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## **DEVELOPING THE ROUTE TO MARKET**

# **A TOOL FOR EXPANDING OFF-GRID SOLAR PRODUCT DISTRIBUTION**



Photo Credit: Power Africa

## ABOUT POWER AFRICA

Power Africa is a U.S. Government-led partnership that brings together the collective resources of over 170 public and private sector partners to double access to electricity in sub-Saharan Africa.

*Power Africa aims to achieve 30,000 megawatts of new generated power, create 60 million new connections, and reach 300 million Africans by 2030.*

## DISCLAIMER

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# CONTENTS

Executive Summary	1
A. Introduction	3
B. Identifying and Qualifying Distributors	4
C. Working with Distributors	10
D. Partnering with Distributors	13
E. Enhancing Distribution and Last-mile Reach	15
References	17
Annex 1: Contact-Sheet Template	20
Annex 2: Data Collection Tool	21

# ACRONYMS & ABBREVIATIONS

BoP	Bottom of Pyramid
COG	Council of Governors
FMCG	Fast-moving Consumer Goods
GDC	Global Distributors Collective
KPIs	Key Performance Indicators
LMDs	Last-mile Distributors
LPG	Liquefied Petroleum Gas
MFI	Microfinance Institution
MNO	Mobile Network Operator
NGO	Nongovernmental Organization
OGS	Off-grid Solar
PAYGO	Pay-as-you-go
PUE	Productive Use of Energy
RTI	Research Triangle Institute
RTM	Route to Market
SACCO	Savings and Credit Co-operative Society
SHS	Solar Home System
SLA	Service Level Agreement
USAID	United States Agency for International Development
VLE	Village-level Enterprise
WASH	Water, Sanitation, and Hygiene

# EXECUTIVE SUMMARY

The USAID-funded Power Africa Off-grid Project provides technical assistance and targeted grant funding to support the development of off-grid solar home system (SHS), mini-grid and productive use of energy (PUE) sectors in East and West Africa. The Project is accelerating private sector-led energy access in the off-grid market by offering investors broad-based market intelligence to inform financial products, advising governments to design and implement supportive policy frameworks, and providing hands-on support to companies.

In early 2020, the Project met several manufacturers and suppliers of off-grid products who were looking to grow in the market. Following an initial assessment of the current distributor network, the Project concluded that off-grid solar (OGS) companies need to look beyond the existing distributors within the sector to expand their networks. Alternative distributors are necessary because the existing distributor network is limited and has often already been exhausted by the existing OGS companies. OGS companies can consider identifying and partnering with distribution networks that may have been overlooked to ensure that they reach rural and underserved markets.

To help connect OGS companies and distributors, the Project carried out an assessment to identify last-mile distributors in Kenya. Drawing on our findings, we have developed this tool to help OGS companies identify last-mile distributors in other countries of operation. This document is structured according to five sections (A to E). Section A focuses on the program background; Section B outlines the process of identifying and qualifying distributors; Section C summarizes insights and strategies for working with distributors; Section D lists partnership strategies that OGS companies can explore; and Section E outlines strategies that OGS companies can consider in their distribution roadmap. Section E also focuses on enhancing companies' effectiveness in retail distribution, last-mile distribution and bottom of pyramid (BoP) marketing. The reference and annex sections conclude the tool.

## The tool aims to help OGS companies to:

- i. Identify the most suitable areas in a country or region for new distributors of off-grid solar products to operate in.
- ii. Identify and analyze wholesale, retail, and last-mile distribution channels across industries in each country.
- iii. Qualify and compile a network of the most suitable distribution channels that OGS companies can partner with to sell off-grid solar products.

To meet these objectives, OGS companies can use the following methods to identify potential new distribution partners:

- i. Review publicly available information on distributors in different sectors.
- ii. Collect referrals from networks and relevant regional departments in target countries.
- iii. Conduct field assessments to map, evaluate, and qualify distributors identified during the desk-review, and to locate additional distributors.

Once an OGS company has compiled a longlist of potential distributors, it can collect the relevant data to rank the most suitable distributors. To do this, OGS companies can evaluate a distributor by asking questions such as:

- i. Does it have at least three branches in the targeted region?
- ii. Does it have a minimum of five agents in an appropriate location?
- iii. Does it have at least three employees?
- iv. Does it have an annual turnover of over \$50,000?



**Other criteria can include business registration, years of operation, customer base, business strategy, and financial data used for decision making.**

The following is a list of key insights obtained from the assessment of distributors in Kenya and may be applicable to other countries.

- i. The most promising potential distributors in Kenya operate in the energy, fast-moving consumer goods (FMCG), construction, and agriculture sectors.
- ii. Networks of women should be considered as key distributors of OGS products due to their interest in these technologies, their typically extensive membership bases, and their coverage of rural areas. Women's networks can help companies achieve significant new sales.
- iii. The number and suitability of potential distributors varied considerably between the counties in Kenya, which is likely due to a number of reasons, including the presence of support programs, economic environment, and the number of households connected to the grid.
- iv. Some potentially suitable distributors may not initially be interested in distributing OGS products and may require education in these areas to bring them on-board. The reasons for this reluctance include perceptions of low profits in the OGS sector, low demand for such products, technological novelty, lack of storage capacity, lack of capital, and lack of interest in pursuing a different line of business. These distributors may require education or support to overcome some of these barriers to bring them on-board.
- v. It is important for OGS companies to understand that not all distributors may be willing to share sensitive information, as this requires trust to be built up over time.



# A. INTRODUCTION

The USAID-funded Power Africa Off-grid Project provides technical assistance and targeted grant funding to support the development of Africa's off-grid solar home system (SHS), mini-grid, and productive use of energy (PUE) sectors. The Project accelerates private sector-led energy access in the off-grid market by offering investors broad-based market intelligence to inform financial products; advising governments to design and implement supportive policy frameworks; and providing hands-on tailored support to companies.

The Project employs five work streams that enable OGS companies and African governments to provide more off-grid electricity connections throughout the continent. Market dynamics is one of these work streams. Market dynamics serves the off-grid sector through gathering and disseminating market intelligence to companies, investors, and governments to inform them of the latest sector developments and to support them in making informed decisions.

## Purpose of the Tool

In early 2020, the Project met several manufacturers and suppliers of off-grid products in Nairobi. Many of these companies are relatively new to the market and are looking for support to enable them to penetrate and grow. These new suppliers reflect a wider shift in the industry away from vertical integration towards a diversified, more competitive supply structure. The manufacturers and suppliers requested introductions to potential distribution partners and business-development support services.

However, following an initial assessment of the current distributor network, the Project concluded that there was a need to look outside of the existing distributors to expand the network. The currently limited distributor network needs to be expanded, especially because it has already been exhausted by other off-grid solar (OGS) companies. Power Africa engaged other market-enablers such as the Global Distributors Collective (GDC) to explore how the Project can make the most of its distributor database. However, this approach had limited success as the majority (over 60 percent) of GDC's members already distribute off-grid products, leaving just a small number of untapped distributors.

Power Africa has developed a tool, with support from Practical Action Consulting (PAC), to guide OGS companies in identifying new last-mile distribution partners that may be able to help them get their solar systems to customers in the countries they serve. This tool aims to help OGS companies achieve the following objectives:

- i. Identify the regions in each country of operation that have the most suitable distributors of off-grid solar products.
- ii. Identify and analyze wholesale, retail, and last-mile distribution channels across industries operating in different regions in a country.
- iii. Qualify and prioritize a network of the most suitable distribution channels that OGS companies can partner with to sell off-grid solar products.

To develop this tool, Power Africa Off-grid Project reviewed various assessments and publications (listed in [References](#)) to better understand the broader outlook of the sector.



## B. IDENTIFYING AND QUALIFYING DISTRIBUTORS

OGS companies can begin to identify potential distributors through a comprehensive review of locally available information and resources in their country. This review can also include international information from sources such as the Global Distributors Collective (GDC),<sup>1</sup> Holz-Clause (2020), Agrawal and Dutt (2013), and supply chain and route to market (RTM) consultancies, such as EnChange.<sup>2</sup> The knowledge of local experts should also inform the process.

After the OGS company has completed this review, it can go through the four steps of the distributor qualification process, outlined in Figure 1.

Figure 1: Distributor Qualification Process



The following sections outline each step of this process. Note, however, that this is general guidance; OGS companies should devise a process that suits their needs and available resources.

### Identifying and Collecting Data on Distributors

#### Identifying Distributors

OGS companies can use the following methods to identify the most relevant potential distributors:

- i. Compile a longlist of potential distributors based on a comprehensive review of relevant information and literature.<sup>3</sup> Companies can refer to publicly available information on distributors in different sectors. The longlist can be generated from online databases that profile distributors in different sectors according to their products and services. Companies should prioritize distributors that serve off-grid or rural households.
- ii. Acquire relevant information from databases, such as the following:
  - a. The key distributors in the country.
  - b. The relative size of the distributors (in terms of revenue, employees, trade network, and branches).
  - c. The main brands that are being distributed.
  - d. Mobile network operators, FMCG, agricultural, and distributors of life-changing products (health and education products).
  - e. The main contact persons and contact details.
- iii. Consider using paid databases, which can charge fees of between \$300 and \$1,000. OGS companies can partner with organizations providing these services to access the required information. Market intelligence services can introduce OGS companies to key personnel in distribution companies.

<sup>1</sup> "About Us," Global Distributors Collective, 2020, accessed June 28, 2021, <https://globaldistributorscollective.org/about-us>

<sup>2</sup> "About Us," EnChange, 2021, accessed June 28, 2021, <https://www.enchange.com/about-us/>

<sup>3</sup> This longlist can be generated from sources such as online directories (e.g., <https://www.businesslist.co.ke/>)



- iv. Utilize referral networks, including leads from ongoing off-grid programs in different regions of the country and from regional government departments. Relevant information for a longlist of distributors can come from different actors in energy, agriculture, and WASH initiatives targeting rural communities.
- v. Ensure inclusion and participation by engaging the following actors, if possible:
  - a. National government (e.g., the ministry of energy).
  - b. Regional government programs.
  - c. Ministries of agriculture, livestock and fisheries.
  - d. Ministries of the environment and natural resources.
  - e. Financial institutions.
  - f. Private companies.
  - g. Community-based organizations.

## Collecting Data

Once all the potential distributors have been identified, OGS companies can carry out field assessments by trained enumerators to collect relevant data from each of the potential distributors and to identify any suitable distributors that were overlooked by the desk-study. The enumerators should conduct interviews with key informants to collect information on the businesses and their activities in each region. The enumerators should ideally be residents of the local survey areas who speak the local languages, understand the socio-cultural context, and have experience in data collection.

Distributors can be identified and qualified with tools such as Kobo Collect to ensure data quality. Companies should collect data in five main areas as identified by the Route to Market Tool<sup>4</sup> by EnChange:

- i. Background information: Basic business information about the distributor.
- ii. Partnership: Information on the relationships between the distributor and suppliers, sales agents, and customers.
- iii. Planning and logistics: Information on how the distributor executes demand-planning and forecasting; customer service; delivery, storage, routing and scheduling; and record keeping.
- iv. Sales management: How distributors take and fulfil orders.
- v. Finance and back office: Data on how well distributors are organized, their financial health, and system automation.

## Qualifying Distributors

### Business Sectors

It is important for companies to look beyond distributors that sell mainly OGS products to uncover alternative distribution networks. These new networks that are not initially obvious can allow OGS companies to reach new customers. Companies should therefore cast a wide net to identify markets that have the potential for growth and to adopt OGS products. The following sectors can offer leads for potential OGS markets:

- i. Agriculture and agribusiness.
- ii. E-commerce and telecommunication.
- iii. Financial services such as MFIs, SACCOs, and other savings groups.
- iv. FMCGs, including electronics and outlets such as pharmacies and supermarkets.

<sup>4</sup> "20 Steps to Route to Market Excellence," EnChange, 2021, accessed 28 June, 2021, <https://www.enchange.com/services/20-steps-to-route-to-market-excellence/>

- v. NGOs and community-led associations.
- vi. Energy, including petrol stations and LPG distributors.
- vii. Labor unions for OGS-adjacent activities, such as agriculture, forestry, teaching, and healthcare.
- viii. Women-led community-based associations.
- ix. Transport and public service companies.
- x. Religious organizations and faith-affiliated organizations.

## Regions

Companies should decide on the regions where they want to focus their distributor mapping. Companies looking for distributors should comb the following locations:

- i. Regions that are less saturated by other off-grid companies.
- ii. Regions that have higher concentrations of off-grid households.
- iii. Regions with greater potential for PUE in enterprises, and with community facilities in underserved areas.

OGS companies can also consider regional trade blocs formed by organizations such as the Council of Governors (COG) in Kenya, which can help companies to identify areas with economic similarities and to get an overview of all parts of the country.

## Criteria for Choosing and Scoring Distributors

Although some distributors might be reluctant to share information, they are likely to be more willing to share information<sup>5</sup> once they have a clear idea of the opportunity and benefits of a new partnership. Companies should clearly explain the value of a partnership to distributors.

Companies can apply several basic criteria, per the table below, to help them identify and qualify distributors. Only those distributors that meet certain criteria, such as the ones outlined in Table I, will then be interviewed for additional information.

*Table I: Minimum Criteria for Selection of Distributors*

Criteria	Minimum	Recommended
1. Branches	3	≥5
2. Agents (if applicable)	5	≥10
3. Employees	3	≥20
4. Turnover (in USD)	5,000	>50,000

<sup>5</sup> “20 Steps to Route to Market Excellence,” EnChange, 2021, accessed 28 June, 2021, <https://www.enchange.com/services/20-steps-to-route-to-market-excellence/>

## Scoring System

Once a longlist of potential distributors has been generated from a comprehensive review of relevant information and literature, the candidates can be screened for their suitability as partners.

The companies that meet the criteria are likely to vary significantly across regions of a country, due to a number of reasons such as:

- i. Past and present support networks<sup>6</sup> in different regions.
- ii. Differences between the economic environment of different regions.
- iii. Differences in the number of households with access to the grid.

Once these high-level differences between regions have been identified, companies should launch on-the-ground investigations of these locations. Regions with more potential distributors are the best candidates for a thorough investigation.

A scoring system can be applied to the distributors who meet all the criteria. Companies can generate a ranking based on a number of factors, assigning scores ranging from one to four as follows:

- 1 Not Mature:** Did not meet the minimum criteria. A zero score can be assigned if no responses are given.
- 2 Emerging:** Met some of the minimum criteria.
- 3 Established:** Satisfactorily met the minimum criteria.
- 4 Well Established:** Exceeded the recommended criteria.

From this ranking, a more detailed scoring system can be developed as shown in the table below.

Table 2: Scoring System

Factors Considered	Scoring Description			
	4	3	2	1
Business registration?	Yes	N/A	N/A	No
Years of operation	≥10	7–9	4–6	<4
# Branches	≥10	7–9	3–6	<3
Annual turnover (in USD)	≥50,000	30,000–49,000	5,000–29,000	<5,000
Agents (# individuals)	≥50	11–49	5–10	<5
Agents (# retail outlets)	≥50	11–49	5–10	<5
Customer base	≥10,000	5,001–10,000	1,001–5,000	<1,000
# Employees	≥10	7–9	3–6	<3
Existing sales team?	Yes	N/A	N/A	No
Conducts trainings?	Yes	N/A	N/A	No
Affordable capital access?	Yes	N/A	N/A	No
Existing business strategy?	Yes	N/A	N/A	No
Financial data used for decisions?	Yes	N/A	N/A	No
Has a documented process in place for the receipt, storage, and retrieval of stock?	Yes	N/A	N/A	No
Number of criteria met (outlined in Table 1)	4	3	2	1

From the scoring system above, a scoring tool for qualifying all potential distributors can be developed, as outlined below. OGS companies can use this tool to identify the highest-priority distributors for possible future partnerships.

<sup>6</sup> Such support networks typically come in the form of associations, development projects, and community-supported initiatives or foundations.



## Inclusion of Women

Throughout the process of selecting distributors, it is important for OGS companies to include women, women's networks, and women customer groups, as they are often unrepresented in the distribution sector.

The role of last-mile distributors (LMDs), in particular women's networks, has been recognized in accelerating off-grid energy access. There is growing evidence that female business owners tend to perform as well as or better than their male counterparts (Du Rietz and Henrekson 2000; Gray and Shankar 2018; Robb and Watson 2012; Watson and Zolin 2014). Moreover, collective agency-based business models where women participate in groups with other entrepreneurs realize higher average sales per village-level enterprise (VLE) compared with teams led by men (ENERGIA 2019a).

However, women face unique challenges as business owners compared to their male counterparts. These challenges include discriminatory cultural and gender norms, lower levels of education and business experience, the competing demands of household and family responsibilities, a lack of access to finance, and poor access to productive resources such as land (ENERGIA 2019b, 29).

It is therefore important that OGS companies engage women's networks as distribution partners, as they have extensive memberships of women that actively participate in business. The leadership of women's networks is important for promoting and distributing OGS products by, and among, their members. OGS companies should provide these networks with the details of their products and the services that they typically provide to their customers.

The factors that OGS companies should consider when identifying women's networks include:

- i. The network's willingness to distribute OGS products.
- ii. The network's potential to reach other women who qualify both as consumers and potential distributors.

# C. WORKING WITH DISTRIBUTORS

## Insights and Strategies for Working with Distributors

This section provides OGS companies with insights and strategies for working with distributors once they have been identified.

### Highlights

- i. Although distributors may initially be excited by the opportunity to include new off-grid products, such a partnership needs to be on terms favorable to both parties and make commercial sense.
- ii. Women's networks offer a way to engage large numbers of potential customers. Also, as their management is often quite small, they are able to make timely decisions. Women's networks can be considered as drivers of OGS products given that they are often the primary beneficiaries of the products, have a significant membership base, and often cover wide regions, which can be a catalyst for OGS companies to achieve scale.
- iii. Some potentially suitable distributors may not initially be interested in distributing OGS products and may require education in these areas to bring them on-board. The reasons for this reluctance include perceptions of low profits in the OGS sector, low demand for such products, technological novelty, lack of storage capacity, lack of capital, and lack of interest in pursuing a different line of business.
- iv. Not all distributors are immediately willing to share sensitive information; OGS companies need to be patient and build trust with these distributors.

### How to Screen Distributors

Companies should target distributors that are growing businesses and that are willing to expand. Although larger, more established distributors may provide a good opportunity for OGS products—as they have the capacity to sell larger volumes—they may not be looking for new distribution opportunities. OGS companies may need to consider offering them attractive terms, such as larger margins, co-branding, special credit terms, back-end and after-sales support, staff training, or marketing support. Such support will explain different marketing approaches and help to design promotional material. Smaller enterprises may be more interested in distributing solar products, although they may need more support than those with higher turnovers.

Additional factors that OGS companies should consider when identifying new distribution partners:

- i. Branches: Distributors with many branches offer great potential, as the branches serve as multiple avenues for selling products in different parts of a country.
- ii. Registration and years in operation: It is important to partner with distributors that have already registered their businesses and have operated for more than three years; both suggest that they have an established business model that can be relied upon.

- iii. Sectors: Potential distributors can come from many sectors, so it is important that OGS companies do not limit themselves to the energy sector to meet their distribution needs. Other sectors are ready to adopt OGS products that complement the products they are already distributing. These alternative distributors offer an avenue for OGS companies to reach new markets profitably if distributors add solar products to their already established distribution strategies. In addition to the energy sector, the top alternatives to OGS product-distribution are FMCG, construction, and agriculture, along with telecommunications, textiles and clothing, WASH, and hotels and tourism.
- iv. Potential barriers: As mentioned above, some distributors may have a low interest in selling OGS systems. Additional barriers to a partnership include high taxes, a lack of finance, and challenges in sourcing products. OGS companies should offer to help distributors overcome these issues.

## Sales Management

To ensure that their products reach customers, OGS companies should screen distributors by inspecting the following aspects of their sales infrastructure:

- i. Client database: It is important to identify potential distributors that have a client database. A database indicates that the distributor is likely to provide a rich catchment of customers to the supplier. However, the quality of the database is often as—or more—important than the size of the database.
- ii. Distribution channels: Distributors should have several distribution channels to ensure that they can reach a range of customers and are not reliant only on certain market segments. Although retail outlets are often the dominant distribution channel, agents are also play a key role in distribution. Therefore, distributors can sell more efficiently through a blended model that integrates retailers and agents to reach last-mile customers.
- iii. Payment of sales staff: Often distributors use a range of compensation models, including salaries, commissions, and bonuses. The assessment of Kenyan distributors highlighted that most of them use a model of a base-salary in addition to commission. This model helps to maintain sales personnel and reduce high staff turnover, while also motivating staff to improve their personal performance. The number of products sold, new customers added, and monthly targets achieved is the most common metric used to determine the success of a sales team.
- iv. Training: Distributors need to invest in their sales teams to sell sustainably and manage their customers well. OGS companies should aim to partner with distributors that already provide training to their staff. The assessment in Kenya identified that marketing, communication, agent empowerment,<sup>7</sup> and networking are the main types of training that distributors offer to their sales teams.
- v. Terms of partnership: To select their products, distributors consider the criteria of profit margin, demand-size, customer needs and preferences, and the availability of the products. OGS companies need to ensure that the terms of the partnership they extend to new distributors reflect these criteria.

## Partnerships

The assessment to identify last-mile distributors in Kenya highlighted that the top-ranking qualities of a supplier are accountability, compliance with industry standards, and good communication. Other qualities include the ability to provide competitive prices, credit facilities, and a range of products. Some suppliers use inventory management systems and software applications to forecast demand and plan accordingly. OGS companies should look for these desirable criteria when establishing new partnerships.

<sup>7</sup> This is training provided to agents on gender equality, decision-making, and the ability to identify goals or make choices, either individually or collectively.



## Planning and Logistics

Distributors should provide after-sales service to their customers to ensure they remain loyal and recommend the distributor to others. After-sales services can include free consultations to ensure the products are working properly, replacement of returned products, user-training, and warranty services.

It is also important that distributors have a documented process for receipt, storage, and retrieval of stock; such a process indicates that they properly document their operations. A company that keeps track of its goods can be held accountable for losses caused by stock theft or mismanagement.

## Finance and Back Office

The assessment in Kenya highlighted that most distributors source their funds from equity and debt. Those that raise capital from equity acquire funds largely through partnerships with like-minded entrepreneurs, which indicates an openness to varied sources of financing and a keenness to grow. Distributors that source finances from debt tend to resort to personal and bank loans.

Distributors typically keep records in a range of ways, from manual book-keeping to advanced digital applications. Digital systems can produce data that can be used for real-time decision making, an advantage that OGS companies should look out for when prioritizing distributors.



# D. PARTNERING WITH DISTRIBUTORS

## Utilizing Existing Distribution Infrastructure

OGS companies can significantly reduce time-to-market for new products and services by partnering with existing distribution networks. While several OGS companies have already been partnering with networks such as MFIs, companies need to look beyond these traditional networks to find new partners, such as producer cooperatives, NGOs, and corporate distribution chains (Agrawal and Dutt 2013).

The following are some partnership strategies that OGS companies can explore:

- i. **Bundling products and services:** Packaging OGS good with other complementary products can help generate demand that makes distribution more effective. Product-bundling by distributors is a recipe for growth. Sollatek Kenya, the leading branch of Sollatek UK, a power management and solar products company, has used this strategy by bundling sports equipment with solar systems, TVs and extension cables. One Acre Fund, a non-profit social enterprise, supports smallholder farmers by bundling its agricultural support services (financing, distribution, training, and market facilitation) together with off-grid energy systems.
- ii. **Decentralized, regional, multi-channel strategy:** OGS companies should select each distributor on the basis of its strengths and ability to meet the specific type of demand in a particular region. Using a variety of regional distributors can be financially and operationally more effective than employing a single-channel strategy.
- iii. **Mutual trust:** Effective partnerships make for successful distribution channels. The partners should always work with a service level agreement (SLA) that they have jointly developed. Companies need to nurture relationships with their distribution partners to ensure long-term viability. Success often requires a blend of two strategies:
  - a. Firstly, selecting and adapting the channel that best reaches the target consumer for specific products.
  - b. Secondly, defining, building and managing a partnership with the distributor. For a venture to succeed, OGS companies should invest in the partnership (and not just in infrastructure and marketing), which may require new skills in managing partners effectively.

## Engaging with Potential Distributors

The following framework of engagement has been developed by Agrawal and Dutt (2013). This tool focuses only on step one, but OGS companies can consider steps two to six as they bring new distribution partners on-board.

Figure 2: Framework of Engagement



Adapted from: Agrawal and Dutt (2013)

## E. ENHANCING DISTRIBUTION AND LAST-MILE REACH

This section outlines strategies that OGS companies can consider in their distribution roadmap. It focuses on improving retail distribution, last-mile distribution, and BoP marketing.

### Retail Distribution

Wholesalers and retailers are often hesitant to take on new products that they are not familiar with, unless they are backed by a strong brand. Retailers typically fear a lack of demand, and that these products will take up valuable financial resources and shelf space. However, in some cases retailers are willing to stock new products before wholesalers have acquired them. Suppliers will therefore have to set up their own distribution channels to serve retailers before wholesalers do (Kayser, Klarsfeld, Brossard and Martin-Bouyer 2014).

**Convincing retailers to stock a new product requires a combination of:**

**Push:** OGS companies should incentivize retailers with high profit margins (typically above 20 percent when competitors with known brands or other FMCGs will offer between ten and 15 percent; sometimes wholesalers offer more than ten percent). Another way for companies to win over retailers is to build a business relationship by visiting retailers regularly to avoid stock-outs or to anticipate complaints, and by providing them with resources such as shelf display materials. By building trust with selected retailers, companies can ensure that they are more likely to become advocates for the products, while consumers generally will not mind walking a few more minutes to find the product (both in dense urban areas and in rural villages that often have several small shops on their market square).

**Pull:** Companies should create demand at the consumer-, retailer- and wholesaler-levels by using a variety of above-the-line advertisements.

### Last-mile Distribution

By generating demand and helping consumers build a credit history, last-mile distributors (LMDs) help create sustainable markets, enabling other companies to step in and join LMDs in serving last-mile consumers (Global Distributors Collective 2019). LMDs have been found to leverage their distribution infrastructure to deliver critical energy services such as lighting, telecommunications, pumped water, cooling, and cooking devices. These services have been particularly important during the recent COVID-19 pandemic: LMDs were able to reach vulnerable households even during lockdowns when social distancing was observed. For example, SolarAid is working with the ministries of health in both Malawi and Zambia to provide thousands of solar products to rural health clinics. Other LMDs have reported giving solar kits to health workers at COVID-19 check-points, and distributing water filters to communities whose basic services have been cut off (Colenbrander 2020).

The following are the primary challenges for LMDs, and their potential solutions:

- i. **Procurement:** LMDs face challenges accessing the right products, at the right price, and on the right terms. They struggle to get reliable information on products and suppliers, negotiate prices and payment terms, and maintain efficient stock levels while importing in small quantities. Potential solutions include enhanced product certification, new wholesaler partnerships, and centralized purchasing.

- ii. **Sales efficiency:** LMDs face high cost-of-sales as they seek to serve remote areas and establish trust with risk-averse customers, often while providing consumer financing and after-sales services. A salesforce takes time and investment to build, and staff recruitment, training, management, and retention are among the biggest challenges faced by LMDs. Potential solutions include improved software platforms to manage sales, enhanced training-service provision, and cost-sharing between LMDs to unlock economies of scale.
- iii. **Access to finance:** LMDs can ease financial constraints by adapting existing funding mechanisms and establishing new specialist funds. These specialized funds can make smaller investments, accept a higher level of risk, and provide technical assistance alongside financial support.

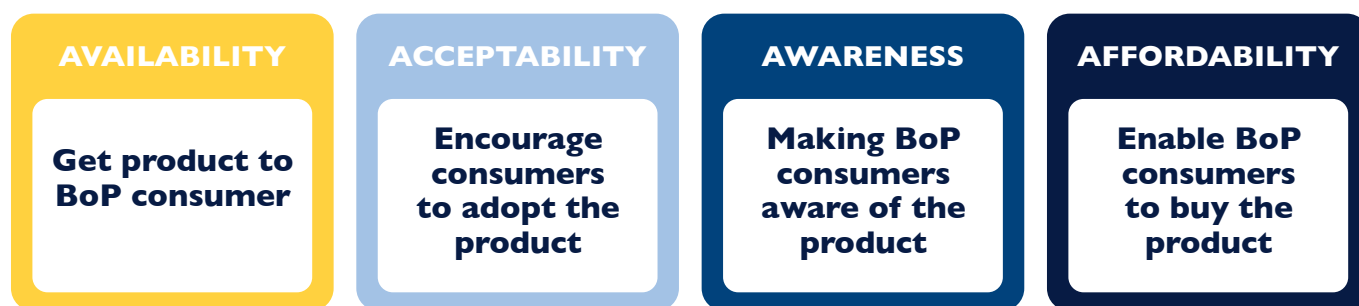
SNV’s “Mapping Successful Cookstove Distribution Models” report (Vianello and Van der Heyden 2015) lists the following eight criteria that LMDs need to achieve so that they reach last-mile customers effectively:

- Choose the right product.
- Build creative partnerships.
- Prepare entry into the community.
- Bundle products.
- Have a well-trained and motivated salesforce.
- Lower financial barriers.
- Leverage peer connections and word of mouth.
- Secure long-term demand.

## Reaching BoP Consumers

Marketing for the BoP is significantly different from conventional marketing. BoP consumers have unique characteristics, such as a large low-income consumer segment that is difficult to access. Markets that serve BoP customers operate largely informally. A typical BoP marketing approach requires a conscious effort to reduce the cost of the product, while ensuring proximity and convenience to consumers (Macharia and Pipim 2017).

Figure 3: 2SCALE BoP Model for Marketing and Distribution Strategy Implementation



Source: Macharia & Pipim (2017)

Finding the right distribution partner can help overcome some of the challenges of reaching BoP consumers. Due to the latent nature of demand for some seemingly essential products and services, companies will need to exercise patience and invest capital into market-creation through advertising and awareness-building. OGS companies’ business models should factor the time and cost of such operations.



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# ANNEX I: CONTACT-SHEET TEMPLATE

Below is a table to record the scores and contact details of potential distributors.

	County/Region	Business Name	Contact Person	Position	Contact Details	Average Score
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						



# ANNEX 2: DATA COLLECTION TOOL

## (EXAMPLE)

This data collection tool was developed for the assessment of OGS product distributors in Kenya. Companies can adapt the template to collect relevant information about the potential distributors that are of most interest to them in their country/ies of operation.

### a) GENERAL BUSINESS INFORMATION

OGS company name

Name of enumerator

County/region/district

Background information

Name of respondent

Respondent's gender  Female  Male

What position do you hold in the business? The respondent should be in a decision-making position

Does the company have branches in other areas?  Yes  No

How many branches does the company have?

Name the locations where the branches are located:

What was your business turnover last year? In USD

Is the business registered?  Yes  No

If not registered, are you interested in registering the business?  Yes  No

What is the trading name of the business?

Is the business trading name different from the registered name?  Yes  No

Kindly state the registered name of the business:

How many years has the business been in operation?

Less than one year     1–3 years     4–6 years     7–9 years     More than 10 years

What sector does your business focus on? Tick all appropriate options

<input type="checkbox"/> Agriculture	<input type="checkbox"/> Fast-moving goods (e.g. food, drinks, etc.)	<input type="checkbox"/> Chemicals
<input type="checkbox"/> Construction	<input type="checkbox"/> Education	<input type="checkbox"/> Hospitality (e.g. accommodation)
<input type="checkbox"/> Telecommunication	<input type="checkbox"/> Shipping	<input type="checkbox"/> Textile and Clothing
<input type="checkbox"/> Transport	<input type="checkbox"/> Energy	<input type="checkbox"/> Financial services
<input type="checkbox"/> Water	<input type="checkbox"/> Other (please specify)	

What products does the business distribute?

Are you interested in distributing off-grid solar products?

Yes     No

Kindly indicate your reason for having/not having interest:

Do you have expansion plans?

Yes     No

Kindly indicate expansion plans by ticking all appropriate options:

<input type="checkbox"/> Introducing new products	<input type="checkbox"/> Targeting new customer segments
<input type="checkbox"/> Expanding to new locations	<input type="checkbox"/> Increasing the number of products sold
<input type="checkbox"/> Employing a sales team	<input type="checkbox"/> Other (please specify)

Would you be interested in expanding to a new location/s in the future?

Yes     No

If yes, which location/s would you want to expand to?



## b) FINANCE

How is the business financed? Tick all appropriate options

Equity financing (through the sale of shares or through partners, etc.)

Debt financing (through loans from banks or other sources)

Which debt financing options have you explored to date? Tick all appropriate options

Loans from family and friends

Invoice financing (getting an advance using your delayed invoices)

Bonds

Bank loans

Personal loans

Government-backed loans

Equipment loans (loans given to buy equipment for the business)

Merchant cash advance (an advance for exchange for a percentage of the company's future sales)

Other (please specify)

Which equity financing options have you explored to date? Tick all appropriate options

Angel investors (initial investors apart from the business owner)

Venture capitalists (investors who come in after the business has run for some time)

Crowdfunding

Through the sale of shares

Other (please specify)

How do you pay for your products? Tick all appropriate options

Cash

Percentage deposit of the products delivered

Credit

Other (please specify)

What are some of the challenges that you face? Tick all appropriate options

Lack of finance for stock

High dependence on fuel prices

High taxes

High competition from manufacturers

High distribution costs

High staff turnover

Retailers demanding faster deliveries

Slow-moving inventories

Supply or sourcing challenges

Affordability of product to customers

Customer payment default

High distribution costs

Other (please specify)

## c) SALES MANAGEMENT

Do you keep a database of clients?

 Yes No

What type of customers do you serve?

 Individuals Retailers Sales people NGOs Government Institutions (e.g., schools, hospitals) Other businesses agents Other (please specify)

Which channels do you use to sell your products? Tick all appropriate options

 Retail Outlets Partners E-commerce Other (please specify)

Approximately how many agents do you sell your products to in a year?

Approximately how many retail outlets do you sell your products to in a year?

List the retail outlets:

Approximately how many partners do you sell your products to in a year?

List the partners:

Approximately how many e-commerce customers do you sell products to in a year?

List the e-commerce website addresses:

Approximately how many customers do you sell your products to in a year via these websites?

What is your average customer base per year, based on the previous year?

 Below 1,000 customers 1,001–5,000 customers 5,001–10,000 customers More than 10,000 customers

Among your customers, who do you serve mostly?

 Men Women An equal number of men and women

Do you have employees?

Yes

No

How many employees do you have?

What is the ratio of men and women among your employees?

Do you have a sales team?

Yes

No

How many sales personnel do you have?

What is the ratio of men and women in the sales team?

How many sales people are your employees?

List the towns or regions that they cover:

Does the sales team have the following roles in place? Tick all appropriate options

Manager

Supervisor

Team Leader

Other (please specify)

What are some of the activities that your sales team carries out? Tick all appropriate options

Product activation

Market activation

Door-to-door

Other (please specify)

Are their activities routinely planned?

Yes

No

How is their success measured? Tick all appropriate options

Number of products sold

Value of products sold

New customers they gained

Entrance into new geographical areas

Monthly targets

Other (please specify)

How is the sales team compensated? Tick all the appropriate options:

Base-salary plus commission

Commission only

Bonuses

Base-salary only

Other (please specify)

Does the sales team receive any form of training?

Yes

No



Kindly indicate the training received:

<input type="checkbox"/> Marketing skills	<input type="checkbox"/> Networking
<input type="checkbox"/> Communication skills	<input type="checkbox"/> Customer care and relations
<input type="checkbox"/> Agency and empowerment	
<input type="checkbox"/> Other (please specify)	<input type="text"/>

What is the approximate staff turnover rate of your employees and sales agents in the last year (as a percentage of your staff)?

<input type="checkbox"/> Below 10 percent	<input type="checkbox"/> 10–30 percent	<input type="checkbox"/> 31–50 percent	<input type="checkbox"/> 51–70 percent	<input type="checkbox"/> Above 70 percent
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#### d) BUSINESS MODEL AND STRATEGY

Do you use Key Performance Indicators (KPIs)?  Yes  No

What are some of the KPIs for the business? Tick all appropriate options

<input type="checkbox"/> Sale revenue	<input type="checkbox"/> Number of customers reached
<input type="checkbox"/> Number of new customers	<input type="checkbox"/> Number of branches
<input type="checkbox"/> Other (please specify)	<input type="text"/>

Do you have an annual business budget and plan?  Yes  No

How often do you review the business budget and plan?

<input type="checkbox"/> Monthly	<input type="checkbox"/> Quarterly	<input type="checkbox"/> Semi-annually	<input type="checkbox"/> Annually
<input type="checkbox"/> Other (please specify)	<input type="text"/>		

Do you carry out business reviews and monitoring?  Yes  No

How often do you carry out business reviews and monitoring?

<input type="checkbox"/> Monthly	<input type="checkbox"/> Quarterly	<input type="checkbox"/> Semi-annually	<input type="checkbox"/> Annually
<input type="checkbox"/> Other (please specify)	<input type="text"/>		

Why have you not carried out business reviews and monitoring? Tick all appropriate options

<input type="checkbox"/> Lack of capacity	<input type="checkbox"/> Lack of resources other
<input type="checkbox"/> Other (please specify)	<input type="text"/>



Do you offer financing to your customers?

 Yes No

If no, why do you not offer financing to your customers?

Indicate the financing options that your business makes available to customers:

 Hire purchase PAYGO Trade credit Through third-party arrangements, e.g. banks MFIs and NGOs Other (please specify)

Kindly list some of the third-party arrangements:

How do you determine a customer's credit worthiness?

 Relationship with the customer Ability to repay Character Loan history Other (please specify)

How do you handle credit defaulters?

 Involve authorities Switching off the product Repossession Other (please specify)

How likely are you to finance your customers in the future? (1=not likely; 5=most likely)

Do you have a system to manage a PAYGO model?

 Yes No

Which criteria does the business use to select products? Tick all appropriate options

 Margin or demand size Affordability and availability Type of product Brand customer Needs and preferences Competition from other distributors Access to customers Other (please specify)

Do you have a product costing structure?

 Yes No

Are the margins profitable?

 Yes No

What is the cost of the cheapest product that you sell? In USD

What is the cost of your most expensive product? In USD



What are some of the market development initiatives you have put in place?

<input type="checkbox"/> Increasing sales	<input type="checkbox"/> Increasing visibility
<input type="checkbox"/> Capacity-building of staff	<input type="checkbox"/> Bundling of products
<input type="checkbox"/> Consumer financing (e.g., credit plans and hire-purchase)	<input type="checkbox"/> Creating strategic partnerships
<input type="checkbox"/> Other (please specify)	<input type="text"/>

Do you carry out demand-planning and order forecasting?  Yes  No

Which additional business management tools do you use?

<input type="checkbox"/> Software applications	<input type="checkbox"/> Inventory management systems
<input type="checkbox"/> Other (please specify)	<input type="text"/>

### e) PARTNERSHIPS

Do you have long-term contracts, commitments, or agreements with your suppliers and producers?

Yes  No

Kindly mention some of the long-term contracts/commitments/agreements with your suppliers/producers:

Who are your suppliers?

Which qualities do you look for in a supplier?

<input type="checkbox"/> Accountability	<input type="checkbox"/> Compliance with industry standards
<input type="checkbox"/> Innovation	<input type="checkbox"/> Proactive attitude
<input type="checkbox"/> Good communication	<input type="checkbox"/> Good ethics
<input type="checkbox"/> Other (please specify)	<input type="text"/>





## f) PLANNING AND LOGISTICS

How do you deliver your goods?

 Courier Internal delivery team Customer in-person pickup Other (please specify)

Do you have a sales-route plan in place?

 Yes No

How do you effectively sell or deliver your goods without a route plan?

Who handles the customers' grievances and other general issues?

 Manager or supervisor Customer care personnel Other (please specify)

Do you offer after-sales services?

 Yes No

Which after-sales services do you offer? Tick all appropriate options

 Pre-installation services User-training Warranty services Online support Return/replacement Free consultations Discounted repairs Other (please specify)

How do you handle emergency deliveries?

How promptly do you communicate delivery delays to customers? Select only one option

 Within 12 hours Between 13 hours and 24 hours Between 25 hours and 48 hours More than two days

Is there a documented process in place for the receipt, storage and retrieval of stock, including for damages and returns?

 Yes No

## g) RECORD KEEPING AND BACK OFFICE

How do you keep your records? Tick all appropriate options

Manually (on paper)  Standard applications (e.g., Microsoft Excel/Word)

Specialized applications (e.g., Sage and QuickBooks)

Which advanced application do you use?

Is your record-keeping system automated?

Yes

No

Can your record-keeping system produce data that can be used to make real-time decisions?

Yes

No

Which applications do you use for workforce management?

None

Microsoft Excel

Specialized applications

Other (please specify)

Do you keep financial records?

Yes

No

Indicate the financial data that you record:

Balance sheet

Profit and loss

Cash flow

Other (please specify)

Are you able to access affordable capital that allows you to test your business model?

Yes

No