THE INCLUSIVE DISTRIBUTION CHALLENGE
DISCUSSION PAPER

HOW DO WE SCALE DISTRIBUTION AND SALES NETWORKS THAT CREATE OPPORTUNITIES IN LOW-INCOME MARKETS?

Emerging Lessons and Opportunities for Partnership
In the next 35 years, the global population is expected to swell by 2.4 billion people. Most of this growth will be in today’s developing countries, with the population in Africa alone expected to increase by 1.3 billion. Roughly 4.5 billion low-income people in developing countries already collectively spend more than US$5 trillion a year on goods and services, more than the middle and higher consumption segments combined. For companies, the prospect of expanding access to goods and services for the billions of people at the base of the pyramid (BoP) is not simply a growth opportunity – but a business necessity.

However, reaching these consumers requires navigating fragmented – or in many cases, non-existent – distribution and sales networks. In Colombia, for example, small kiosks and shops account for about 52 percent of food sales, and the traditional trade in India, which includes approximately 12 million kirana stores, is estimated to account for over 90 percent of all retail sales. In rural areas, purchasing basic necessities typically requires consumers to undertake long and costly journeys only to find that stores are out of stock. In the urban slums or “favelas” of Brazil, organized retail outlets are almost non-existent and trucks are unable to travel along the favelas’ narrow lanes. While the modern trade, such as retail chains, is making inroads in developing countries, micro-enterprises and individual distributors and vendors are expected to play an important role in these economies for the foreseeable future.

Formal micro, small, and medium enterprises (MSMEs) represent approximately 45 percent of employment and approximately 33 percent of GDP in developing countries. This contribution to economic development is even greater when you include informal MSMEs and the multiplier effect that these enterprises have on families, communities, and broader society. As a result, entrepreneurship is now widely viewed as critical to achieving the Sustainable Development Goals and inclusive economic growth. With more than 200 million people out of work and millions more about to enter the labor market, investing in building a thriving small business sector is more important than ever.
What are inclusive distribution networks?

Many entrepreneurs working in distribution and sales in developing countries are “entrepreneurs by necessity” – people with few or no other options than to start their own businesses.9 Meanwhile, there is also a shortage of “entrepreneurs by opportunity” in many underserved communities because people may be poorly equipped to take advantage of new business opportunities or simply unaware of them.

Both sets of entrepreneurs tend to face a host of challenges including a lack of access to finance, low levels of education, and customers with limited incomes; all factors keeping their businesses in constant survival mode and preventing entrepreneurship from being a path to opportunity and improved wellbeing.10 Various experts argue that rethinking the way products are delivered to customers is not only one of the key hurdles to doing business in low-income markets, but also one of the most underestimated.11

In recognition of the complexity of reaching low-income markets and the potential role of micro-enterprises, a growing number of large companies and social enterprises are employing inclusive distribution network models. These models seek to empower low-income entrepreneurs and strengthen enterprises while also helping companies increase sales and reach new markets. These emerging inclusive business models are grounded in the belief that to be successful, the enterprises and entrepreneurs that provide a route to market also need to be successful.
For the purposes of this paper, “distribution (and sales) network” refers to all of the actors that are essential in securing a route to market. In some networks, multiple levels of distributors and vendors are involved in transactions to eventually reach the end consumer, while other networks have one distributor who also plays the role of sales agent to the final consumer. Different industries also use different terms to refer to the enterprises and people in the network. A distribution network for mobile communications, for example, may include a number of dealers and stockists that serve various sales agents.12

An “inclusive distribution network” engages micro-enterprises and entrepreneurs at the BoP in a way that expands opportunities and builds sustainable, successful business ventures. Technical definitions of micro-enterprises vary from country to country. A recent Business Fights Poverty report defined “micro-enterprises as self-employed women and men, and enterprises with fewer than ten employees.” This definition aligns with others from the International Finance Corporation.13

The role of micro-enterprises in distribution networks varies considerably across companies and industries. For example, small-scale retailers account for approximately 40 percent of SABMiller’s (now AB InBev) total sales volume in several countries in Latin America. Some 65 percent of the 700,000 plus small retailers are located in high poverty areas.14 Other companies wishing to reach new markets with few existing distribution options must first establish entirely new networks of distributors.

The Inter-American Development Bank’s (IDB) SCALA program, which seeks to help scale promising inclusive distribution networks, has identified three main characteristics of inclusive distribution networks:

**Business linkages:**
leverage the power of brands and existing organizational resources to increase the commercial success of the micro-distributors involved;

**Standard practices and systems:**
standardize the business processes and approaches that facilitate establishing and advancing micro-distribution enterprises; and

**Skill upgrading:**
enable knowledge transfer and business development to sustain economic viability and wellbeing over time.

Through these networks, the benefits for micro-entrepreneurs are threefold: economic opportunity, empowerment, and enterprise.15
INCLUSIVE DISTRIBUTION MODELS

Our research across several industries revealed three primary models of inclusive distribution networks. The table below describes these models in some detail, providing examples and insights on how they are typically applied (Figure 1).

A number of organizations including the IDB, MIT D-Lab, Hystra, and FUNDES have documented various distribution models and identified some important distinctions to consider within each of the models. This includes:

**Proprietary vs shared networks:**
"Proprietary" networks of entrepreneurs distribute products for only one company or supplier as is the case with Coca-Cola’s Micro Distribution Centers (MDC) or Danone Kiteiras. In contrast, “shared” networks engage entrepreneurs that may distribute products from a range of companies or brands as is the case of AB InBev and Chakipi. There are also a growing number of partnerships between companies that leverage each other’s distribution networks, such as the Bata Shoe Company and Unilever.

**Vertical vs horizontal networks:**
The term “vertical” refers to a large company (sometimes called “anchor company”) with small enterprises in its distribution and sales network. Such is the case with Unilever, Bata Shoe Company, and LafargeHolcim, which are the manufacturers or suppliers to the network. “Horizontal” models, on the other hand, such as Pharmnet, Solar Sister, and Mercado Fresco are enterprise networks that expand through replication but are not driven or supported by one specific anchor company or supplier.
This includes recruiting and training local agents at the BoP who typically use door-to-door sales techniques to distribute and sell products deep into communities. In some cases, there are master agents or master distributors who organize and oversee these agents or vendors, sometimes called franchisees. In many cases, these salesforces are exclusive company vendors and are frequently paid on commission.

### Markets:

Typically used in hard-to-reach, rural or urban communities where retail shops are scarce and access to products is complicated by distance and poor transport infrastructure. As trusted members of communities, entrepreneurs help to strengthen the relationships between brands and consumers.

### Products and industries:

Frequently used for socially beneficial goods or “push” products like fortified foods or healthcare products that can strengthen consumer wellbeing. This model often empowers entrepreneurs to provide educational or advisory services to the consumers in addition to providing more convenient access to goods.
**Examples**

**Bata Shoe Company** promotes female entrepreneurship through rural sales programs in Bangladesh and Zimbabwe, as well as a catalogue sales program in Latin America.

**Living Goods** distributes healthcare and household products through door-to-door salespersons who also serve as community health promoters. The network is active in Uganda, Kenya, Zambia, and Myanmar.

**Nestlé Plan Barrio** is a network of micro-distributors and individual sellers in the Dominican Republic that use handcarts to reach consumers who would otherwise not have access to Nestlé products.

**Danone Kiteiras**, in partnership with World Vision, engages women from the poorest communities of Salvador de Bahia, Brazil, as door-to-door vendors managed by madrinhos who are responsible for stock management. The company is now expanding the model to other areas of Brazil.

**Nutrivid Desktop** is a distribution network of women delivering nutrient-fortified food products in remote areas of Costa Rica.

**Chakipi Enterprise** is a door-to-door distribution network developed by the Clinton Giustra Enterprise Partnership to create economic opportunities for women and provide access to life-changing products in rural communities in Peru and Haiti.

**Unilever Shakti** engages thousands of women, and more recently, men; as direct-to-consumer distributors to reach rural markets in India, Sri Lanka, and El Salvador among other countries.

**Solar Sister** empowers women as entrepreneurs and direct salespeople of clean energy technology in Uganda, Nigeria, and Tanzania.

**Natura** reaches consumers with its cosmetics, fragrances, and personal hygiene products through a direct sales model of 1.6 million sales representatives throughout Latin America and France.

**LiveWell** is a partnership between Barclays, GlaxoSmithKline (GSK), and CARE International formed to create a network of community health entrepreneurs who earn a living while selling affordable health-related products and promoting health awareness in rural communities, currently in Zambia.
This model leverages and upgrades existing distribution and sales channels to sell products through small mom and pop shops, street vendors, or kiosks. In some cases, these are informal businesses started by entrepreneurs of necessity.

Common application

**Markets:**

applied in areas where there is a concentration of small shops or vendors servicing low-to middle-income consumers on a regular basis. This model is most typically found in urban areas.

**Products and industries:**

more commonly used for “pull” products that people want, thus requiring less education and marketing for consumers. These enterprises, typically carrying more than one company’s goods, tend to appeal to industries supplying everyday products that do not require as much control over the point of sale, and seek to reach as many consumers as possible on a frequent basis.
Examples

**AB InBev's 4e Camino al Progreso** program is a strategic alliance with private development organization FUNDES, that seeks to support micro-retailers in AB InBev's value chain to improve business performance and serve as change agents in their communities. The program aims to empower 190,000 retailers in Latin America by 2020, and a similar model is being replicated in parts of Africa.

**Hapinoy Sari-Sari** Store program aims to empower and equip Sari-Sari store owners in the Philippines, typically mothers, to grow their businesses and provide socially beneficial products to their communities.

**Grupo Martins**, the largest wholesaler and distributor in Latin America, provides 37,000 small-scale retailers with training and access to financing for inventory or store renovations through its financial intermediary Tribanco.

**Vodafone's M-PESA** money transfer, financing and microfinancing service depends upon a large network of agents, mainly independent, registered businesses like pharmacies and convenience stores in ten markets.

**Big Save Wholesaler and Boloro** Spaza program aims to strengthen spaza shops in South Africa through training and an integrated mobile payment system.
Figure 1. Taxonomy of Inclusive Distribution Models (Continued)

3. Create or transform micro-enterprises into company affiliated businesses or microfranchises

This model creates or transforms existing businesses into owned, affiliated, or franchised businesses that distribute and/or sell goods. In contrast to the other models, these are typically formal businesses and there is often a deeper level of engagement (and in some cases investment) by the anchor company or original franchise in equipping them with proper procedures and business standards. The income and education levels of these entrepreneurs also tend to be higher than in the other models.

Common application

Markets:
used in both urban and rural areas, and while this model may be designed to appeal to low-income consumers, the enterprises tend to attract consumers at different income levels.

Products and industries:
typically used for products that require some consumer education/awareness or technical services. Industries like healthcare or housing that prioritize formality and alignment with company standards and procedures are often found using such a model. In most cases, the businesses do not sell competing products but may offer complementary products and services from another brand.
Examples

**Coca-Cola Micro Distribution Centers (MDC)** are independently owned, low-cost operations created to service hard-to-reach retail markets where classic distribution models such as large delivery trucks are not effective or efficient. As the model has evolved, MDCs are now considered official Coca-Cola distributors and are part of the Coca-Cola system.

**Bayer Crop Science Green World** selects and trains highly productive traders in rural areas to become Green World shops that can advise farmers on best practices in agriculture.

**LafargeHolcim Green Building Centers** are one-stop shops for housing expertise, building materials, and equipment for low-income consumers in India. Similar approaches are being explored in Malawi.

**Masisa**, a wood products company based in Chile, has set up the microfranchise network Estilos, in partnership with FUNDES and the IDB to develop carpentry franchises that work with customers to create customized furniture.

**Pharmnet** is a franchise network of more than 100 licensed private pharmacies owned and operated by Kenya Pharmaceutical Association. It aims to bring high-quality affordable medicines to 27 million low-income Kenyan consumers by 2017.

**Mercado Fresco** makes quality, affordable food accessible to low-income communities via stores located in the homes of a network of microfranchisees in Nicaragua.
What makes franchising unique is the way it systematizes processes, procedures and policies of a proven business model and licenses them to an interested party at a relatively low cost. The franchisor and franchisee enter into a contractual relationship whereby the franchisee gains the security of a proven business model, and benefits from training and support as well as brand/marketing power; all factors that increase the likelihood of success. At the same time, franchisors gain access to new markets without the large financial burden that comes with employment.\textsuperscript{19}

Not all businesses are franchiseable and it may not be desirable for every potential entrepreneur to become a franchisee. It typically requires a level of maturity, formality, and investment beyond the capacity of many micro-enterprises. Even traditional franchising is limited to certain sectors, with the majority of franchises found in the food service industry. Microfranchising can also limit the entrepreneur’s flexibility and independence.\textsuperscript{20}

In the context of inclusive distribution models, microfranchising is most frequently used in the first and third models above.

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**Box 2**

**Microfranchising**

Microfranchising has emerged as a tool for economic development and business expansion, particularly in distribution and retail. While there is no universally accepted definition of microfranchising, it is generally considered to apply the basic concept of traditional franchising in a way that is affordable for people at the BoP.\textsuperscript{17} The UNDP defines microfranchising as the replication of business models, based on contractual collaborations with micro-franchisees that remove barriers to entry and facilitate the social and productive inclusion of people at the BoP.\textsuperscript{18}
The benefits of inclusive distribution networks

For large anchor companies, one of the key incentives for developing an inclusive distribution network is the potential to reach new markets.

As highlighted in the chart in Figure 3, most sales activity in developing countries take place through the traditional trade, and in remote areas, engaging local community members as vendors is often the only way to reach consumers who may not venture outside their neighborhood. In Colombia, for example, there are around 500,000 small shops (on average, one store per block) compared to 5,440 supermarkets or mini-markets. Only 15–18 percent of the population own a car, making it difficult and expensive to reach supermarkets. \(^{21}\)

Companies that have effectively used inclusive distribution networks have expanded their reach with new consumers and increased sales. Coca-Cola’s distribution network includes more than 3,200 MDCs in Africa, employing over 19,000 people and generating over £629 million (US$950 million) in annual revenue. \(^{22}\) Bata Shoe Company sales for its affordable and accessible shoes are increasing by 120 percent a year thanks in part to the rural sales program, and it aims to reach 10 million new customers with affordable and accessible shoes by 2020. \(^{23}\) These networks are expected to become increasingly important as more companies target low-income consumers.

There are also longer-term benefits to companies who make inroads into these communities. By building effective distribution and sales channels, companies are able to strengthen reputation and brand loyalty. Inclusive distribution networks are attractive not only because they improve accessibility but also because they enhance relationships with consumers. Consumer research shows that in developing markets, shoppers visit small shops an average of 28 times per month. \(^{24}\) Research for AB InBev’s 4e program in Latin America observed similar results. The average customer visits a small shop three times a week and 42 percent visit every day. \(^{25}\) This factor makes

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**Fig 2**

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<th>THE BENEFITS OF INCLUSIVE DISTRIBUTION NETWORKS</th>
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<td><strong>Companies</strong></td>
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<td>• Market reach</td>
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<td>• Increased sales</td>
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<td><strong>Entrepreneurs &amp; Enterprises</strong></td>
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<td>• Increased incomes</td>
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<td>• Empowerment</td>
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<td>• Leadership and growth opportunities</td>
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<td>• Stronger business linkages and ecosystem</td>
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<td>• Better business skills</td>
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<tr>
<td><strong>Customers &amp; Communities</strong></td>
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<td>• More convenient access to quality products</td>
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<td>• Access to wider range of products</td>
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<td>• Cost and time savings</td>
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entrepreneurs invaluable members of their communities. In the fiercely competitive consumer landscape, strengthening the skills and linkages of entrepreneurs with the company helps build brand awareness and credibility within a community.

These networks are also attractive because they help mitigate distribution bottlenecks and reduce costly inefficiencies resulting from fragmented, disorganized distribution and sales channels. Just as companies view responsible sourcing as essential to creating a sustainable supply chain, gaining an understanding of the sales channel and of how to make individual entrepreneurs the most effective salespeople can reduce the risks of counterfeit products, misuse, and distribution disruptions among a host of other factors that can bring sales to a halt.

For individuals and broader society, inclusive distribution networks offer viable economic opportunities and higher incomes. Benefits include tangible increases in income, more flexibility, and better skills for entrepreneurs. Bata’s rural sales program, Aparajitas, in Bangladesh, helps create economic opportunities for low-income women who are widowed or divorced, earning them an average income of US$80–120 per month (the average salary in urban areas in Bangladesh is US$32–72 per month). A recent study found that Solar Sister entrepreneurs were able to increase their household income by 15–20 percent as well as benefitting from the economic impacts of improved access to clean energy. Women engaged as Danone Kiteiras make an additional US$98 a month thanks to the program.

Beyond incomes, there are often other positive multiplier effects and side effects for business owners, their families, and communities; particularly from engaging women in distribution networks. Women, who make up the majority of retail workers in most countries, face a series of barriers, such as difficulties in setting up a business or restrictive cultural norms on women’s freedom of movement; factors that hold them back from achieving their full potential. These networks can help to overcome the barriers to women’s economic empowerment, resulting in benefits for families and communities, especially as women tend to reinvest greater earnings in their families.

Consumers also benefit from having more convenient access to a greater range of quality products. The credibility of the products is particularly important as counterfeit products become increasingly common in sectors such as healthcare, posing serious health and safety risks to consumers. There are also unique benefits when consumers have better access to socially beneficial products such as nutritious food, solar lamps, or clean cookstoves. An independent randomized control study found that the arrival of Living Goods distributors caused the incidence of fake drugs in local shops to fall by half and prices to drop by nearly 20 percent. This convenient access to quality products also contributed to a 27 percent reduction in under-five mortality relative to control sites.
**CHALLENGES TO SCALE**

For the handful of networks that have successfully reached scale, many more have remained siloed CSR initiatives, have morphed into non-profit entities, or have simply faded away.³⁰

Some pilots manage to become commercial ventures but struggle to maintain their financial viability when they grow; others could become commercially viable if they were able to access economies of scale, but that requires significant investment, patience, and periods of trial and error that not all companies can avail. Either way, there are clearly a number of challenges for inclusive distribution networks to scale before they can generate value for companies, small enterprises, and the people at the center of them.

Our research revealed three categories of challenges: the corporate level (internal to the anchor company), the enterprise/entrepreneur level (micro-enterprise or entrepreneur), and the business ecosystem level (market and policy environment). This list is not meant to be exhaustive, and not all the challenges are necessarily relevant across all the models highlighted in the table above. The aim, however, is to offer various perspectives on the impediments to inclusive distribution networks achieving scale.

**CORPORATE LEVEL CHALLENGES:**

One of the greatest hurdles companies face is the upfront, and in many cases, ongoing costs of training, upgrading, and equipping micro-enterprises as well as overcoming some of the physical or transport hurdles to distribution.

Even companies selling pull products that require little specialized sales knowledge do not anticipate how much training and reinforcement, and associated investment, is needed for micro-enterprises to increase sales. Exacerbating these costs is the attrition of distributors, as outlined below.

The high costs combined with typically low margins in an unpredictable sales environment can make it difficult to make the internal business case that investing in enterprises is worthwhile. As a result, many companies pursuing innovative inclusive business models look to CSR budgets or corporation foundations as initial catalysts but then find themselves pegged as a “nice to have” rather than as part of core business.

The above challenges can have a ripple effect at the local level. Some of the companies interviewed indicated that, in many cases, internal sales managers do not understand the value of engaging with micro-enterprises or entrepreneurs, and are not incentivized to do so. Too often, the responsibility to provide the necessary time, resources, recruitment strategies, and relationship building falls to a sales manager who has limited support and many competing priorities.
ENTERPRISE/ENTREPRENEUR LEVEL CHALLENGES:

A key challenge facing micro-enterprises in distribution and sales networks lies in selling to a customer base with severely limited and often, volatile incomes.

Cash-flow variability and consumption patterns often result in performance volatility, making it difficult for entrepreneurs to negotiate with companies/suppliers for better prices or payment terms.\(^{31}\) This factor not only leaves entrepreneurs and their families vulnerable but also means limited access to finance for investing in and growing their businesses. Although some may qualify for microfinance, they may be unable to access corporate lending as they grow; positioned as they are in the “missing middle”. Interest rates are often very high for this segment of enterprises, placing significant burden on business owners. For example, the commercial bank prime lending rate is over 20 percent in several Latin American countries including Argentina, Brazil, and Honduras. The average microcredit lending rate in the region is even higher at around 28 percent.\(^{32}\)

These enterprises, at the same time; operate in highly competitive retail landscapes, particularly in urban areas. Some micro-enterprises compete with as many as 92 other shops per square kilometer in the lowest income neighborhoods.\(^{33}\) As others have documented, this factor is exacerbated in cases where there are counterfeit products on the market or some of the same or similar products, as in the case of socially beneficial products, are provided for free or are highly subsidized.\(^{34}\)

Moreover, new or unfamiliar products face a trust deficit in communities. People may be suspicious of new technology and skeptical of the product's value. Overcoming this challenge requires the constant care and attention of entrepreneurs to educate and build relationships with customers, which often involves working long hours and taking on risks by allowing customers to pay with credit or to test products. Despite the potential benefits of training provided by companies, many entrepreneurs are reluctant to participate because they lack the time, do not see the benefits, and/or are suspicious of an external organization. This reluctance can prevent companies from making significant investments in marketing and communication with enterprises and consumers.\(^{35}\)

Although payment terms vary across models and companies, many enterprises receive margins of 10–30 percent. Ultimately, the remuneration ends up being too low, which makes it difficult for enterprises to succeed, let alone grow and meet supplier/company expectations.\(^{36}\)

These factors all contribute to high levels of salesforce churn (the proportion of a salesforce that leaves within a year of hire and needs to be replaced), especially in the direct salesforce model. As an example, one company involved in the IDB’s SCALA program lost a quarter of its salesforce because entrepreneurs felt the margins were too low or the product range was too limited. A stakeholder consulted for this research indicated that the average salesforce turnover for direct sales was closer to 50 percent.\(^{37}\) Even in cases when agents find the work profitable, they can struggle to stay engaged because of competing demands on their time, including family and household responsibilities.\(^{38}\)
BUSINESS ECOSYSTEM LEVEL CHALLENGES:

The regulatory and operating environment can exacerbate or add to some of these challenges. For example, regulations including licensing and registration can be burdensome and particularly costly for micro-enterprises.\(^\text{39}\)

In some cases, such as in microfranchising, there are major gaps in legal frameworks, with little guidance or direction for enterprises trying to navigate this space. Additionally, corruption is often rampant in the face of inefficient systems, poor accountability, and weak enforcement of laws.

Inadequate physical infrastructure, especially poor roads, weak internet connectivity, and the lack of an affordable and stable electricity supply can affect an enterprise’s ability to keep its stores open after dark, charge mobile phones, store certain products, and operate machinery.

Also, cultural and social norms make it difficult to scale networks that depend on women, although they have proven to be highly capable salespeople and represent a large percentage of the world’s poor. In some countries, traditional norms influence whether women are able (or allowed) to travel alone outside the house or to own a business. Women also tend to do most of the unpaid work such as fetching water or caring for children or ill relatives, leaving less time to focus on running their business. Moreover, women face unique security and safety risks especially when traveling in places with poor lighting.
EMERGING LESSONS ON HOW TO ACHIEVE SCALE

Hindustan Unilever’s Project Shakti provides economic opportunities to nearly 70,000 Shakti Ammas (female entrepreneurs) who distribute products in more than 162,000 villages, and reach over four million rural households in India.

The majority of Shakti Ammas earn in excess of Rs 1,000 a month. Various versions of the model have also been rolled out across markets from Nigeria and Egypt to Vietnam, El Salvador, and Pakistan.40 A little over a year after M-PESA was launched in 2007, the service had 3,000 agents across Kenya servicing 2.7 million users of the mobile money service. Vodafone local affiliate Safaricom now has 100,000 M-PESA agents who register new customers, process cash deposits and withdrawals, and provide consumer education in Kenya.41 Globally, M-PESA has more than 260,000 agents servicing 25 million subscribers in over 10 markets.42

Bata, which began its rural sales program Aparajitas in Bangladesh in 2005 with 49 entrepreneurs, now has 2,000 women selling affordable flip-flops and other shoes to more than 375,000 consumers. Inspired by the success in Bangladesh, Bata launched the Aquarella catalogue sales program in Colombia and later scaled up to Bolivia and Peru.43 The company now runs a similar rural sales program in Zimbabwe, where 40 women sell Tomy Takkies brand canvas shoes in rural areas.

Despite all of the challenges, these examples show that scale is possible. As with any new business model though, scale takes time. The well-documented development of Vodacom’s M-PESA distribution network model in Kenya and then in Tanzania reveals how important it is to adapt and evolve models in different and changing market conditions.44 The Coca-Cola MDC model is constantly evolving to respond to market and labor conditions as well as infrastructural and technology advancements. When the MDC model began in Ethiopia, distributors were relatively small and used pushcarts and bicycles. Today, there are many MDC types, including some larger distributors that own a few vehicles and incorporate technology. Remaining flexible keeps the model profitable and sustainable.45

Our research shows that most companies did not limit themselves to one model but rather chose “a family of models” tailored to the specific context. As one stakeholder consulted for this research explained, “Most models are hybrid in that they incorporate different distribution models into one. This includes quite sophisticated businesses with some less sophisticated models.”46 Models also evolve to incorporate new players and to aggregate and prioritize others. This flexibility and adaptation is vital for making the models work within the larger market context.

The following eight lessons represent our main preliminary findings from the Business Fights Poverty Inclusive Distribution Challenge on how to scale inclusive distribution networks. These lessons or “enablers of scale” are intended to inform and provoke dialogue on what companies can do and what role partnerships can play in bringing these models to scale. While these enablers are intended to apply across all three models, specific solutions within these enablers may be relevant only to certain models.
01. Compelling value proposition for every actor in the network

In order to achieve scale, there must be a compelling value proposition for everyone in the network – the anchor company, the enterprises/entrepreneurs, and the consumers.

For companies, first and foremost, the network must fulfill a core business need and have the potential to become a commercially viable, self-sustaining venture. The model must therefore be housed inside core business functions and be supported by company leadership, based on the belief that the model’s long-term competitive advantage outweighs concerns about lower margins in the short-term. Our discussions with companies reveal that new tensions between commercial and social objectives can arise when models scale and the company faces decisions on how to maximize cost efficiencies while creating opportunities for entrepreneurs at the same time.47

Successful models focus not only on tangible value for entrepreneurs such as increased incomes, but also intangible benefits like new relationships and leadership opportunities. For example, some Living Goods health promoters have gone on to run for seats in local government, recognizing their own important leadership role in communities, which is partly attributed to their involvement with Living Goods.48 Recognizing this value, some companies are investing in training and tools to harness this leadership potential and foster a support network. The company AB InBev, for example, in partnership with FUNDES, has created a leadership module in the 4e training program that enables some of the entrepreneurs to become agents of change in their communities.49

To maximize incomes and minimize risks for entrepreneurs, companies are experimenting with different payment terms. Solar Sister, for instance, started with a consignment model but quickly learned that the company’s role as a debt collector made it difficult to build trusted relationships with entrepreneurs. Now entrepreneurs buy the inventory at a discounted rate and are given a suggested retail price.50

The Shakti model has also sought ways to strengthen the value proposition for their Shakti Ammas by augmenting the Ammas’ family incomes. In 2010, Hindustan Unilever extended Project Shakti to include Shaktimaans, who are typically the husbands or brothers of the Shakti Ammas.51 The Shaktimaans go to surrounding villages by bicycle to sell products, covering a larger area than the Shakti Ammas can cover on foot. This innovation increases household income and provides a cushion in times when door-to-door sales may be more volatile. In 2011, the company partnered with the State Bank of India to bring banking services to low-income people in small Indian villages through the Shakti Ammas. Other models are enabling entrepreneurs selling household products to use their business phones or delivery trucks for other income generating purposes.

For end-users or consumers, value means having convenient access to affordable, quality products and services that they need and/or want. Offering the right products is crucial. As has been well-
documented, any business that aims to reach BoP consumers should ensure that the product, packaging, and price are all tailored to or aligned with the needs of low-income consumers. For example, Bayer Green World targets smallholder farmers with a dedicated line of crop protection products in small packets.\textsuperscript{52} Our research revealed that getting the product mix right is also important. Chakipi entrepreneurs in Peru have started mixing products that people need such as food, healthcare products, kitchenware, and clothing alongside fashion accessories or other products that people want for special occasions. Living Goods added cookstoves and solar lamps to the basket of essential medicines and branded fortified food products available to consumers.\textsuperscript{53}

Case study

**Bata Shoe Company: Rural Sales Program**

The family-owned Bata Shoe Company is a leading footwear manufacturer and retailer with more than 30,000 employees and 24 manufacturing facilities around the world. The majority of Bata shoes are sold through more than 5,000 Bata stores in 70 countries. In 2005, in partnership with CARE International, it developed the Rural Sales Program, a direct salesforce network to reach underserved rural communities in Bangladesh. Through the program, women, known as Aparajitas (the Bengali name for a woman who never accepts defeat), are given training and the opportunity to earn a living selling affordable flip-flops made in Bata-owned factories in Bangladesh. The program engages around 2,000 women, has been replicated for several other brands, and has inspired similar Bata programs in Zimbabwe and Latin America. The program includes a number of key enablers to scale:
Key enablers to scale:

Compelling value proposition: Every actor in the network benefits from this program. Aparajitas earn around 10–15 percent commission on each sale, which translates into an average income of US$80–120 per month. Rural communities also benefit from the opportunity to buy affordable quality shoes that, among other benefits, provide essential protection from disease and infection. To ensure the shoes are affordable and are tailored to the market, the company has a local manufacturing facility where a number of cost-saving strategies including eco-design and transparent roofs at factories reduce the need for costly lighting during the day. The program provides Bata with a number of benefits such as market penetration in rural areas and increased revenue. The company's sales are increasing at 120 percent a year and it aims to reach 10 million new customers with its affordable and accessible shoes by 2020. Bata has also strengthened the value proposition for all actors by engaging other brands to expand product mix and market coverage, and by deploying service personnel to help reduce transport costs.

Women’s economic empowerment: The program specifically targets women, recognizing their limited employment opportunities in rural areas and the evidence of the country’s growing class of successful female entrepreneurs. In the first year, the program struggled to retain its workforce, due largely to Muslim traditions and social norms that restrict the ability of married women to leave their homes unaccompanied. As a result, the company decided to focus on marginalized women, particularly those who were divorced or widowed and had fewer income-generating opportunities. In addition to higher incomes, women have also gained self-esteem and are helping break down the barriers facing women in rural areas of Bangladesh.

Partnerships: CARE International’s local knowledge and implementation capacity have been instrumental in the program’s success. In addition to helping recruit and train women, CARE takes responsibility for transporting small quantities of shoes to a network of 54 distribution hubs around the country, for which it receives a 3–6 percent commission. As Nicole Voillat, Bata Sustainability Director explains, “Without CARE’s contribution, the project would simply be difficult for us from a logistics point of view and too expensive, given the small volumes we’re talking about. With a shoe priced at $1, there would not be much return for us if we had to dispatch them ourselves.” In 2011 CARE created a separate business entity, Jita Bangladesh, with financing from Grameen Danone, which now works with a number of other companies including Unilever, d.Light, and Grameen Phone.
02. Demand stimulation and customer satisfaction

A constant focus on increasing sales and maintaining customer satisfaction is critically important to the success and scale of inclusive distribution models. Vodafone had no trouble in recruiting new agents once word had spread of the value of M-PESA and as customers became more interested in the product.⁶⁰

Even when there is a compelling value proposition, customers may not be aware or understand this value, especially when prices are higher than for alternative products. Essential elements in stimulating demand are branding, marketing, and education. The Alliance for Clean Cookstoves found that while demonstrations are often the best way to educate consumers about the product, consumers were more likely to trust a cookstove company if they had seen professional advertisement or heard the company’s name on the radio.⁶¹ Many models leverage branding including t-shirts or bags for entrepreneurs as a way to raise the profiles of the network and of the products in communities. For example, Pharmnet’s franchise pharmacies have distinctive blue and white facades and use posters and radio advertisements to build awareness and brand credibility. Gaining trust is especially important in the face of growing unlicensed pharmacies and counterfeit drugs.⁶²

Hystra’s research on innovative devices found that a large percentage of BoP customers surveyed make a purchasing decision based on what their neighbors and relatives recommend. Yet, they also found that many of these customers were no longer using the product two years after purchase. One reason was the need for maintenance or replacement parts.⁶³ Solar Sister is now addressing this challenge by providing entrepreneurs with technical knowledge on how to repair the products.⁶⁴

Vodafone agents receive extensive training on anti-money laundering and on how to service customers for a product that is typically unfamiliar to most low-income customers.⁶⁵

Nurturing trust and good relationships between entrepreneurs and consumers can also help drive sales and achieve brand loyalty. Hence the “health promoters” for Living Goods not only provide products but the organization places a strong emphasis on empowering them to also check children’s health, support pregnant moms, and advise parents on improving at-home health practices. Living Goods also maintains a two-month supply of buffer stock at all times, which addresses key customer concerns and makes the health promoters trusted members of their communities.⁶⁶
03. Skilled and incentivized corporate sales staff

The models that have succeeded in reaching scale have invested in strengthening the skills and incentives for corporate sales staff or business development associates to engage with micro-enterprises; recognizing how important they are to micro-enterprise sales.

As one manufacturing company consulted for this research explained, “Being a franchisor is not our business model. We have had to learn how to do this.”

Transitioning to a new model includes training as well as adapting internal systems such as procurement/sales contracts within the company in order to include micro-enterprises more easily. Companies such as Coca-Cola and AB InBev have developed training modules for their sales staff. As documented by Harvard and Business Fights Poverty, Coca-Cola Kwanza staff members participate in experiential “training alongside MDC owners and staff, so that by doing the exercises together – some of which involve switching roles – they can understand one another better and learn to work together more effectively.”

This training has been a key factor in enabling staff to provide constant supervision, coaching, and mentoring to the MDC owner. “Two types of staff, Resident Account Developers and more senior Area Sales Managers, visit the MDCs daily or every other day – monitoring inventory levels, ensuring optimal routing, coaching the owners on basic business issues, warehouse and distribution management, and customer service, and monitoring adherence to standards and progress toward agreed-upon performance targets.”

Building on these factors, another crucial element in these relationships lies in aligned incentives both for sales staff and agents. As highlighted above, low margins and incentives lead to churn, low motivation, and eventually lower revenues. Each party needs to be incentivized to invest in enabling the other to succeed. This is where targets and commission incentives come into play for sales staff that are directly connected to distributors’ success. Some models categorize their distributors or salespersons by gold, silver, and bronze, according to their achievements with goals for each category backed with incentives. Such incentives for salespersons could include discounts on future purchases that help their businesses grow.

Companies are also exploring both commission- and results-based salaries for staff and micro-enterprises.

While the skills and incentives of sales staff remain important, stakeholders have noted that the role of sales staff may need to change as models scale, in order to be financially sustainable. In the future, the focus of sales staff may shift to enabling and empowering local community leaders to train and equip micro-enterprises for success; thereby minimizing the number of touch points for a company that could significantly increase company costs and limit the capacity to scale.
04. Financial products for enterprises and consumers

As highlighted above, access to finance is one of the most critical challenges to scale. This factor is crucial, both in allowing enterprises to invest in their businesses and for consumers to purchase products, given their limited and vulnerable incomes.

More anchor companies, which typically have better insight into an enterprise’s likelihood of repayment, are working with financial institutions to help secure loans and/or better credit terms for enterprises. Nestlé has developed a partnership with Banco ADOPEM, which specializes in microfinance, to create a special loan product for the vendors in their Plan Barrio program in the Dominican Republic. These loans are accompanied by savings accounts and insurance plans with coverage in case of accidental death or dismemberment and for funeral expenses. The partnership has not only helped relieve Nestlé of the risks but also allowed ADOPEM to build a new product portfolio and customer base.72

Tribanco serves as a financial intermediary in the Grupo Martins distribution chain, offering financial and management solutions for retail clients that are predominantly family-owned micro-enterprises. Services to retailers include extending check-cashing services and loans for purchases or store renovations, and issuing Tricard customer credit cards for retail outlet shoppers.73

Some models are focusing on improving entrepreneurs’ financial management skills and awareness. Barclays is providing financial literacy training to distributors as part of the LiveWell partnership with GSK, and Banco ADOPEM is providing similar training to members of Plan Barrio. 74

One area of particular potential for growth is in consumer financial and insurance products. Several companies that sell solar and other durable goods are exploring lease-to-own or pay-as-you-go models as well as mobile money services to stimulate more demand, make payments easier, and reduce upfront costs for low-income consumers. A growing body of research aims to determine the psychological effects of different payment methods and to evaluate which consumer finance products and methods maximize customer experience and affordability. 75

In recognition of the gaps in long-term financing for housing in many countries, LafargeHolcim has developed housing microfinance programs in partnership with different development finance institutions and local banks. In Nigeria, the International Finance Corporation (IFC) and Agence Française de Développement are partnering with LafargeHolcim to provide housing microloans to borrowers. Recognizing that financing is not enough to fill the housing needs in the country, however; LafargeHolcim has coupled this financing with technical construction assistance for low-income borrowers, and connections to its network of reliable building materials retailers. LafargeHolcim's technical support and network with materials retailers help reduce the risk for microfinance organizations.76
Technology solutions

Technology presents significant opportunities for reducing costs while improving precision, standardization, and communication, especially considering the high rates of mobile phone penetration in many developing countries.

One stakeholder told us that the introduction of mobile technology into their model had been “the most powerful evolution of the model because of the way it has lowered the cost of data collection and sped up performance management. The success of any salesperson is the result of maximizing the use of data and optimizing everyone’s time in the network.”

Many different types of technologies and applications are available for inclusive distribution networks. At the corporate level, some companies are using geo-mapping software to gather data on the context, as part of their market research. This data captures precise figures on everything from the number of people in a community to how frequently and at what times of day a person shops at a given kiosk. Geocoding software can also help identify the most efficient delivery schedules and routes from warehouses to stores or clinics, generating significant savings in delivery costs. Further, the data helps improve the probability of success because it is able to test different scenarios. As initiatives scale, the ability to manage and manipulate big data sets is extremely helpful.

Solar Sister field staff use android-based mobile toolkits that were developed with Taroworks (Grameen Foundation), enabling them to capture baseline data, use GPS coordination, and manage procurement.

Technology is also being used to monitor the progress and capture the impact of enterprises. Vodafone’s Sanchar Shakti program, which is part of the company’s broader telecommunications services, works with the NGO Ankuram Sangamam Poram to help support the empowerment of around 2,500 women. Organized in roughly 160 self-help groups across Andhra Pradesh, the women have also become Vodafone retailers within their own communities. The NGO monitors the progress of the group members, using a customized icon-based General Packet Radio Service data collection application that allows sales leaders to report commercial and social impact data relating to their activities. In addition, other companies are using technology to roll out training and mentorship programs to entrepreneurs at scale. Danone is piloting the use of WhatsApp for training modules and purchase orders for Kiteiras.

Furthermore, mobile-based tools are being used to better equip entrepreneurs to provide high quality customer service in an efficient and cost-effective way. Living Goods provides community health promoters with an Android phone equipped with Living Goods designed apps. One app helps diagnose child illnesses and sends daily dosage reminders to patients. The pregnancy app helps flag pregnant women at high risk of complications and sends timed SMS health messages to them every week. It can also send promotions and discounts to customers via SMS. The “Gbemiga” model being piloted by Unilever in Nigeria, similar to the Shakti program, is using an innovative mobile platform to encourage long-term behavior change. Unilever uses a business case modeling tool to roll out Gbemiga at scale and enhance the livelihoods of more women across the globe.
Many networks are also using some form of mobile payment system. Vodafone, for example, partners with a number of companies including DHL, Unilever, and Diageo. As documented in a recent Business Fights Poverty report, Diageo’s East Africa Breweries has partnered with Vodafone to use M-PESA to reduce the volume of cash transactions with its beer distributors. This partnership has helped cut insurance and security costs, and improved operational efficiencies for distributors.  

06. Supportive policy environment

Our research revealed a few critical tasks for policymakers to help create a more enabling environment for inclusive distribution networks to grow.

These tasks include streamlining administrative procedures for micro-enterprises, increasing social security coverage, providing incentives to help enterprises grow, and using campaigns and capacity building to support compliance with laws. In 2011, the Colombian government streamlined the procedures for starting a business, reducing the number of days from 55 to 2 and the number of forms from 17 to 1. Although the country does not have a specific law on franchising, it has created more favorable and flexible conditions around income tax, payroll taxes, and commercial registration. In 2012 more than 110,000 enterprises were formalized in the country, thanks in part to these efforts. In Argentina, Decree 1602/2009 extends the provision of family benefits for children whose parents are unemployed or who work in the informal or domestic sectors.

Other laws such as Know Your Customer (KYC), increasingly used for anti-corruption due diligence, are complicated and burdensome, and often prohibitively expensive for micro-enterprises. Stakeholders consulted for this research also noted country-specific restrictions on what entrepreneurs can distribute. For example, some countries only allow licensed physicians to distribute certain medicines and administer vaccines, limiting the ability to engage community health workers as entrepreneurs.

Governments also have a role in shaping the tax and subsidy regimes that affect all actors in the network. For example, solar products in a number of African countries are subject to a range of taxes and duties, making them less attractive to customers. Contrastingly, in Malawi, a government ban on burnt bricks has made LafargeHolcim’s Durabric solution much more appealing to consumers. Aside from legislation, governments can also serve as “anchor buyers”, purchasing in bulk for government needs that in turn support other distribution channels.

The South African government recently launched a program to support spaza shops, which contribute over US$2.5 million a year to GDP. Targeting the informal spaza shops around the country that are estimated to number more than 100,000, the program comes partly in response to competition from an influx of foreign-owned spazas. It aims to empower and equip traders and entrepreneurs with the necessary skills and equipment to run their businesses successfully. This program has helped jump start a new partnership between MobiCash and Boloro, a fast-growing mobile payments network brand that offers spaza shops...
At the same time, progress in advancing women’s economic empowerment has been a key factor in the scaling of many successful models. One interviewee informed us that one of the most successful approaches was when married couples work together in the distribution network. This factor reinforces the importance of breaking down the systemic barriers holding women back from achieving their potential as entrepreneurs as well as in other aspects of life.

In Tanzania, some 95 percent of Coca-Cola Kwanza’s sales volumes are distributed through 170 MDCs, 65 percent of which are owned and/or managed by women. Going forward, the company aims for women to own half of all MDCs. Most direct sales programs also intentionally engage women. One interviewee explained the contribution of women’s empowerment to the company’s success:

“The position of women has changed; women want to be earners. This has made a big difference in the ability to attract and retain women. The fact that women want to go outside the household and earn money for the family is an important part of the model.”

Good quality female salespeople are particularly strong assets for companies seeking to attract female consumers to its service and drive uptake. Research by GSMA found that 9 of the 10 mobile phone operators agreed that female agents tend to attract more female customers than men do. This is especially true in countries where cultural and social norms make it difficult for women to interact with men.

Just as the developments mentioned above provide optimism, they also serve to illustrate how much more progress is needed. Many women still face threats of violence as well as aggressive and harassing behavior when they pursue economic opportunities, especially outside the home. Moreover, as women are more commonly found in low-paid, low-skilled positions, it is important that any efforts to create economic opportunities for women through inclusive distribution networks also consider how women can actually advance in these roles. There is also a need to look at underlying factors such as low levels of literacy and the high share of unpaid household work that make it difficult for women to achieve their economic potential.

Cosmetics and personal hygiene company, Natura is starting to address this by developing a multi-level sales network to allow sales representatives, the majority of whom are women, to take on more responsibility by recruiting other distributors. In Mexico, the company is training 250,000 sales representatives (98 percent of whom are women) on essential business skills and plans to give at least 10 percent of these representatives an opportunity to engage in an entrepreneurial career with Natura.

07. Women’s economic empowerment

As already highlighted above, the status of women and the barriers to their economic empowerment serve as critical challenges to scaling inclusive distribution networks.
08. Partnerships

All of the models and companies reviewed for this research rely on the expertise, resources, and networks of various partners. Many ways in which companies are partnering with a range of stakeholders including financial institutions, technology companies, NGOs, donors, and governments to enable scale are already highlighted above.

Local partners in particular help ensure that models are grounded in the realities of local communities, which is especially important for developing effective recruitment and training strategies as well as identifying ways that other partners can build an enabling ecosystem allowing all actors in the network to succeed. As an example, World Vision plays an instrumental role in Danone Kiteiras by leveraging its deep knowledge of the region to identify and train entrepreneurs. FUNDES plays a similar role as a partner to Masisa and AB InBev as does CARE International in Bata’s rural sales program in Bangladesh.

Many models also use co-finance partnerships to help get programs off the ground or to accelerate progress. The Multilateral Investment Fund (MIF), a member of the IDB, and Citi Foundation are both playing such a role through the IDB SCALA program. These two organizations are providing a US$5 million technical cooperation facility to promote the economic empowerment of 1,400 low-income individuals through distribution networks by identifying and accelerating the scale and impact of promising models.98 In addition to project financing, the funding also supports active knowledge-sharing on promising solutions.

This infusion of external capital, moreover, played an important role in scaling M-PESA. After the slow growth of M-PESA in Tanzania, the Bill & Melinda Gates Foundation offered a $4.8 million grant to Vodacom, helping the company set up its first aggregator, Afrikings (now Brand Fusion), and fund its above- and below-the-line marketing activities. GSMA, the global association of mobile network operators, provided Vodacom with a further grant of $250,000 through its ‘Mobile Money for the Unbanked’ program to fund a revolving credit facility for the M-PESA agent network. This funding and the subsequent improvement in M-PESA’s performance unlocked greater investment from Vodacom in developing the mobile money distribution network. 99

There are also exciting partnership opportunities for impact investing and various blended finance mechanisms that attract investors with different risk tolerances and return expectations. For example, some companies are exploring social impact bonds or other pay-for-success mechanisms whereby investors only receive a return if pre-agreed social outcomes are achieved.

Many companies are exploring a range of partnerships to strengthen the credibility and quality of the program, and thereby to enable it to grow effectively. Solar Sister has a number of partners including IFC/World Bank’s Lighting Global program that provides rigorous quality testing of energy products to ensure that the products Solar Sister purchases meet the standards required. 100 The company also engages with various foundations.
and research institutions to conduct independent monitoring and evaluation as well as to gain input on how the model should evolve over time.

Nutrivida documented the roles that various partners have played in helping expand its distribution network, particularly the RedMANU direct sales channel. Nutrivida grouped these partners into categories of those providing information, products and services, financial resources, and human resources. Partners included such actors as Florida Ice & Farm Company, which provided an equity investment of US$600,000 in the social enterprise, and the Yunus Business Centre, which helped ensure the business aligned with Yunus Social Business Principles. The Costa Rican Ministry of Health provided information on nutritional deficiencies in Costa Rica as well as approved the fortification formulas. Fundación Unidas para Crecer helped deliver the training program and now, in partnership with Fundación Mujer, offers training and recruitment as well as help with logistics, using their centers for stock and distribution. Nutrivida also contracted DSM, a world leader in nutritional formulas, to design the fortified formulas for the products and Resinplast, a packaging supplier, which offered Nutrivida a discounted price.  

Although there are many more examples of partnerships, our current research has revealed that a greater number and variety are still required to bring these models from pilot to mainstream business.
Solutions matrix

The matrix below provides a snapshot of some of the ways the enablers are being applied in practice and can serve as the basis for further discussion on specific solutions.

**Model**

**Develop a direct salesforce**

(e.g. Danone Kiteiras, Unilever Shakti, Living Goods Health Promoters, Natura)

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<td>Natura launched a training program for beauty advisors/direct salespeople in Mexico that focuses on upgrading job skills and self-development to create a multi-level sales model and provide opportunities for professional growth and increased sales.</td>
<td>Living Goods provides community health promoters with an Android phone equipped with apps designed by Living Goods that help diagnose common child illnesses and send dosage reminders to patients.</td>
<td>Bata specifically aims to empower women who are divorced or widowed as part of its rural sales program in Bangladesh.</td>
<td>Danone is tapping its own internal venture capital fund, the Danone ecosystem fund, as well as IDB/MIF financing and internal brand financing to scale its Kiteiras model in Brazil.</td>
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Model
Leverage networks of existing micro-enterprises
(e.g. AB InBev 4e, Hapinoy Sari-Sari store, Grupo Martins)

Model
Create or transform micro-enterprises into company-affiliated businesses or franchises
(e.g. LafargeHolcim Green Building Centers, Coca-Cola Micro Distribution Centers)

3. Skilled and incentivized corporate sales staff
AB InBev’s 4e program creates training programs for its sales staff.

6. Supportive policy environment
The South African government’s “my spaza” program provides incentives for wholesalers to train and equip micro-distributors to expand their businesses.

2. Demand stimulation and customer service
Pharmnet’s franchise pharmacies have distinctive blue and white facades and use posters and radio advertisements to solidify the credibility of its brand in the face of Kenya’s growing number of unlicensed pharmacies.

4. Financial products for enterprises and consumers
LafargeHolcim has founded a Microfinance Academy to strengthen housing finance in various countries.
WHERE DO WE GO FROM HERE?

The models and lessons featured in this paper are a starting point. They are intended to serve as a framework and foundation for further investigation, dialogue, and collaboration on specific solutions to scale inclusive distribution networks for greater impact and business growth.

Over the next few months, the Business Fights Poverty Inclusive Distribution Challenge will use this paper as a call for collaboration. We invite allies, both familiar and unfamiliar, to come together and identify concrete solutions, test these in practice, and build partnerships to bring these models to scale. With this in mind, Business Fights Poverty invites practitioners and experts to share their perspectives on how to unlock the power of downstream networks to strengthen enterprises, build sustainable livelihoods, and support business success.

This paper was researched and written by the Business Fights Poverty Challenge team – Jessica Davis Pluess, Beth Jenkins, and Alyssa Rivera. It was prepared as part of the Business Fights Poverty Challenge on how to scale inclusive distribution networks, which is supported by Citi Foundation and benefits from the expertise and guidance of several key partners including the Inter-American Development Bank’s SCALA program, Business Call to Action, FUNDES, the Fletcher School at Tufts University, WBCSD, and the Inclusive Business Action Network. Business Fights Poverty Challenges facilitate open collaboration on a specific, strategic question about how to harness and scale the positive impact of business on people or planet. Challenges leverage innovative approaches to engage the best thinkers and passionate practitioners in identifying solutions to the Challenge.

This paper is based on a growing body of literature documenting the potential growth and positive impact of inclusive distribution models on business success and poverty alleviation, along with a review of more than 20 inclusive distribution models. The research also draws on various engagement activities that have contributed to the Challenge including semi-structured interviews with experts and company practitioners and three convenings, including the Business Fights Poverty annual event in New York City (September 2016), the Business Call to Action annual forum (September 2016), and the Inter-American Development Bank’s SCALA annual event (October 2016). It is not intended to be an exhaustive list of solutions but rather a framework and foundation for further discussion and collaboration. The authors invite comments and feedback on the messages in this paper and welcome additional examples and solutions that can help advance the Challenge. To learn more about the Challenge, please contact Jessica Davis Pluess (jessica@businessfightspoverty.org).
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Davide Fiedler, WBCSD and the Inclusive Business Action Network
Endnotes


3 Base of the Pyramid typically refers to the 4 billion people with incomes below $3,000 in local purchasing power.


6 This typically includes enterprises with fewer than 250 employees.


14 This data is for SABMiller, which is now a part of AB InBev. Jenkins, Beth, Catalina Garcia, and Elfid Torres. 2015. “How can Business Drive Inclusive Growth and Development: The Case of Empowering Traditional Retailers.”


16 MIT D-Lab has developed a BoP distribution compass tool with a series of questions about the products, markets, and organizational priorities to help companies find the right approach for the context. See MIT D-Lab BoP Distribution Compass for more information. https://drive.google.com/file/d/0B36nNXj12OvSUno9yTC04V34UJDg/view. (Accessed on November 20, 2016).


30 Scale is defined differently by every organization and there are many pathways to scale. A number of organizations have looked at these pathways of scale and replication including Monitor Inclusive Markets (now Deloitte) and Endeva. Some organizations focus on breadth in reaching many entrepreneurs or replicating in different markets. Others focus on depth and try to achieve significant impact and growth in a smaller set of enterprises. All of these pathways seek to go beyond the pilot stage.


33 Jenkins, Beth. 2015.

34 Kubzansky, Michael; Anuslie Cooper; and Victoria Barbary. 2011.

35 These findings are based on interviews with companies and other key stakeholders conducted in November 2016.


37 These findings are based on an interview conducted with a company representative in November 2016.

38 Kubzansky, Michael; Anslie Cooper; and Victoria Barbary. 2011.


41 This was validated through an interview with a company representative of Vodafone in October 2016.


43 This is based on information provided by Bata Shoe Company as well as the following article: Bata Shoe Company. “Bata Rural Sales Program: Empowering Women at the Bottom of the Pyramid in Bangladesh”. World Economic Forum. http://www3.weforum.org/docs/WEF_Bata_Rural_Sales_Programme_in_Bangladesh.pdf. (Accessed November 20, 2016.)


45 This is based on information provided by a representative of the Coca-Cola Company in November 2016.

46 Interview conducted with company representative in August 2016.

47 This is based on discussions at the IDB SCALA event in Colombia in October 2016.

48 This is based on an interview conducted with a representative of Living Goods in September 2016.

49 Jenkins, Beth. 2015.

50 This is based on an interview with a representative of Solar Sister conducted in November 2016.


57 Ibid.


56 This is based on an interview conducted with a company representative in November 2016.


61 Interview conducted with company representative in October 2016.

62 Interview conducted with company representative in September 2016.


64 Ibid.

65 Interview conducted with company representative in August 2016.

66 This is based on interviews conducted in November 2016.


69 Interview conducted with company representative in October 2016.


72 Interview with social enterprise representative in September 2016.

73 This is based on interviews conducted in August and September 2016.


75 Cherie Blair Foundation. 2012.

76 Interview conducted with company representative in October 2016.


Endnotes (continued)

(Accessed November 20, 2016.)


88 Interview conducted with social enterprise representative in September 2016.

89 Interview conducted with company representative in September 2016.


92 Interview conducted with social enterprise representative in September 2016.


95 Interview conducted with company representative in August 2016.


99 Koh, Harvey; Nidhi Hegde; and Ashish Karamchandani. 2014. “Beyond the Pioneer: Getting Inclusive Industries to Scale”. Deloitte Touche Tohmatsu India Private Limited.

100 Interview conducted in November 2016.
