost their efficiency, and build their confidence and status.

Transportation tools
In geographically constrained areas, consider providing transportation tools such as carts, bikes, etc. as they can be vital to ensuring agents safety, improving their reach and motivating their retention.

Financing
Make working capital in the form of start-up grants or loans available to agents so that they can stock up and operate effectively. Companies can enable direct access to capital, or indirect support, by facilitating access to credit, e.g. via partnerships with MFIs.

Effective equipment & branding practices

Branding
Develop an entertaining, culturally appropriate, and easy to understand aspirational brand so that customers are able to quickly discern and remember the brand promise.

Starter kits
At the onset, equip agents with "Business-in-a-Bag" kits that include essential sales materials such as signage, uniform, product brochures, booklets, and any additional materials to help them stimulate sales and refresh their knowledge from the trainings.

Milestone equipment
Consider providing technology, transportation, or other more desirable equipment as incentives to reward agents for achieving performance milestones.

LIVING GOODS - UGANDA

Upon field placement, Living Goods (LG) equips each health promoter with a "Business-in-a-Bag" starter kit. Each toolkit contains conspicuously branded uniforms, guidebooks for common illnesses, product samples, educational pamphlets, and signposts for their home to communicate community presence.

LG also equips every health promoter with a smart phone supporting a suite of tools and smart apps that improve diagnostic and treatment accuracy, deliver health education, and enable connectivity and performance monitoring. Mobile technology has also proven important to increase the agents' credibility and confidence and real-time data analytics drive impressive results in operational efficiency.

LG offers an initial loan that covers start-up costs. Other financial support is available later through credit and consignment, free trial products, and event kits.

The strong brand identity of LG gives legitimacy to health promoters and helps them develop a sense of pride and confidence knowing that they are part of a company that improves the lives of their community members.

Marketing[1]

Investment in demand-generation activities can prove cost effective in accelerating awareness about product benefits, incentivizing trial, and augmenting demand. Putting the demand-generation burden on sales agents can slow them down and hinder performance. Especially with 'hard to sell' products that require additional consumer education, e.g. nutrition, clean energy, or health products, additional marketing support by the company is critical. In early stages of product introduction, the focus should be on attracting attention, building trust and enabling experience, but when the product and brand are well established, the focus should be on triggering sales and retaining customers.

Attracting attention
Since conventional media channels are often absent in BoP communities, creativity can be used in employing other local media, such as radio, road shows, drama or mobile, to draw attention.

Creating trust
Trust is the single most important element when selling to a risk-averse low-income consumer. Trust is nurtured by first engaging and convincing local key opinion leaders. Additionally, trust can be created through building or collaborating with known and accepted brands.

Enabling experience
Low-income consumers are risk-averse so just seeing a demonstration will most likely not convince them. Companies should showcase the product in villages, enabling free testing, or providing incentives and low-cost opportunities to experience the benefits.

Triggering action
Companies can trigger purchases by using time-bound promotions, providing relevant incentives to customers, or offering bulk sales to groups of customers. Be creative and look for benefits that fit the product such as a cooking spoon to be offered with the sale of a certain amount of food items.

Customer retention
A large percentage of BoP customers make a purchasing decision based on what their neighbors and relatives recommend to them. Staying in touch with existing customers through loyalty programs and providing incentives for referral can turn happy customers into brand ambassadors.

Effective marketing practices

Simple, visual, local
BoP consumers won't respond well to lengthy and complex explanations on why the product will deliver value in the mid- or long- term. Agents should explain in a short, visual, and locally relevant way why the product will address customer aspirations and/or problems.

Leverage other initiatives
When selling high impact products, there is often a need to create a new market. This can be a costly activity so try to piggyback on existing awareness building programs by governments or NGOs that are already in place.

Leverage local advocates
Build trust and engage local advocates to add credibility to your proposition. This can range from community health workers, teachers, midwives and pastors to educate, build trust, and act as 'first adopters.'

Be patient
Take a step by step approach and don't overcomplicate. Show patience regarding return on investment and the time it might take for markets to get activated. D2D sales models in low-income markets generally don't offer quick wins and patience and persistence is essential.

1. Marketing framework: Inclusive Business Accelerator, Module 2: Marketing to the BoP. N. Chevrollier, B. Van der Hilst, E. Schmitz

BOP INNOVATION CENTER & MOBILE MOVIES - BANGLADESH

The social enterprise Mobile Movies uses a combination of entertainment and education in rural areas. In Bangladesh, for example, the enterprise organizes networks of agents that bring together people in rural communities to watch entertaining films followed by information on products and services. BoP Inc is working with 160 D2D 'nutrition sales ladies.' Six of them received a lightweight, portable and durable Mobile Movies Kit, including video and data collection equipment as well as a smartphone. Five nights per week, they invite communities for an event with entertaining film clips and TV shows. These popular gatherings are being used to introduce and demonstrate products such as food supplements.

On average 55 people attend the social evenings and for the afternoon events over 100 people show up. When they are not organizing events, the agents walk around in the villages and collect information on points of sale for certain products and assess brand and benefit awareness in the communities. They conduct surveys to document community behavior change over time.

After the Mobile Movies community activities started, agents saw their sales volumes increase by 267 percent for oral re-hydration solution packets, 258 percent for Zinc tablets and a staggering 312 percent for sanitary napkins. Sales volumes may decrease a little after some time, but are expected to stabilize at much higher levels than before.

Monitoring

Measuring key performance indicators and using them to pilot the network is essential to the success of the D2D distribution model. Good monitoring practices can reveal sales trends and identify underperforming agents and markets to inform in-time remediation strategies. Monitoring can also aid companies in gaining valuable market intelligence related to product design, performance, and customer preferences. Finally, monitoring impact indicators and correlating them to sales performance can be powerful tools for keeping agents motivated and attracting investment.

What to monitor

Sales performance
Continuously capture sales data and analyze trends in correlation to marketing and sales force investments to optimize operational costs.

Agent engagement
Keep track of agent engagement in trainings, community building activities, and social networks to proactively address low performance and attrition risks.

Inventory levels
Regularly monitor stock levels across the supply chain to optimize stock availability and minimize capital and logistical costs.

Customer feedback
Use agent networks to collect feedback on product performance, users' needs, and gain insights into future product diversification opportunities.

Performance impact
Invest in developing and monitoring impact metrics for all beneficiaries including consumers, agents, as well as the communities at large.

Effective monitoring practices

Targets

Establish SMART (Specific, Measurable, Achievable, Realistic, and Time-bound) sales and impact goals to increase agent accountability and encourage healthy competition.

IT systems for real-time analytics

Adopt or develop low cost, IT solutions to track market and performance indicators in real time. Mobile phones and smart devices allow agents to update indicators instantly for additional accuracy and timeliness.

Checklists

In the absence of IT solutions, develop checklists to assist agents and managers in tracking progress and reporting essential data in a timely manner.

Surveys

Utilize digital or paper surveys to capture impact data at the customer, agent, and community levels. Employ a trusted third-party to monitor impact, to ensure data integrity, and eliminate bias.

LIVING GOODS - UGANDA

Living Goods (LG) developed a strong monitoring system to track and drive performance at the agent and branch levels. It includes setting targets, using checklists, and real-time analytics, and conducting random quality audits.

Through smart phone applications, real-time sales and health data feed into a customized analytics dashboard and performance management system developed specifically for the company's needs. The system is accessible to headquarters and branches so that they are able to set targets collaboratively, monitor their own performance over time and target support for underperforming agents.

Additionally, local branch and headquarters staff call and visit health promoters in the field to corroborate dashboard information, and health promoters visit the local branch frequently to restock, allowing for increased face-time and informal check-ins.

In addition to its self-monitoring efforts, LG invested in a third-party randomized control trial to measure health impact improvements over five years in 214 villages. The study found a 25% reduction in the mortality rate of children under five-years-old as well as other positive market outcomes. This study was essential in validating the company's community level impact and building credibility and trust with international funders and partners.

Incentives

Keeping agents motivated and performing is a strategic priority to sustain the D2D model. Underperformance and attrition drive up recruitment and training costs and lower overall sales force productivity. Turnover can be minimized by introducing incentives that align with agent preferences, values, and priorities. Increasingly, companies are including non-monetary incentives to reward and motivate performance. This has shown to be a good method for anchoring relationships in trust and loyalty.

What to incentivize for

Sales performance
Encourage a healthy competitive environment by setting sales performance milestones and rewarding high-performing agents.

Impact performance
Drive impact by incentivizing agents to contribute individually and collectively to the improvement of impact indicators in their communities.

Retention
Reward seniority because the longer agents remain, the lower recruitment and training costs will be.

Recruitment
Incentivize agents to identify and recommend new sales agents to improve recruitment performance.

Leadership
Empower agents to take on increasing responsibilities and to grow their leadership roles both within the agents' networks and in their communities.

Effective incentive practices

Pay for performance
Establish pay-for-performance schemes that set clear sales and impact goals and rankings and guarantee higher income to higher performers. Sales margins and commission have proven effective in driving performance.

Non-monetary incentives
Offer special prizes for reaching sales and impact performance milestones as well as for special accomplishments. These can include free product trials, culturally appropriate gifts, and status enhancing prizes such as access to celebrities or public recognition in the community.

Status ranking
Establish status rankings to recognize progress towards performance milestones. Use ranking achievements to unlock access to status advantages such as desirable loans, transportation, preferred routes, or other non-monetary incentives.

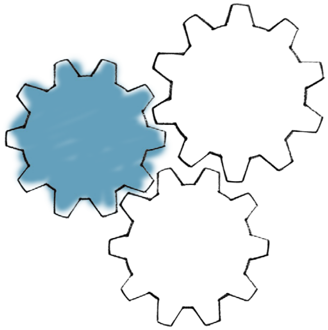
Professional development
Offer promotions and career growth paths to senior high performing agents. Increase and reward their leadership role with monetary and non-monetary incentives. Give them access to preferential training and coaching.

DANONE - BRAZIL

Danone designed an innovative incentive system comprised of culturally significant monetary and non-monetary incentives for their two groups of agents. Kiteiras earn a margin on product sales, while Madrinhas act as regional managers and receive a 3.5 percent commission on their Kiteiras' total sales.

To encourage performance, Kiteiras are automatically entered in a tiered ranking system that incentivizes sales performance and seniority. As Kiteiras achieve specific performance milestones, they advance from bronze to silver to gold status. Each classification increases social recognition, and includes equipment upgrades such as branded carts to ease product transportation. Once Kiteiras reach the gold status and demonstrate leadership skills, they have the additional opportunity to become a Madrinha, thereby increasing their compensation and qualifying for tailored career-development trainings. Since implementing this approach, Danone increased the number of Kiteras from 300 to 700 in only three moths, increased order size by 42 percent, and improved Kiteras retention rate by 33 percent.

In addition to business and technical trainings, Kiteiras and Madrinhas receive "life skills" workshops that improve their knowledge pertaining to personal finances, health, and family care. These trainings proved very effective in improving retention rates, network engagement, and developing agents' sense of empowerment and self-esteem.



Managing the network for success

The Success Factors

Once the door-to-door agent network is established, managing it to successfully and sustainably serve BoP markets requires a set of subtle approaches and principles. Successful companies are adopting inclusive business models built on closer relationships with agents, channel partners, and the communities where they operate. By helping all involved actors achieve socioeconomic goals, and by connecting them with opportunities that meet both their needs and aspirations, these companies are gaining a competitive advantage in BoP markets. This section captures a growing number of management principles that have proven effective in driving the success and sustainability of D2D sales networks in BoP markets. These include considering distribution agents as beneficiaries, fostering local leadership, aligning incentives along the value chain, adopting a service approach, creating a culture of trust, and taking an active role in community development.

Forging strong bonds with agents and communities and investing in their needs enables companies to create new business opportunities and build a solid foundation for success.

Agents as Beneficiaries

The profitability of the door-to-door distribution model hinges first and foremost on the motivation and performance of its agents. Yet the agents' livelihood improvement is often expected to happen as a biproduct of the model's success rather than being a central component of the intended social impact. To improve the agent's chances of success, companies should consider and recognize the agent as a targeted beneficiary. This means being intentional about generating stable employment opportunities and establishing mechanisms to help agents increase their assets, retire risks, and build their resilience. Companies can also demonstrate their commitment by acknowledging their agents' contributions and integrating their feedback. It is also important to establish impact indicators for the agents' economic and social development and to devote attention and resources to monitoring and improving them. This approach can improve the longer-term welfare of agents, increase their sense of ownership, and ease their integration into the company value chain.

DANONE - BRAZIL

Most companies focus their impact metrics on the wellbeing of the consumers who gain access to their products. Danone also recognizes the Kiteiras and Madrinhas involved in the D2D distribution channel as the primary beneficiaries of its business model. The company believes that as their micro-distribution agents' skills, engagement and personal development improve sales performance, the company's profitability, and its products impact will also improve. Therefore, Danone provides a host of benefits to their women entrepreneurs in an economically depressed region with 67% of women employed in the informal economy.

Included in these benefits are comprehensive trainings on financial literacy, health, education, and proposed topics that help micro-distribution agents perform more effectively as well as improve their lives at home. Trainings are held at local centers during convenient hours to accommodate the women's personal obligations.

In addition, Danone invests in a women's empowerment program that is supported by the Madrinhas who leverage their leadership role to coach Kiteiras in improving essential aspects of their social life. The company also engages the all agents in a peer-to-peer support network that fosters close relationships between Kiteiras, Madrinhas, and the company.

The program has resulted in a 180 percent increase in Kiteiras' income. Agents have also reported improvement in their self-esteem and sense of empowerment as a major benefit of their engagement with Danone.

Local Leadership

As the size of the workforce grows, companies need to foster local leadership by increasing the autonomy of branch managers and senior agents. By delegating operational decisions and decentralizing key functions, local agents are empowered and the organizational structure can remain nimble. Management practices that recognize local leadership skills and delegate authority to local agents, increase ownership over developing more effective sales methods, allow faster decision-making processes, improve control on costs, and make the company more adaptable to unique local markets. Decentralizing management functions and execution decisions can build local capacity and the motivation of agents as they get more independence and responsibility.

COMMUNITY EMPOWERMENT SOLUTIONS - GUATEMALA

In Guatemala, Community Empowerment Solutions (CES) created Soluciones Comunitarias (SolCom) as a local social enterprise that aims to achieve financial and administrative self-sustainability for the micro-consignment model at the local level. SolCom is owned and managed by the rural agents who have "risen through the ranks" as leaders in the micro-consignment enterprises.

SolCom uses local ideas and local Guatemalan staff to provide products and services to the last mile. CES continues to be a source of capital, training and ideas but SolCom manages and grows operations thorough a hub and spoke system of regional coordinators and rural agents. CES pushes the principle of local empowerment all the way to the communities served.

Through locally empowered enterprises like SolCom, CES trains community members in how to form their own community banks, teaches villagers how to design their own technologies, and provides consulting for other local organizations doing social impact work in the communities. "We aren't there to sell things to people. We are there to help people create positive change in their lives." This culture of local empowerment championed by founder Greg Van Kirk is key to the organization's identity and success.

Incentives Alignment

Operational efficiency is increased if incentives are well aligned and distributed across the value chain. Misaligned goals and a mismatched culture between the company, its agents, and its partners, can cause issues across all aspects of a door-to-door distribution model. Companies should ensure alignment between their desired outcomes and those of their employees, distribution agents, and partners so that everyone along the value chain delivers a coherent message and value proposition to the communities served. This means that financial gains and social goals need to be shared by all stakeholders and clearly integrated in their respective incentives. Companies should design these incentives so that the risks, costs, and rewards of doing business are distributed across the stakeholder chain. Companies can prompt the behavior they desire from their partners by creating monetary and non-monetary motivation schemes and by developing a culture of shared aspirations, goals, and values. Agents and partners who feel that they are part of a cohesive team with multiple dependent partners will perform better. Companies can also build a cohesive ecosystem by engaging the various stakeholders in team-building activities and using a participatory approach to financial and social goal-setting.

COMMUNITY EMPOWERMENT SOLUTIONS - GUATEMALA

The Community Empowerment Solutions (CES) mission of empowering communities underpins its business approach and guides all interactions with communities, partners and distribution agents.
CES uses its micro-consignment model to lift the financial risk off rural agents who can least afford it by providing them with the products on consignment. Once the product is sold, the agent pays back the organization, earns a portion of the profit, and restocks. This allows agents to test the market without incurring financial risk, thus aligning their interest and gains with CES..

But CES recognizes that financial incentives are not the only driver for their local partners and agents and that a holistic approach to driving social impact locally is critical to keeping their agents and partners motivated and their communities engaged. “Our team needs to truly know and feel that we aren’t just hammers looking for nails but rather have and can build other tools for the toolkit.” affirms Greg Van Kirk, the enterprise founder. So to ensure alignment with local priorities and goals, CES does not solely focus on product distribution but rather provides communities with a menu of options where they can “check” and prioritize what they feel is most important to them. To support these community needs, CES has spearheaded the creation and establishment of various social enterprises/ organizations including Soluciones Comunitarias (SolCom), Turismo Ixil (TIX) and the Centro Explorativo (Centro-Ex) in Guatemala, which can provide community services in different areas of need.

A Culture of Trust

Trust is essential in BoP markets where transactions are mostly informal, consumers may not be familiar with new products, and people rely on social networks for making purchasing decisions. Establishing trust across the value chain partners will result in increased buy-in and longer-term sustainability. The trust culture needs to transcend all level of interactions: between the agents and the customers, between the company, its partners and its agents, and between the company and the community. Trust between agents and customers can be fostered through personal, non-transactional relationships, fulfilling brand and product promises, and building agents' credibility through skill building, equipment, and branding. This also fosters "word-of-mouth" marketing which is effective in areas with limited communication. Trust between the company, its agents, and partners can be built by decreasing formalities, offering products on consignment, operating with full transparency, and sharing economic benefits with agents and partners. Approaches to building trust with the community include using local language and promoting culturally appropriate community interaction, adopting market outreach strategies around community influencers, and investing in community development activities.

COMMUNITY EMPOWERMENT SOLUTIONS - CENTRAL AMERICA & THE CARIBBEAN

Community Empowerment Solutions (CES), is dedicated to improving livelihoods in Latin America and the Caribbean by engaging individuals in micro-entrepreneurship using an innovative micro-consignment model. This model has a key role in activating vulnerable markets where new products are unknown and market uncertainty is high.

The CES model is highly dependent on trust and the enterprise leadership believes that in BoP markets, in order to gain trust, companies must give it too. CES employs local women without contracts, provides product on consignment, and opens its six-week-long immersive trainings to all candidates who want to become community advisors. While several typically decide to drop out during the training, CES sees this approach as an effective selection process and an investment in a relationship of trust with the community.

Trust is paramount for new entrepreneurs who are selling on a consignment model—CES trusts that community advisors will sell products in a timely manner and the community advisor trusts that CES will provide quality products, adequate training, and administrative support.

CES community advisors are also well known in their communities and their reputation hinges upon their performance as entrepreneurs. Community members trust that CES advisors will provide high-quality products that address their needs and will provide advice and service as needed.

A Service Approach

In the BoP door-to-door sales model, the agent's role goes beyond the transactional sale of products. Due to the unique characteristics of BoP markets, agents are often positioned to provide a customized sales experience (e.g. education, consultations, and after-sale service), thereby engaging in various service-oriented interactions with the customer that have no immediate sales output. Companies should embrace this expansive role because in doing so, their agents will help customers become more aware of their needs and choices and deliver shared value in the long-term. As agents establish their position within the community, they can become trusted advisors and trendsetters. Those who are in tune with community needs and aspirations can nudge customers towards making informed purchasing decisions and generate demand for additional products and services. When agents forge a bond with the community on behalf of the company, they increase the acceptability of products and create new business opportunities.

COMMUNITY EMPOWERMENT SOLUTIONS - CENTRAL AMERICA & THE CARIBBEAN

Community Empowerment Solutions (CES) specializes in the sale of durable goods such as solar lanterns, clean cookstoves, eyeglasses, and water filters that create a positive impact for individuals living in Latin America and the Caribbean.

CES's agents visit their clients to service or refill products, increasing the amount of time spent with consumers and building relationships. As rapport develops, community advisors are able to offer new products and services, gauge product usage and impact, and ascertain specific needs within the community. This proximity approach solidifies community advisors' roles as service providers as opposed to strictly salespeople who solely focus on the bottom line. As service providers who are there to respond to community needs, community advisors are more likely to be called on by community members and remain in regular contact with them.

To expand this approach, CES is considering the promotion of a membership model that will allow customers to receive discounts or other incentives for subsequent purchases. CES expects that this will further increase opportunities for new product introductions and increase positive impact within served communities.

Community Development

Thriving communities are fertile markets for new products and services. Companies who successfully capture BoP markets are adopting longer-term visions that combine the creation of value for the business as well as for the community. Companies can contribute to local development by expanding their investment in human and social capital. This is done by making infrastructure and capacity building investments—such as trainings, access to finance or technology literacy—to benefit more than the individual agents involved in distribution. This requires developing close relationships with the community and local institutions—and sometimes external investors—to optimize investments in a way that improves the standard of living of the community overall. Companies who take such an approach are not only providing value-add products and services, generating employment, and improving infrastructure, they are also building the resilience and sustainability of vulnerable communities and markets. It is equally important to measure the returns of such investments by broadening impact indicators to track the human and social development of communities.

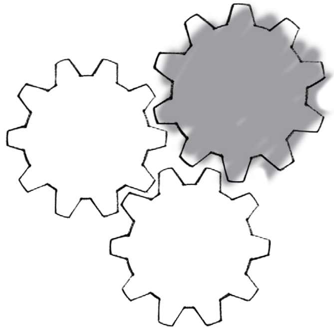
MARS - KENYA

Mars, Incorporated is one of the largest privately owned food manufacturers in the world. The company developed a distinctive business perspective based on the Economics of Mutuality (EoM) principles—a growth model whereby mutuality drives business performance through modified metrics and management practices. In low-income economies, this translates into a unique approach that develops target communities while simultaneously driving profits.

In 2013, Mars launched the Maua program in Kenya, an entrepreneur-centered model that engages different types of entrepreneurs in a hybrid value chain. Entrepreneurs are empowered, trained, and developed, they become successful agents, and increased financial performance is achieved for the broader community.

But instead of tracking sales as a measure of performance, Mars tracks a unique set of community development metrics: Human Capital measures entrepreneurs' capacity and satisfaction with their work; Social Capital measures trust, social cohesion, and capability for collective action at the community level; Natural Capital measures the impact on the environment; and Shared Financial Capital measures how economic benefits are shared among participants. Mars is proving that these metrics correlate to sales performance.

Maua has grown from seven micro-entrepreneurs at launch to include over 500 micro-entrepreneurs that generate more than $7 million in retail sales, which equates to more than 20 percent of Wrigley Kenya's annual revenue.



Positioning the network to scale

The Scalability Drivers

Even after pilots succeed, the door-to-door sales model often fails the litmus test of long-term sustainability at scale. This is because at large scale, reducing costs and maximizing efficiency becomes vital to financial sustainability. For a door-to-door distribution channel to be profitable at scale, companies need to integrate and invest in efficient growth strategies from the start. We have identified six key enablers of scale: access to financing, a diversified product basket, optimized inventory management, decentralized organizations, technology use, and strategic partnerships.

Forward-looking product strategies, expandable organizational structures and innovative partnerships can take the door-to-door distribution model to scale

Access to Finance

Provide accessible, affordable, and expandable working capital to meet the needs of agents as they grow their sales, increase their inventory, and expand their operations. As the size of the agent network grows, facilitating access to finance may require a shift from providing in-house start-up loans, consignment and subsidies, to establishing direct relationships with external lenders such as banks and MFIs.

NAZAVA WATER FILTERS - INDONESIA

As Nazava Water, an Indonesian ceramic water filter distributor, expanded its local reseller network to over 50 cities, it struggled to finance its agents with the capital necessary to stock up on products or expand operations. Nazava had limited capability to provide in-house loans because it already outfitted each agent reseller with a promo-package that contained filters, banners, brochures and test results.

Instead, in 2012, Nazava connected with Kiva through their Experimental Partnership Program which lowers the barriers to partnership. This program, through a lightened due diligence process, enables Kiva to support a wider range of innovative, socially-driven organizations who wouldn't otherwise be able to obtain affordable capital. Through the Kiva platform, vetted Nazava resellers became eligible for loans of up to 2000 USD at zero percent interest. Kiva lenders browse Nazava agent profiles on Kiva's website and contribute to fund a loan of a specific agent or group of their choice. Kiva then pools these funds and sends them to the Nazava. To date local resellers have received a total of $139,625 in loans to facilitate the purchase of more goods at one time, saving on bulk shipping costs and expanding operations. This lowers filter prices for end users and maximizes income for the agents.

Agents then repay Nazava via bank transfer and can choose whether to repay on a weekly, bi-monthly or monthly basis and Navaza conducts check-in calls to ensure compliance. Nazava is then responsible to return the money to Kiva and the Kiva lenders who funded that loan receive their money back. In this case Kiva lenders carry the full risk of the loan. Field Partners must only remit to Kiva the principal repaid by borrowers; Kiva lenders absorb any losses arising from borrower default. If payment is successful, companies like Nazava can take out larger loans.

Decentralized Functions

To accommodate growth and maximize efficiency, adapt organizational structures by decentralizing management and operational functions such as recruitment, training, and monitoring. Create organizational structures that are composed of key nodes, such as super agents or agent aggregators that decentralize people and operation management functions, keeping costs low, agents motivated, and operations nimble at the local level.

COMMUNITY EMPOWERMENT SOLUTIONS - CENTRAL AMERICA & THE CARIBBEAN

To create first-time access to life changing products and services for vulnerable communities, Community Empowerment Solutions (CES) utilizes a “hub and spoke” distribution model in five countries in Central America and the Caribbean. The hub-and-spoke distribution system allows consumers to access the products and services they require more readily and allows for timely customer feedback.

Initially, a main headquarters is established where leadership personnel manage country operations, import products, and maintain storage. Once the main headquarters is established, smaller regional hubs are created and are given responsibility for attracting local community advisors who sell products and services on consignment to last-mile consumers.

Each smaller hub has autonomy over community advisor selection and management, training and workshop development, marketing campaigns, and education opportunities. With the proper capacity building, CES found that local hubs with more autonomy proved to be more beneficial as they are more effective and accurate in analyzing market characteristics, product saturation rates, and product and service price points.

Product Basket Diversification

Balance impact, volume, and margins. To maintain sales at larger scale the product offering needs to be diversified to include high impact products that sustain the demand, fast moving products that drive sales volumes, and “lifestyle” desirable products that boost margins. Pricing strategies need to be defined to balance impact and sustainability: low margins on high-impact products to drive adoption and higher margins on aspirational products to ensure enough income for the agents. Combining products in similar or complimentary impact areas helps to reinforce the value proposition and to increase sales. Including trusted brands can drive customer loyalty and increase the overall basket value. A diversified basket mix also pushes the agent to be more active as it creates more opportunities to interact with customers about various aspects of their needs. Finally, as companies move into different geographies they may have to adapt their basket mix and pricing strategies to each local context.

LIVING GOODS - UGANDA

Living Goods (LG) carries a mix of 40 products that are selected to improve child and maternal health and reducing child mortality. These include medicines and non-medicine items such as nutrition supplements, clean cookstoves, water filters, and solar lanterns. This product mix allows LG to balance impact through treatment products, and income through “better life products” that can bear more margins.

LG builds retail prices based on the product impact. Higher impact products carry less margin (only 15 percent margin on medicines making LG prices 20 percent lower than competition). For other products, margins go up to 20 percent. This pricing strategy allows LG health promoters to make $15 to $20 extra income per month which is enough to warrant the sustained engagement with the company.

The basket mix is also adapted to each context. Health promoters start with a set number of compulsory products and customize their basket depending on the specific area characteristics and needs. The diversified basket pushes LG agents to be active door to door as it creates more opportunities for them to interact with the community and ask families about new areas of need.

In 2014 LG introduced a private label product (fortified porridge) to increase impact on nutrition while increasing margins. The LG brand has proven to be a great success driver for the LG basket as it carries trust value and indicates quality to consumers.

Optimized Inventory Management

As sales expand, the risk of stock outs increase if supply chain systems are not adapted to handle the growth in volume. Digitized re-ordering and automated processing can help companies to more accurately forecast demand so that inventory is replenished in a timely and cost-effective way. Next, product stock levels can be maintained by introducing a more modular distribution infrastructure. Such models include setting up mobile branches, expanding to a "brick-and-mortar" presence, or creating a hub-and-spoke system to keep physical presence at a viable minimum and costs low.

HINDUSTAN UNILEVER LIMITED PROJECT SHAKTI - INDIA

Hindustan's Unilever Limited (HUL) Project Shakti targets small Indian villages and uses a variety of innovative strategies to manage its rural supply chains and optimize inventory. Shakti HUL initially engaged women organized in self help groups called Shakti Ammas (strength mothers), as agents for distributing the company's home-care, health and hygiene products. As demand for HUL products grew, the company recruited men from the Amma's families to increase rural penetration. These Shaktimaans are provided with free bicycles and cover a larger area than Shakti Ammas who conduct sales on foot.

HUL employs GPS technology to capture population density and the distance between villages and uses the information to determine the number of Shakti Amma and Shaktimaan recruits, their placement, and the volume of products that needed to get to them. Each working agent is then equipped with a basic software enabled smartphone that allows him/her to bill orders and manage inventory in real time. HUL uses the data to track buying patterns and further optimize inventory strategies. Under Project Streamline, HUL set up an efficient last mile stocking model that employs a dense network of sub-stockists at the village level serviced through super-stockists through the route schedule. The sub-stockists are located in a rural market and they perform the role of driving distribution to agents in neighboring villages using unconventional means of transport such as tractor and bullock cart and the agents receive the stock on a `cash and carry basis'.

With some 48,000 Shakti Ammas and 30,000 Shaktimaans, HUL reaches over three million households in 100,000 villages in 15 states.

Leveraged Technology

Deploy technology such as tablets and mobile phones to improve operations efficiency for large distribution networks. Investing in off-the-shelf or customized apps such as Geographic Information Systems (GIS), Customer Relationship Management (CRM), and Management Information Systems (MIS), that capture customer and agent analytics, pipeline sales data, as well as aid companies in analyzing performance trends and forecasting demand, can improve both operations and sales. Technology use can also help in keeping large numbers of agents engaged by connecting them to each other and to the company and the brand through the use of social media.

LIVING GOODS - UGANDA

Upon completion of a comprehensive introductory training, Living Goods (LG) health promoters are equipped with a business-in-a-bag toolkit that includes smartphones with pre-loaded applications that enhance communication, knowledge sharing, diagnostics as well as allow them to report sales and consumer health data in real time. LG employs technology developed by Dimagi, GTrack, and MedicMobile through different platforms to improve performance and efficiency across LG headquarters and branch offices, LG health promoters, and consumers.

Smart phones enable accurate and fast diagnostic, track customers' health progress, and ease communication through SMS messaging and phone calls. Consumers receive educational content, updates, and reminders to administer medicines improving adherence to medical regiments.

LG headquarters and branch offices are able to access real-time analytics to track market trends, agents' sales and impact performance, monitor inventory levels, and evaluate the performance of marketing campaigns. Aggregated data is available for review on a comprehensive online dashboard for improved transparency and efficiency.

This investment in technology has been transformative to LG operations. The system helped sales teams to use time efficiently, and LG to reduce operational costs and drive performance. Positive changes were visible at all levels from headquarters to agents within the the first quarter of implementing the program.

Strategic Partnerships

Establishing and growing door-to-door sales networks are both time and cost intensive. In order to accelerate expansion, explore strategic partnerships with organizations that have aligned impact visions and complementary assets. This can include piggy-backing on other door-to-door networks with similar characteristics and which provide complementary products or services, leveraging existing physical infrastructure to bring inventory closer to the last mile, or co-investing with organizations who are targeting the same population with compatible products and services.

GREENLIGHT PLANT - INDIA & AFRICA

Greenlight Planet (GLP) employs 6,000 Social Business Associates (SBAs) to distribute the SunKing family of solar products to off-the-electric-grid households in more than 30 countries. GLP utilizes two distribution models — Direct to Village (DTV), which accounts for one-third of global sales, and Institutional Partnerships, which account for the remaining two-thirds.

While GLP started with the DTV model in many of its early markets to establish the brand and gather customer feedback, institutional partnerships have become increasingly important to scale distribution both in India and several African countries. GLP established successful distribution partnerships with diverse organizations including modern trade chains, telecommunication companies, utility providers, social enterprises, non-profit organizations, and micro-finance institutions.

In Kenya, GLP increased sales through a hybrid model that combines door-to-door agents and a partnership with a telecommunication company, Orange. Agents sell door-to-door and refer individuals to brick-and-mortar Orange outlets that offer additional GLP products at identical retail prices. In Ethiopia, GLP established a partnership with the Ethiopian Postal Services (EPS) expanding the reach of SunKing products to some of the most remote areas. The GLP products are also sold by global utility provider TOTAL in multiple countries, through their networks of gas stations and LPG retailers. Finally, GLP products are also carried across the world by multiple social ventures who run their own door-to-door networks. GLP found that running the door-to-door channel in parallel with retail partnerships has a synergetic effect on sales as both channels bring complementary values to the consumer.

Graphic design by Laura Summers
Additional design by Nancy Adams
Illustrations by Nathan Cooke

MIT Practical Impact Alliance
77 Massachusetts Avenue
Bldg N51-302
Cambridge, MA 02139

Contact
Saida Benhayoune
saidab@mit.edu

impact-alliance.mit.edu
d-lab.mit.edu

D-Lab
massachusetts institute of technology