

**Global  
Distributors  
Collective**

# Benchmarking tool for last mile distributors

## Back-end infrastructure and overheads

16<sup>th</sup> January 2025

Supported by:



Delivered by:

**HYSTRA**  
hybrid strategies consulting

# Agenda

1. Introduction to benchmark – 10'
2. Back-end Infrastructure and overheads KPIs – 60'
3. Q&A – 20'



# Built with FCDO\* financing, the benchmark tool enables auto-diagnosis of businesses using 24 operational KPIs\*\*

<i>Objectives</i>	<i>Scope</i>	<i>Methodology</i>	<i>Ways to use it</i>
<p>The tool aims to help:</p> <ul style="list-style-type: none"> <li>• LMDs determine KPIs to track, assess their performance and compare with peers</li> <li>• Funders gain intel on operational parameters, streamline part of their DD, and identify TA needs</li> <li>• The sector become more transparent</li> </ul>	<p>Operational KPIs:</p> <ul style="list-style-type: none"> <li>• Value proposition and financing</li> <li>• Sales and marketing</li> <li>• Back-end infrastructure and overheads</li> </ul> <p>Complementing financial and Environmental and Social indicators</p>	<p>3 main sources:</p> <ul style="list-style-type: none"> <li>• Hystra’s work with 63 LMDs since 2013 and 10 leading LMDs recently interviewed for this work</li> <li>• GDC survey of 109 LMDs in 2021</li> <li>• PayGo Labs for credit-related indicators</li> </ul>	<ul style="list-style-type: none"> <li>• Directly by companies for auto diagnostic</li> <li>• By funders in discussion with (potential) investees</li> <li>• By TA providers to help companies fill in and interpret the benchmark’s results, and design optimal support interventions</li> </ul>

# How to interpret benchmark values

## Methodology to define benchmark values

“Best practice”: best seen across LMDs who participated

“Good”: sufficient to allow an LMD to become sustainable

“Can be improved”: KPIs to improve in priority for LMDs looking to be profitable



**NB:** Companies should use this benchmark for a particular business unit/ geography at a time

## Disclaimer

- This is an evolving tool
- We have tried to define cross-sector, cross geography KPIs. Yet not all of them may apply to smaller LMDs, across diverse geographies, products, models or in exceptional circumstances
- All indicators should be considered as performance guide and inspiration more than as tests set in stone

# Why use this tool?

## Quotes from LMD entrepreneurs who tested it

*This allows for a better understanding of the market, identifying best practices and areas that need improvement*



Samy Chaliar, CEO HERI

*This exercise offers the possibility to:*  
*1/ Think about KPI's you don't track yet*  
*2/ Check on which key KPI's you have to focus on*  
*3/ Have an executive short dashboard including all components of your business*



Alexandre Coster, Co-Founder and Ex-CEO of Baobab+

*The tool presents a comprehensive selection of KPIs that provide great perspective on the most important aspects of a LMD business*



Alexandre Tourre, CEO EasySolar

*This tool has enabled us to identify concrete, efficient actions to achieve our objectives. As a result, we can assess our progress and gain a competitive edge*



Ahissou Prudence, Feu Vert Bénin

*Founders and managers often find hard to judge their relative businesses performance and position themselves in the larger ecosystem of players. A set of key common metrics with their corresponding benchmarks will help the entire sector*



Rocío Pérez Ochoa, Co-Founder Bidhaa Sasa

# Which 23 KPIs are included in the report?

## Value Proposition

Net Promoter Score (NPS)

Unique selling proposition

Market segments

Revenue streams

Gross margin

Inclusivity ratio

Product utilisation rate

## Sales and Marketing

Above-the-line marketing

Market penetration

Revenue per sales agent

Sales agent compensation

Sales agent cost ratio

Sales agent churn

Sales agents per manager

Cost of field force

Sales agent time efficiency

## Back-end Infrastructure and Overheads

Product servicing rate

Stock loss

Overhead ratio

Digitalisation indicator

CEO support system

Cash conversion cycle

Grant contribution

# Your moderator for today



Lucie Klarsfeld McGrath  
Partner  
**Hystra**  
(GDC advisory board member)

# Which 23 KPIs are included in the report?

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## Back-end Infrastructure and Overheads

**Product servicing rate**

**Stock loss**

**Overhead ratio**

**Digitalisation indicator**

**CEO support system**

**Cash conversion cycle**

**Grant contribution**



# Question



Calculating product servicing rate helps...

1. Negotiate additional stocks with manufacturer and ensure they resolve any defects
2. Evaluate how well the sales agents explained the product
3. Identify frequent issues for which you can provide customer group demonstrations on how to “self-repair”
4. All of the above

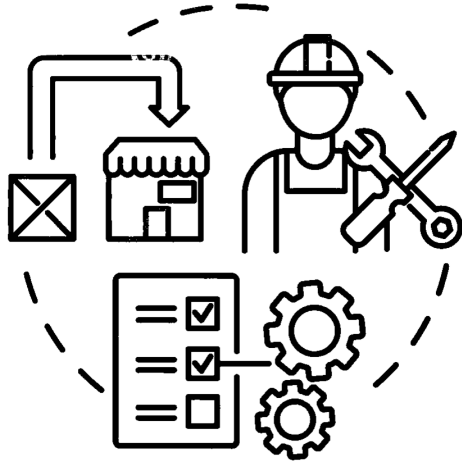
# Answer



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# Product servicing rate: Why and how to track and minimise it?

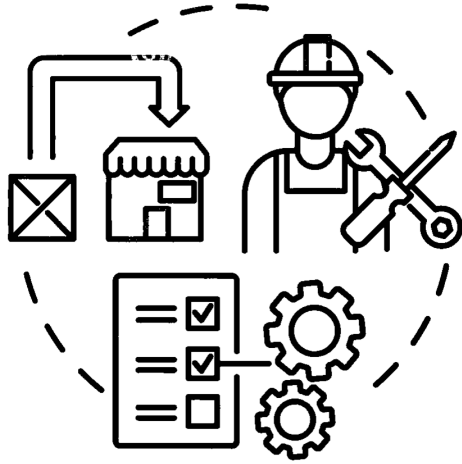


*Number of products under warranty that required maintenance  
or after-sales service over past two years*

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*Number of products sold that currently have outstanding warranty periods*

# Product servicing rate: Why and how to track and minimise it?



## Best practices

Track issue type: product defect, improper usage or basic maintenance

Set up a proactive after-sales service for complex products

## Benchmark value

- **Can be improved:** Not measured
- **Best practice:** Dependent on product type

*Number of products under warranty that required maintenance  
or after-sales service over past two years*

*Number of products sold that currently have outstanding warranty periods*

# Question



Measuring stock loss...

1. Is useful to predict how much to order in the next period
2. Is useful to understand and improve the effectiveness of the inventory management
3. Is useful to detect fraud
4. All of the above

# Answer



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# Stock loss: Why and how to track and minimise it?

Measures the quality of Inventory Management

**Value of written-off inventory  
as a % of average inventory held**

**Reasons for stock loss:** theft, spoilage, obsolete products etc.

# Stock loss: Why and how to track and minimise it?

Measures the quality of Inventory Management

## Value of written-off inventory as a % of average inventory held

Reasons for stock loss: theft, spoilage, obsolete products etc.

Best practices
Monitor reasons for write-offs
Use inventory management software
Ensure proper checks of inventory upon delivery
Ensure appropriate storage
Make workers aware of inventory write-offs and their causes

Benchmark value	
Non-perishable FMCG	Durable goods
<ul style="list-style-type: none"><li>• <b>Can be improved:</b> Not measured</li><li>• <b>Best practice:</b> &lt;1% at warehouse level</li></ul>	<ul style="list-style-type: none"><li>• <b>Can be improved:</b> Not measured</li><li>• <b>Best practice:</b> Dependent on product type*</li></ul>

Note: (\*) Very few companies selling durable goods are currently measuring this KPI, hence the lack of benchmark value.



# Question



It is reasonable to invest more than 25% of revenues on overheads when...

1. You are a fast-growing organisation building professional overheads
2. You are a non-profit focused on serving customers living in extreme poverty
3. You are a large/stable organisation looking to ensure sustainable profits

# Answer



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# Overheads ratio: How to calculate and optimise it?

## Sun Corp Income Statement 2023

<b>Revenue</b>		<b>\$1,200,000</b>
<b>Cost of goods sold</b>		<b>\$780,000</b>
<b>Gross profit</b>		<b>\$420,000</b>
<b>SG&amp;A</b>		<b>\$610,000</b>
✓	Salaries for leadership and administrative staff	\$250,000
✗	Salaries for sales staff	\$200,000
✓	Office rent	\$50,000
✓	Utilities	\$10,000
✗	Advertising	\$40,000
✓	Office supplies	\$5,000
✗	Travel for sales team	\$25,000
✓	Fundraising expense	\$20,000
✓	Depreciation on office equipment	\$10,000
	<b>Operating profit</b>	<b>-\$190,000</b>

Overheads

**Total overhead costs = \$345k**

**Overheads ratio =**

Yearly overhead costs

---

Sales revenue from product sales over the year + other revenues generated directly from the sale of those units

= \$345k ÷ \$1200k

= **28.75%**

# Overheads ratio: How to calculate and optimise it?

## Overheads ratio

Yearly overhead costs

---

(Sales revenue from product sales  
over the year

+

Other revenues generated directly  
from the sales of those units)

Best practices
Conduct a resource assessment to determine which new functions or expenses are strategic as you grow
Conduct an annual overheads review
Focus on financial sustainability

Benchmark value	
Fast growing	Stable
<ul style="list-style-type: none"><li>• Can be improved: &gt;35% or &lt;10%</li><li>• Good: 25% - 35%</li><li>• Best practice: 10% - 25%</li></ul>	<ul style="list-style-type: none"><li>• Can be improved: &gt;20% or &lt;5%</li><li>• Good: 10% - 20%</li><li>• Best practice: 5% - 10%</li></ul>

# Question



Companies should...

1. Digitalise all processes to maximize efficiency
2. Record all data in digital format but keep processes manual to reduce digital software costs
3. Streamline all workflows prior to digitalizing a process to ensure that only the most suitable functions are digitalised
4. None of the above

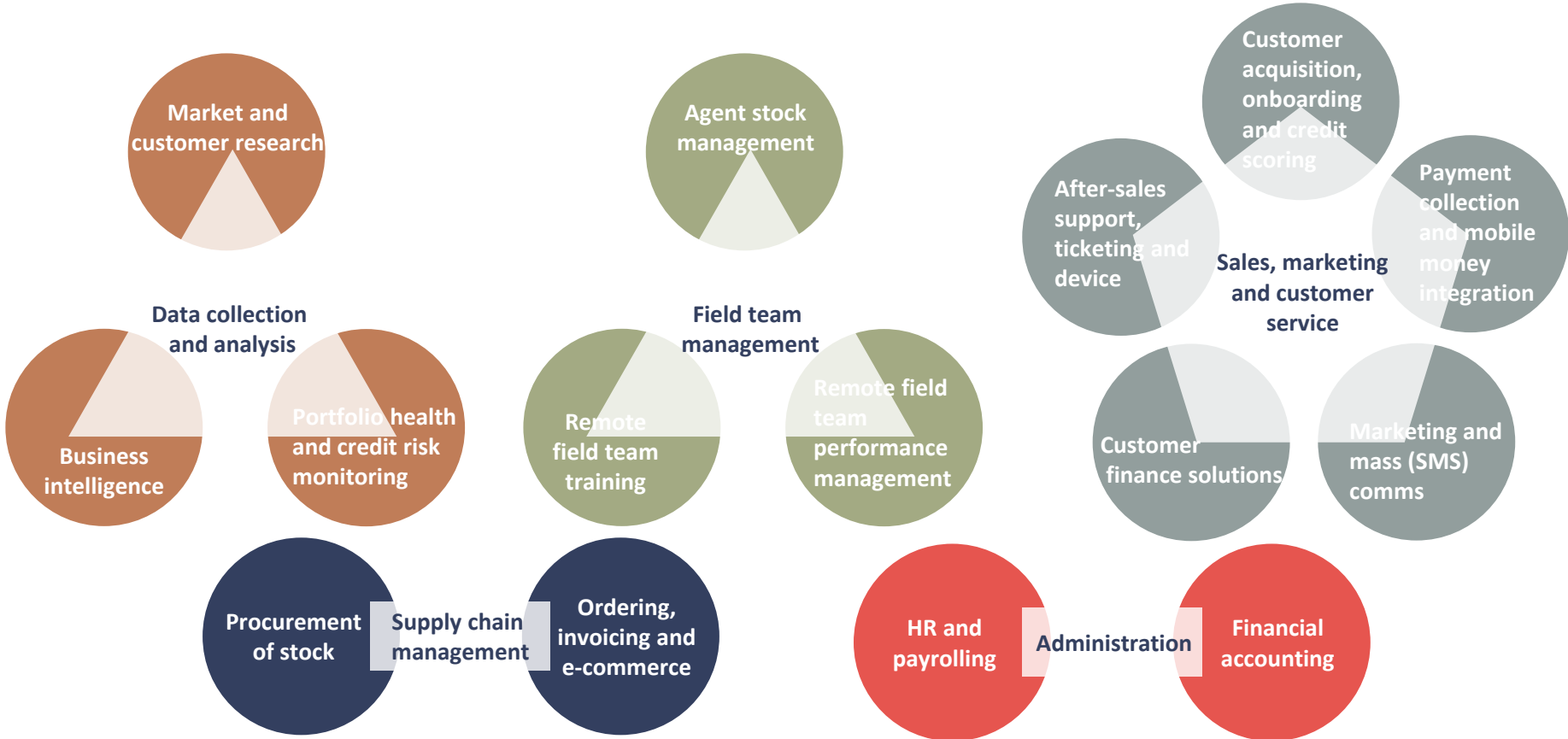
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Companies should...

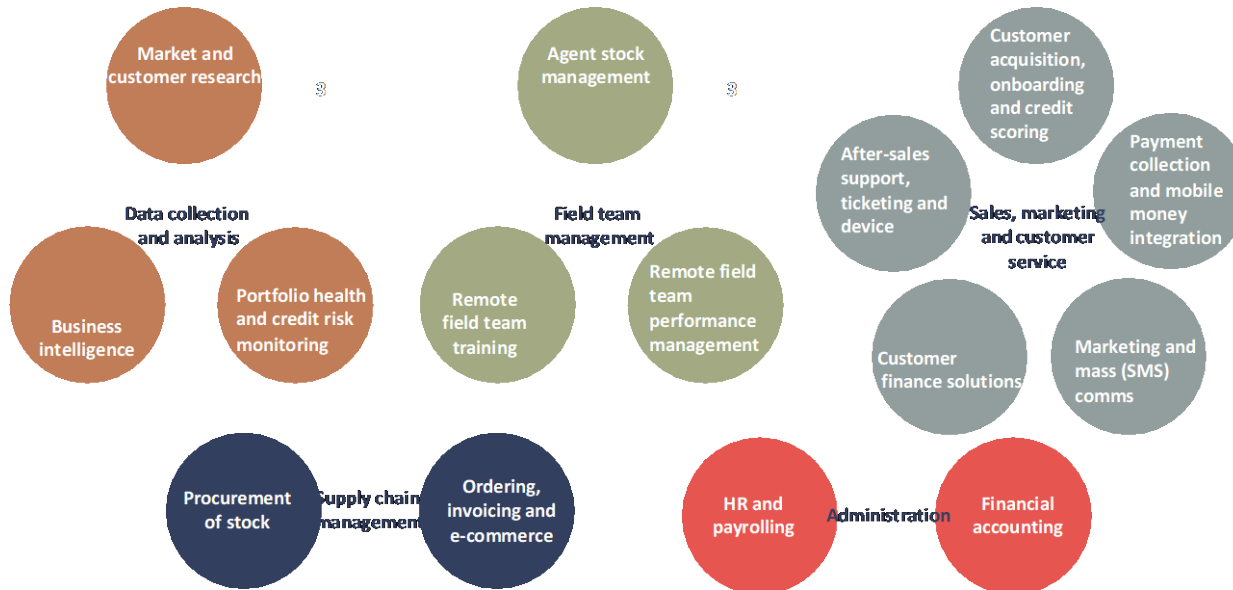
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4. None of the above

# Digitalisation indicator: Which business processes to digitalise and why?



Source: [Digital transformation to support last-mile distribution: overcoming barriers together](#), Energy Catalyst

# Digitalisation indicator: Which business processes to digitalise and why?



Best practices
Streamline workflows prior to digitalisation
Research digital solutions
Train staff in digital solutions
Assign dedicated team members to analyse data and assess performance

Benchmark value
• Can be improved: 0 - 6
• Good: 7 - 10
• Best practice: 11 - 15



# Question



A CEO should consult on strategic matters with...

1. The board and his/her management team
2. The board, his/her management team and specialist advisors
3. Coaches and peers
4. At least two different categories of the people above, capturing both internal and external points of view

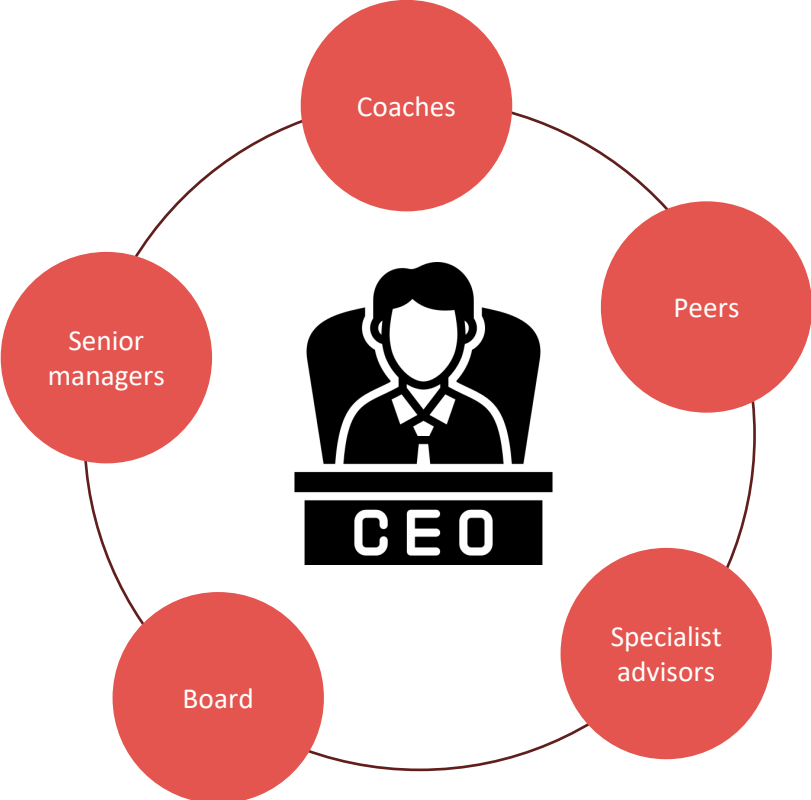
# Answer



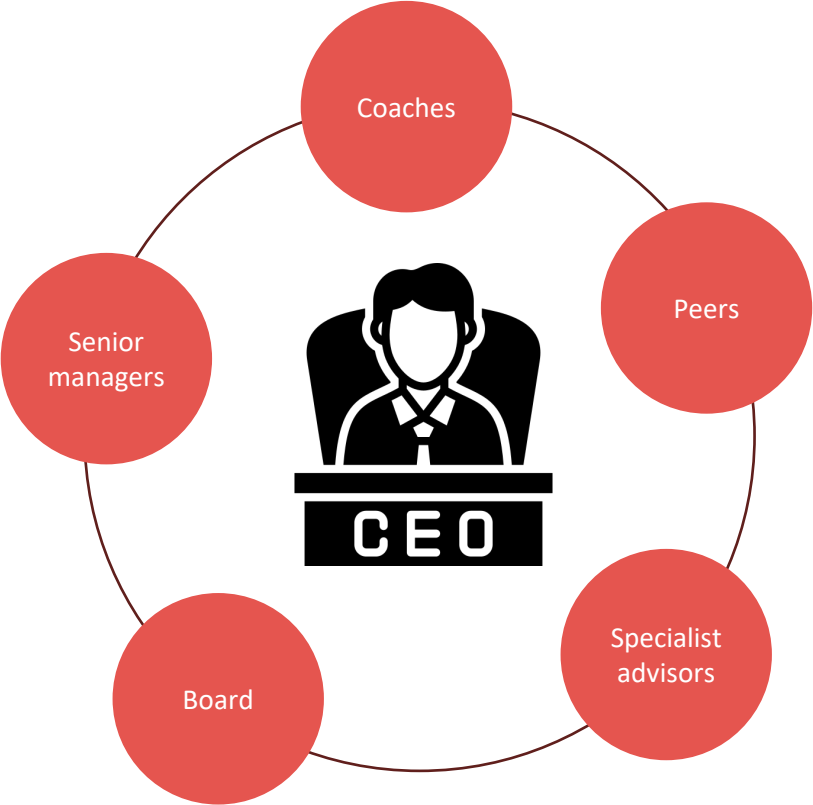
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# CEO support system: How to ensure a diverse support system for the company leader?



# CEO support system: How to ensure a diverse support system for the company leader?



Best practices
Get the perspectives of at least two different categories of people, capturing internal and external points of view
Clearly delegate responsibilities and decision-making to operational teams with process monitoring to ensure accountability and transparency

Benchmark value
<ul style="list-style-type: none"><li>• Can be improved: 0</li><li>• Good: 1</li><li>• Best practice: 2 or more</li></ul>

# Question



To improve their cash conversion cycle, companies can...

1. Reduce days sales outstanding (DSO) by increasing upfront payment on credit sales
2. Increase days payable outstanding (DPO) by negotiating longer payment terms with suppliers
3. Increase days of inventory outstanding (DIO) by keeping stocks high thus avoiding any lost sales from stock-outs

# Answer



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# Cash Conversion Cycle: How to best assess and minimise it?

**Cash conversion cycle**

**= DSO + DIO - DPO**

**Days of sales outstanding (DSO):**

Average number of days needed to collect accounts receivable

**Days of inventory outstanding**

**(DIO):** Average number of days needed to turn inventory into sales

**Days payable outstanding (DPO):**

Average number of days needed to pay back accounts payable

# Cash Conversion Cycle: How to best assess and minimise it?

**Cash conversion cycle**  
 = DSO + DIO - DPO

**Days of sales outstanding (DSO):**  
 Average number of days needed to collect accounts receivable

**Days of inventory outstanding (DIO):** Average number of days needed to turn inventory into sales

**Days payable outstanding (DPO):** Average number of days needed to pay back accounts payable

Best practices
Track CCC continuously to review how working capital is being used
Identify inefficiencies by periodically asking yourself questions on inventory, supply, customer financing and cash flow
Know your carrying costs
Understand the cost of a lost sale
Make trade-offs to minimise CCC while prioritising long-term impact

Benchmark value		
FMCG	Durable goods without financing	Durable goods with financing (loan <1 year)
<ul style="list-style-type: none"> <li>• Can be improved: &gt;20</li> <li>• Good: 5 - 20</li> <li>• Best practice: &lt;5</li> </ul>	<ul style="list-style-type: none"> <li>• Can be improved: &gt;90</li> <li>• Good: 30 - 90</li> <li>• Best practice: &lt;30</li> </ul>	<ul style="list-style-type: none"> <li>• Can be improved: &gt;180</li> <li>• Good: 60 - 180</li> <li>• Best practice: &lt;60</li> </ul>



# Question



A company should not leverage one-time grant funding...

1. At launch of new product line or business
2. During exceptional external shocks (e.g., a pandemic)
3. When it requires the company to enter a new market or start a new product or service with uncertain synergies

# Answer

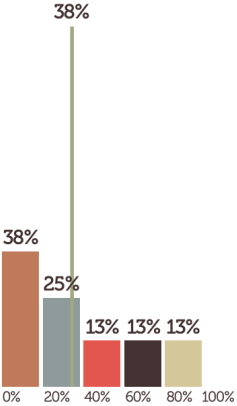


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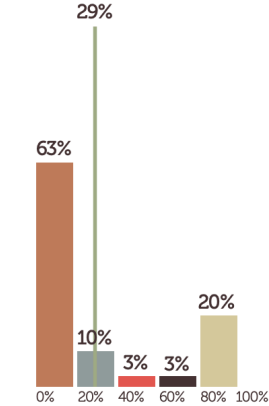
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# Grant contribution: When and how to best leverage it?

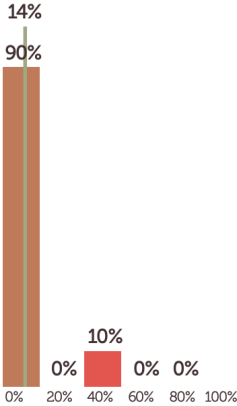
**How to read this graph**  
 90% of GDC members with revenues over \$1m have less than 20% of their overall revenues coming from grants



**Yearly revenues below \$100k**  
 N=24



**Yearly revenues between \$100k and \$1m**  
 N=29



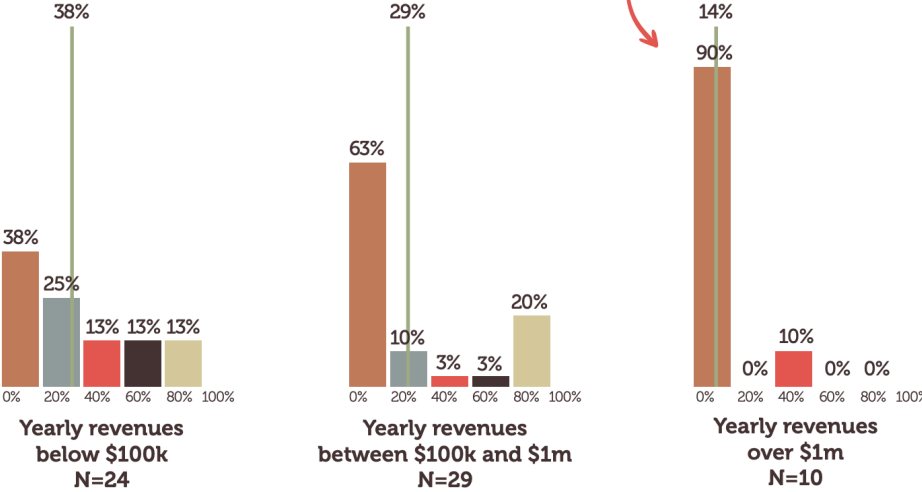
**Yearly revenues over \$1m**  
 N=10

— Average of Global Distributors Collective members surveyed

Source: Global Distributors Collective survey of members, 2021; data were cleaned for companies with inconsistent answers.

# Grant contribution: When and how to best leverage it?

**How to read this graph**  
 90% of GDC members with revenues over \$1m have less than 20% of their overall revenues coming from grants



Best practices
Use grant funds strategically for high-risk activities or to fund capex
Understand fundraising and M&E costs
Align grants with business-as-usual
Prioritise recurring grants

Benchmark value	
Companies with revenues <\$1m	Companies with revenues >\$1m
No set rules. Benchmark data from GDC can provide an idea of range	<ul style="list-style-type: none"> <li>• Can be improved: &gt;20%</li> <li>• Good: 10% - 20%</li> <li>• Best practice: &lt;10%</li> </ul>

— Average of Global Distributors Collective members surveyed

Source: Global Distributors Collective survey of members, 2021; data were cleaned for companies with inconsistent answers.

# Q&A



# Thank you and wrap up

- Your feedback
- Recording, slides and drop-in session details

Contact us:  
[GDC@practicalaction.org.uk](mailto:GDC@practicalaction.org.uk)



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