How to scale your last mile distribution business into a new country using lean startup principles

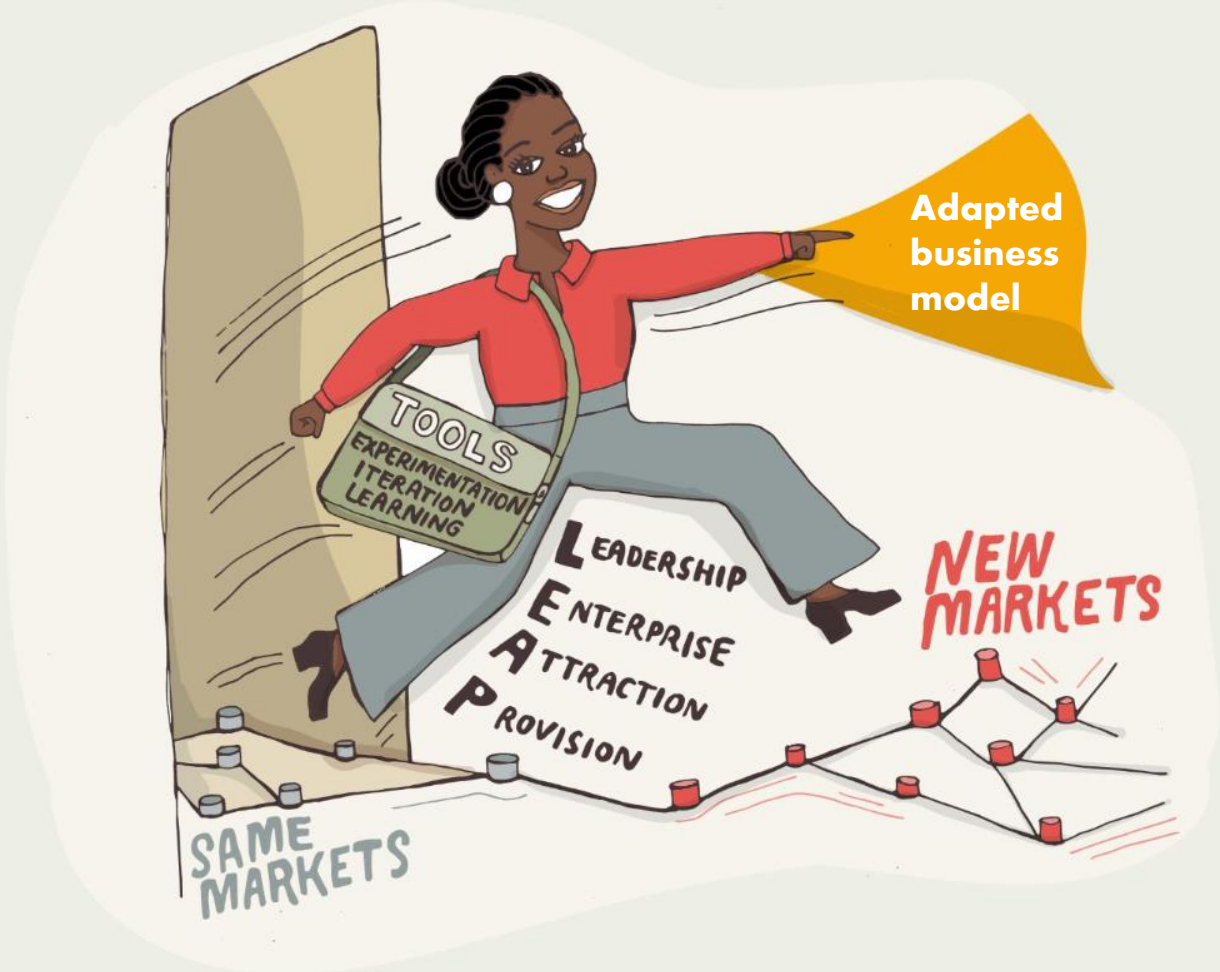From our GDC innovation how-to-guide series

Today's agenda

- Innovation Challenge scene-setting and intro to Bidhaa Sasa pilot

- Conversation with Bidhaa Sasa

  - Why a scaling tool?

  - How do you use the tool?

  - Lessons learned from Bidhaa Sasa's experience scaling into Uganda

- Q&A

Photo credit: Bidhaa Sasa

About the GDC Innovation Challenge

A **unique** challenge that crowdsources innovations from **GDC members** and other organisations,

helps **pilot the best ideas**, and supports the broader last-mile distribution community to

replicate and learn from those innovations.

A An intro to the LEAP tool
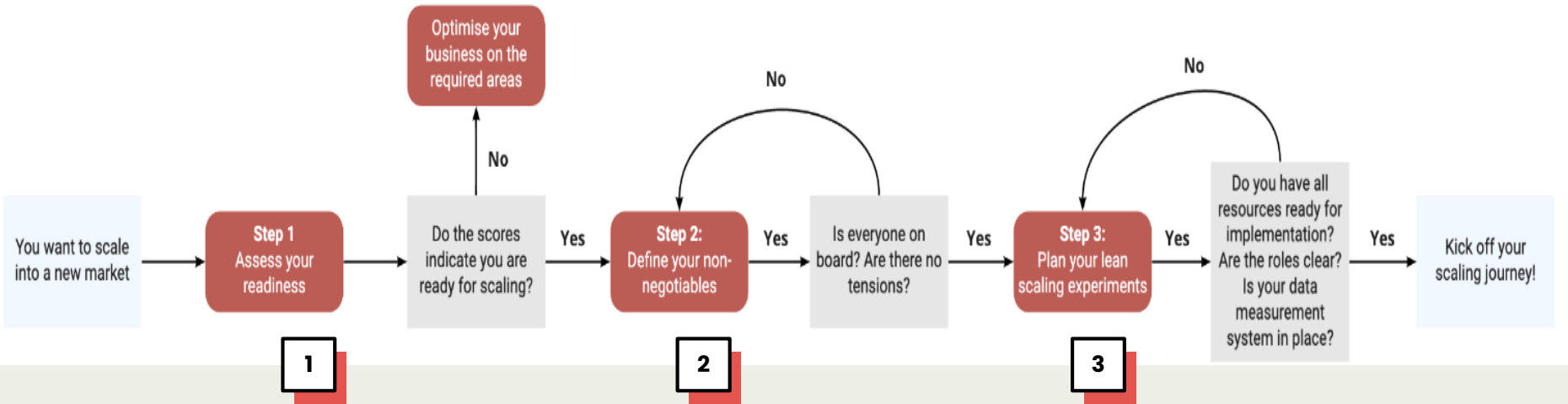

You want to scale into a new market → Step 1 Assess your readiness → Do the scores indicate you are ready for scaling? — No → Optimise your business on the required areas

Do the scores indicate you are ready for scaling? — Yes → Step 2: Define your non-negotiables — Yes → Is everyone on board? Are there no tensions? — No (loops back to Step 2) — Yes → Step 3: Plan your lean scaling experiments — Yes → Do you have all resources ready for implementation? Are the roles clear? Is your data measurement system in place? — No (loops back to Step 3) — Yes → Kick off your scaling journey!

1   2   3

Description of the LEAP categories

L | Leadership

Relates to the company's leadership strategy and approach, including the business mission, team structure and growth, company culture and impact targets.

E | Enterprise

Pertains to the company's financial position as well as key internal operations at the last mile, including systems and processes to manage personnel, IT and communication.

A | Attraction

Looks at how the business is establishing its position in the market, including understanding and attracting customers, evaluating competition and navigating the business environment.

P | Provision

Assesses how the business extends its services across the supply chain, the channels it uses and the partnerships it leverages to reach customers at the last mile.

Attraction

Consider your own context: How well do you know your current market and consumer preferences? It is important to have an adequate understanding of the current market landscape, eg. target customer, competition, value proposition and positioning, before scaling to a new one.

	Strategic questions	Rating (Yes = 1, No = 0)
Customers and product-fit	• **In your current market, have you been able to grow your customer base beyond early adopters?** • **Can you define key demographic characteristics of your customer profile(s) such as gender, occupation, geography, and family size?** • **Do you have mechanisms in place to collect and act on customer feedback?** • **Have you optimised your product basket in response to customer demand?**	
Competition	• Do you know the competitors in your current market and have you scoped possible new entrants? • Do you understand your competitors' value-add to your target customer and how your value proposition differentiates you in the market?	
Consumer journey	• Are you realising continuous year-on-year growth in your customer base that is comparable to your early growth projections? • Are your customers generally satisfied?	
Pricing	• Have you optimised price points and repayment plans based on your understanding of customer segments and their repayment behaviour?	

Total score: _____

CASE STUDY: EXAMPLE OF WORKSHEET 2

Bidhaa Sasa listed the following things they want to hold on to when scaling from Kenya into Uganda.

LEAP category	Non-negotiables
Leadership	• We are not willing to compromise on our social impact goal, which is 'to serve poor rural households'. • We would like to keep a flat hierarchy with decentralised decision-making, regardless of how big we become. • We must not change our current male/female staff ratio of 50/50.
Enterprise	• We are not willing to incorporate borrowed funds into our finance structure. • Our business does not set up tax havens and include "free money" (grants) in financial projections. We focus on commercial viability instead. • We would like to maintain our existing software solutions to collect and manage consumer data.
Attraction	• **We are not willing to change our brand. Customers should be able to know who we are across markets.** • **We want to maintain our target customers: women in rural households.**
Provision	• We want to keep the use of mobile money as a payment avenue rather than cash. • Our business will continue to rely heavily on the group credit lending model.

LEAP category	Business element	Learning	Data collected	Lean experiments	Priority level
Attraction	**Customers and product-fit**	**Which problems do people have and how do they solve them today?**	Qualitative data from 1:1 interviews with randomly chosen households. List of current problems and how they solve them, including insights on time and expenses required.	**Carry out a customer baseline survey to collect self-reported data.**	High
		What is the user experience with the products we are considering for our basket?	Qualitative data from 1:1 interviews: which benefits are derived from using product X, which problems are faced when using product X, and how does product X compare to current solutions?	Recruit prospective customers to voluntarily test products in their own homes and collect their feedback.	High
		How do we get to a product-market fit quickly and refine the features of our Minimum Viable Product (MVP)?	MVP features tested: adoption rate (conversion rates, sales); length of loan; repayment (late repayments, frequency of repayments, amounts repaid), role of leader (motivations, incentives.)	Conduct a lean sales pilot with the MVP and test demand from early adopters, before launching sales more widely.	High
	Pricing	What are price points for the target market? How do we balance instalment amounts and length of loans?	Total price vs. length of loan vs. instalment amount.	Run A/B tests with prospective customers to learn about pricing and terms of conditions.	Medium

Case study of Bidhaa Sasa

Some results achieved with the first experiments

Product bias based on gender: In Uganda, men want solar home systems, women want cookstoves. In Kenya, women want "solar".

Distribution of preference across product categories: In Uganda, 33% want solar energy products, 50% want agricultural products, and 17% cookstoves. In Kenya agricultural and cooking solutions dominate the demand.

Adoption of mobile money: In Uganda this is a barrier that requires more attention than in Kenya.

Motivation of group sales leaders: The leaders that are responsible for coordinating group purchases are mainly driven by their desire to help their communities (which is the same as in Kenya).

Case study of Bidhaa Sasa

Top-tips when scaling the lean way

- **Run experiments, quickly and cheaply, to learn fast.** The LEAP tool and approach allows for faster learning, more control and reduced costs as compared to linear approaches.
- **Invest in data collection and analysis tools on day one.** Running experiments also needs a very clear IT and data strategy as well as infrastructure which can be costly and misunderstood.
- **Train staff on lean approaches on day one.** Running experiments requires a mental approach from staff that has to be embedded in the company culture for it to work. Unless staff are comfortable with the idea of failing (for the sake of learning), the experiments will not yield important learnings.
- **Engage with donors** that are doing research in the same field and who are familiar with learning through experimentation. Investors might want to see a master plan set in stone, which is the complete opposite of what lean scaling is all about.

Q&A