



Miller Center
for Social Entrepreneurship

Last-Mile Distribution Playbook

Overview [January 2018]

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LMD Playbook - Introduction to this Slide Deck

This document is an overview of the Last-Mile Distribution Playbook (“LMD Playbook”), a product of the Miller Center’s Replication Initiative.

The purpose of this document is to provide the reader with an overall sense of the LMD Playbook’s structure and content. The full LMD Playbook contains 12 modules, each including 10-40 slides, a webinar, and module-specific exercises (in Excel or other platforms). The playbook is used by entrepreneurs over the course of 3 months, during which time each entrepreneur is directly supported by a mentor.

Miller Center's Replication Initiative

The LMD playbook is a product of the Miller Center's Replication Initiative. The Replication Initiative focuses on scaling-out successful social enterprise business models. We oversee a portfolio of replication-focused experiments and projects, helping entrepreneurs to:

- Identify and operationalize a replication strategy
- Localize successful business models instead of starting from scratch
- Decrease start-up costs and time to bring solutions to market
- Unlock investment for the expansion of validated business models

The LMD playbook is our response to the growing demand for adaptable business models to spread in new geographies. Our approach with the LMD playbook has been to identify, extract, and distill best practices from successful originating enterprises, package these in a comprehensive playbook, and deliver the playbook with the active support of personalized mentors assigned to each user.

The Promise and Challenges of Last Mile Distribution

Last-Mile Distribution enterprises build distribution channels for a range of beneficial products and services to rural or urban populations. They are filling gaps and reaching areas that traditional distribution is not reaching. They operate either through fixed retail locations, or through sales agents who travel door-to-door.

LMD enterprises face challenges on many fronts. They operate in areas poorly served by existing infrastructure and often sell to customers with limited money to spend. They are faced with high product costs, financial constraints, and the need to train and retain large numbers of sales agents and sales points.

Operating an enterprise and raising money for an enterprise require different skills and different networks. The LMD Playbook addresses these barriers in hopes that new entrants into the distribution sector can learn from pioneering enterprises and succeed to meet the needs of marginalized consumers.

The Future of the LMD Playbook

In developing the LMD Playbook, we have drawn on the expertise of pioneering distribution entrepreneurs, manufacturers, technology providers, and other sector professionals. Over the course of 2017 we designed, prototyped, built, and launched the LMD Playbook with a group of entrepreneurs and partners, further validating our work.

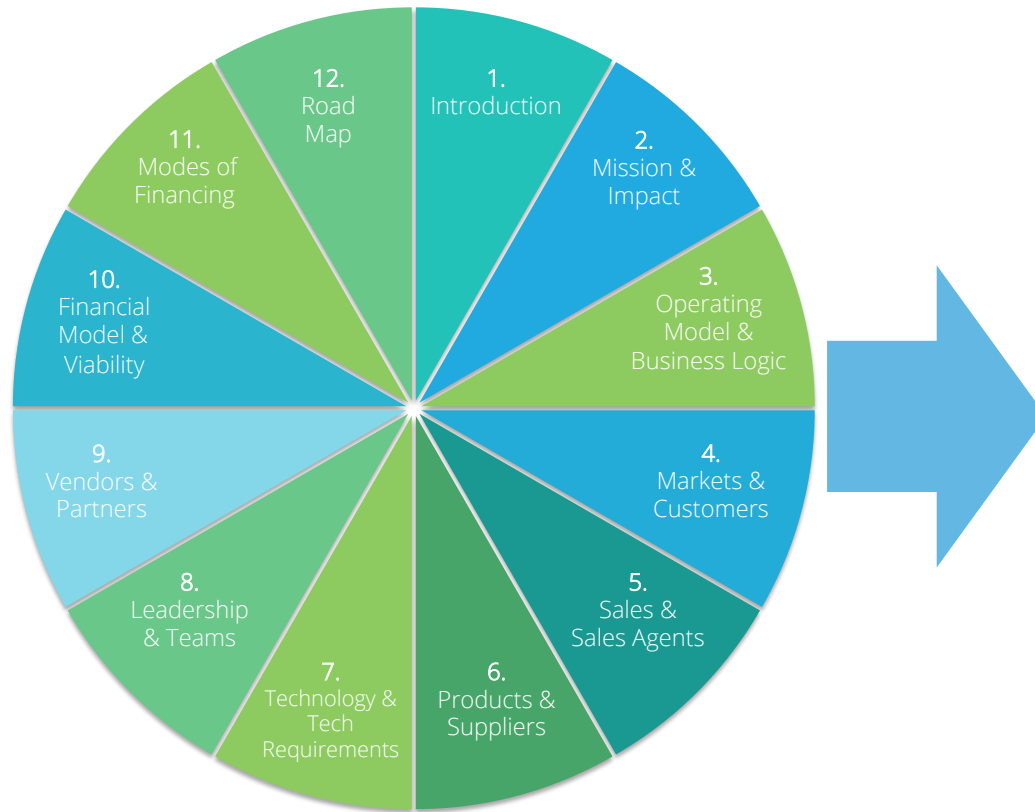
We will continually improve the LMD Playbook by updating the content with user feedback and our own observations.

We will also engage distribution enterprises that want to launch or improve their enterprises using the LMD Playbook, and leverage partners to reach more aspiring entrepreneurs, unlock investment, and support the continued development of the last-mile distribution sector.

If you are interested in using or distributing the LMD playbook, partnering with us in some other way, or have questions and suggestions on the LMD Playbook, please direct your queries to: Neal A. Harrison at nharrison@scu.edu

LMD Playbook Goals

The LMD playbook leads users through 12 modules via slide presentations, webinars, exercises, and mentors. Each user produces tangible outputs specific to that user's LMD enterprise.



Each user of the LMD Playbook:

- Defines the enterprise's mission, impact, and operating model
- Segments the market and surveys typical customers
- Specifies sales agents, sales process, technologies, and personnel
- Determines pricing, margins, inventory cycles, and suppliers
- Generates a financial model integrating numerical assumptions from all other modules
- Identifies potential sources of financing



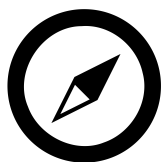
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Last Mile Distribution Playbook

Module 1:

Introduction



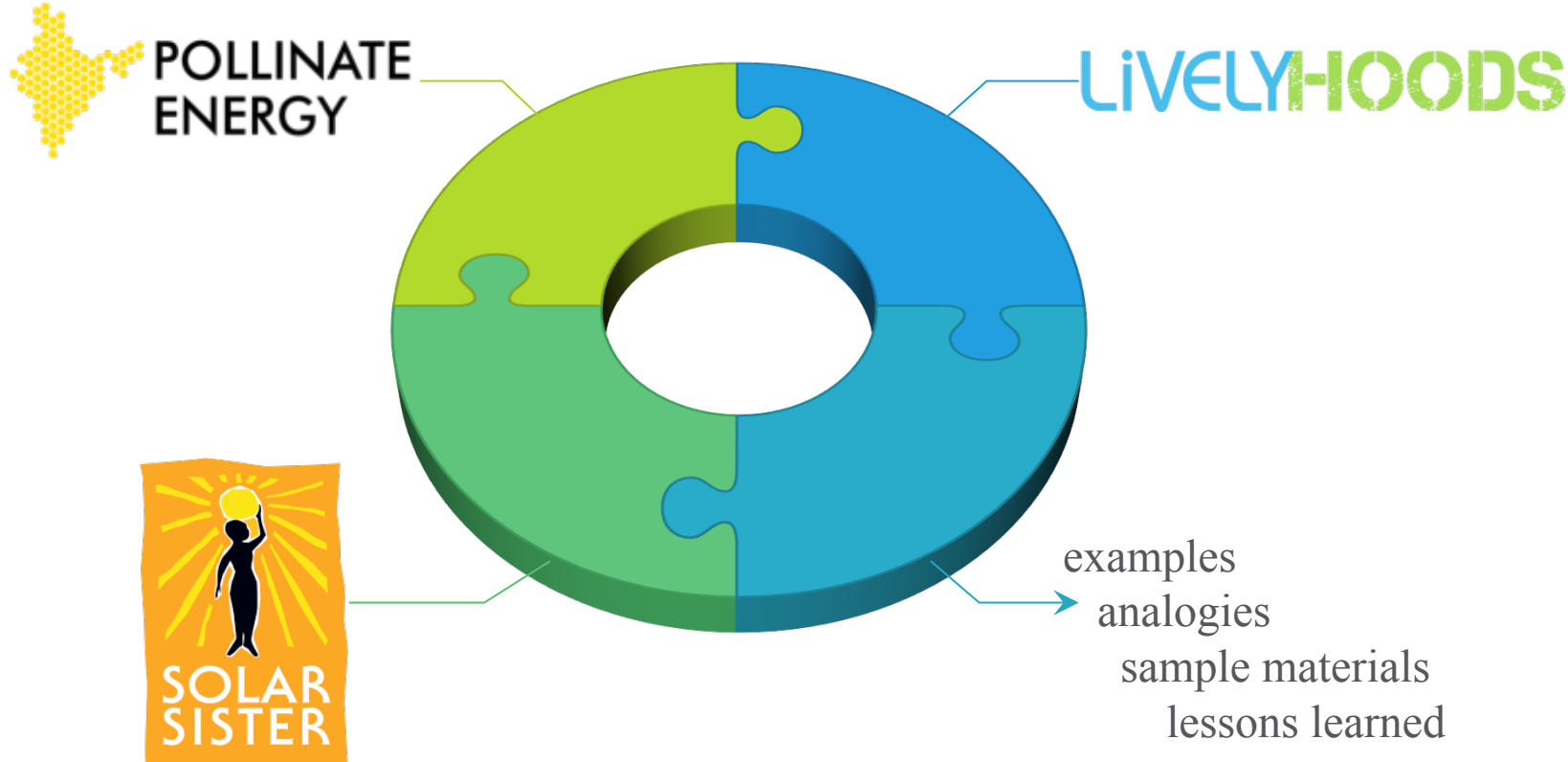


Introduction and the Purpose of This Playbook

This playbook is designed to support new or early-stage last-mile distribution (LMD) enterprises launch and grow faster and more successfully, by learning from best practices of existing last-mile distribution enterprises. No matter where you are with your LMD enterprise, the playbook will help you take your enterprise to the next level.



Best Practices from Originating Enterprises (“Originators”)



Apart from these 3 pioneering last mile distribution enterprises, we also interviewed several other distribution entrepreneurs, manufacturers, and experts to draw out best practices for this playbook

Module 1: Sample Materials

Modules and Module Structure



Purpose / Choice Points



Visual Introduction



Originator / Key Resources



Prompts



Road Map Outputs



Go Do It!



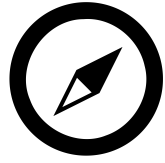
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Last Mile Distribution Playbook

Module 2:

Mission & Impact





Module 2: Overview

Mission and Impact

in this module you will...

Mission and Problem Statements

Review the originators' mission and problem statements and learn how to craft your own

Defining Your Mission

Describe the challenge that your enterprise addresses the solution it offers

Measuring Impact

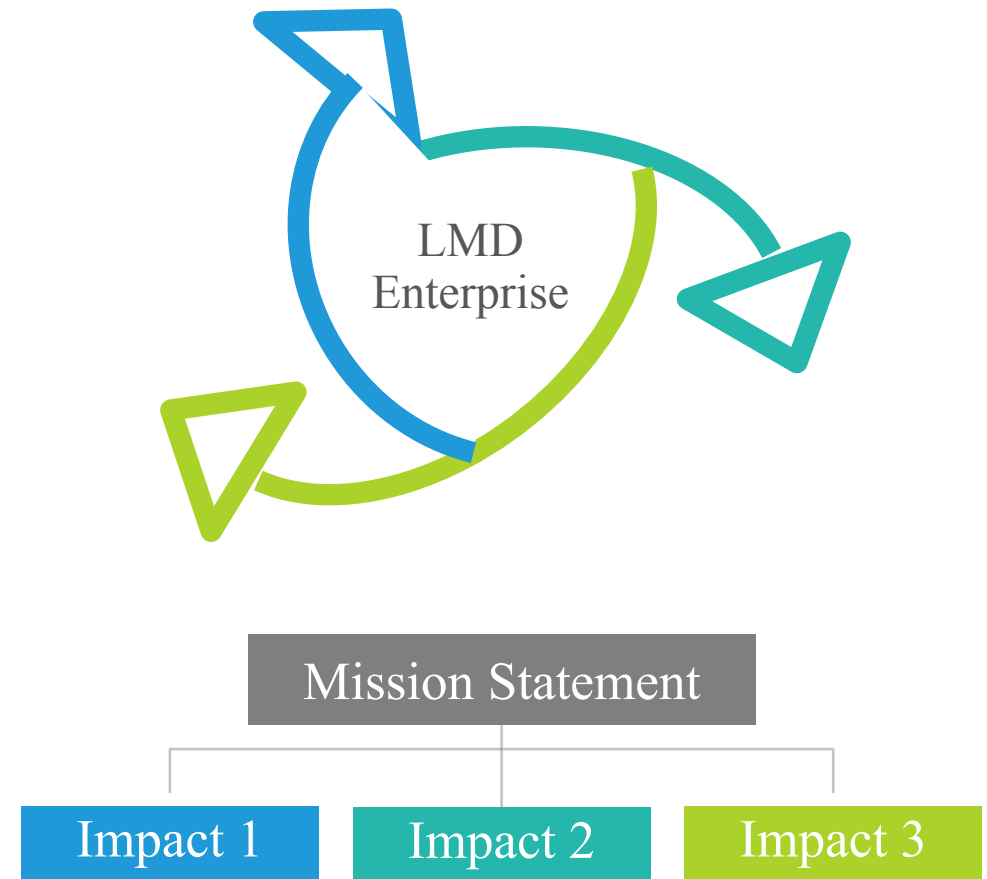
Look at how successful social enterprises measure and present their social impact

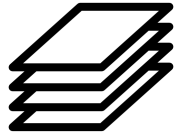
Your Impact

Use your mission statement to identify your most important impact metrics, then consider how you will measure this impact

The Importance of Defining Your Mission and Impact

- Focuses and guides your organization
- Your mission should be shared and articulated to all stakeholders
- Illustrating impact links outputs and outcomes, and helps you understand whether your solution creates the intended impact





Module 2: Sample Materials

Key Resource: Module Outputs

- Write a **mission and problem statement** for your enterprise
- Fill in the provided **Impact Tracking Dashboard** to determine and track your enterprise's key impact metrics, then share with your mentor



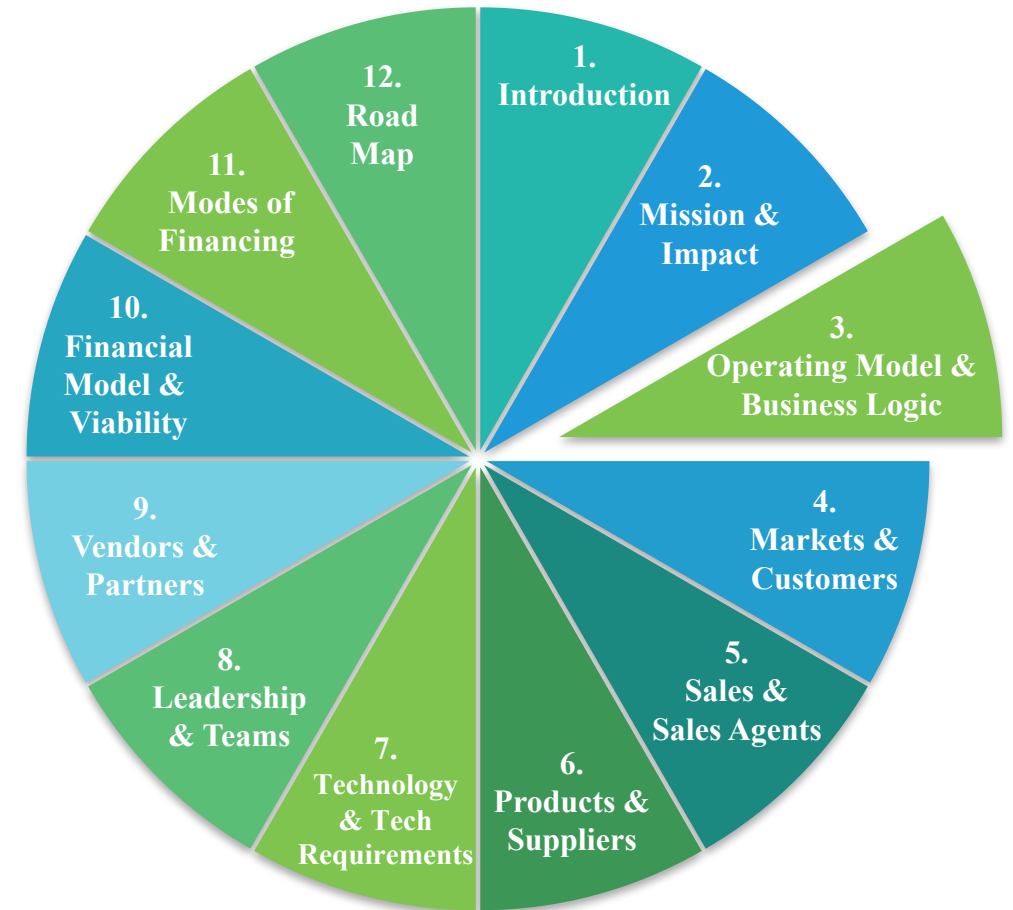


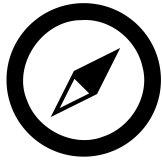
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Last Mile Distribution Playbook

Module 3:

Operating Model & Business Logic





Module 3: Overview

Operating Model and Business Logic

in this module you will...

Successful Operating Models

Review the operating models of three successful last-mile distribution enterprises

Your Operating Model

Initially define the target operating model of your enterprise

Value Chain Diagram

Visually represent your enterprise's value chain in a diagram

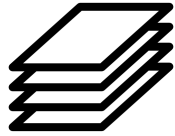
Risks

Think about risks you may be introducing by deviating from the successful examples you have reviewed

The Importance of Defining Your Operating Model

- Defining your operating model is an exercise of clarity
- This module is straightforward with one main output;
focus on producing the best value chain diagram you can
- You will always understand more nuances of your business than others; use your value chain to focus on the essential architecture of your business rather than all the details





Module 3: Sample Materials

Key Resource: Avoiding Pitfalls

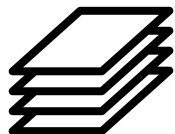
Are You Trying to Do Too Much Too Early?

TOO MUCH TOO EARLY?

Some last-mile distribution enterprises falter by trying to do too much too early. For example: expanding your product list to dozens of products before you have the capability of managing complex inventory. Or expanding to a new region before you're ready.

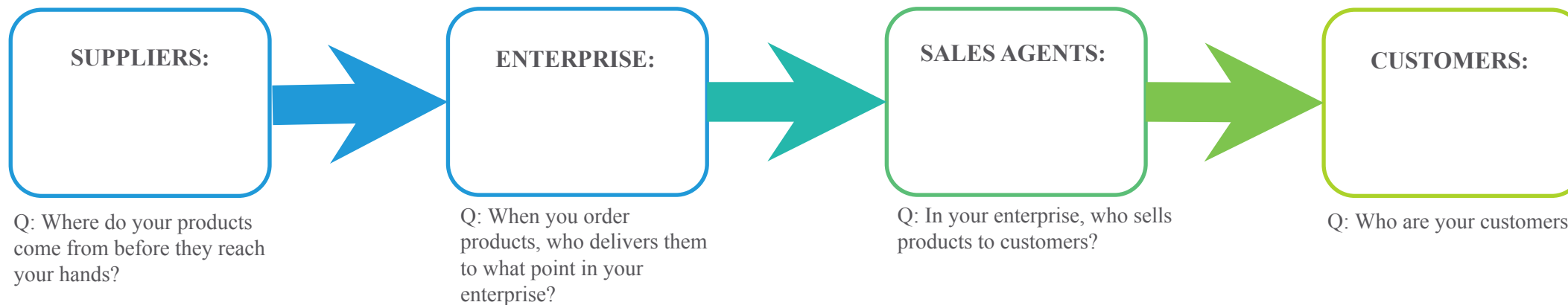
NARROW YOUR FOCUS

Are you trying to do too much? Use your value chain diagram to focus on the core distinctive features of your enterprise. Can you whittle your operation down to focus narrowly on these?

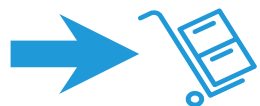


Module 3: Sample Materials

Key Resource: Module Outputs



VALUE CHAIN Q&A:



Q: How does your enterprise acquire the product and store it?

A:



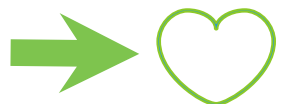
Q: How do you motivate your sales agents?

A:



Q: How do customers pay for your product?

A:



Q: Why is your product appealing to buyers?

A:

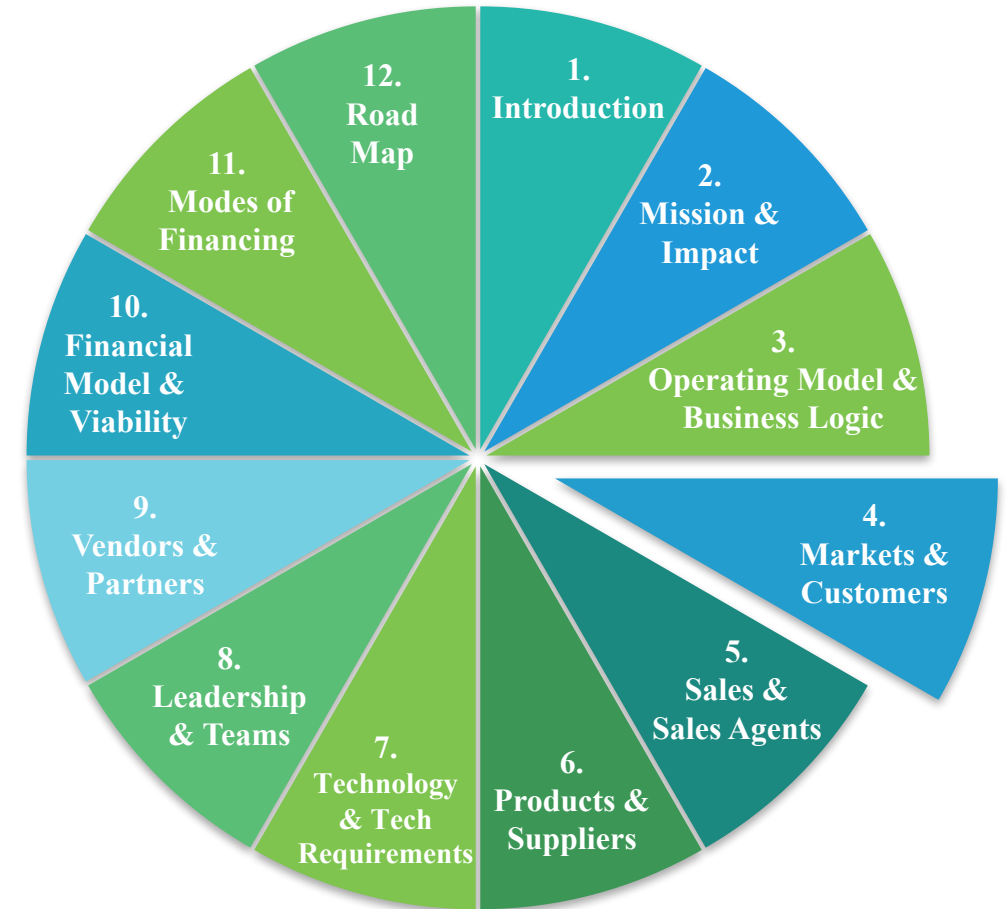


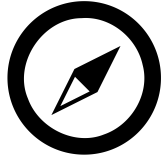
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Last Mile Distribution Playbook

Module 4:

Markets & Customers





Module 4: Overview

Markets and Customers

in this module you will...

Segment Your Market

Define and segment your target market and the settings where your typical customers will buy products from your enterprise

Define Your Customers

Define your typical customers and early adopters, and develop a simple customer pitch

Financing for Customers

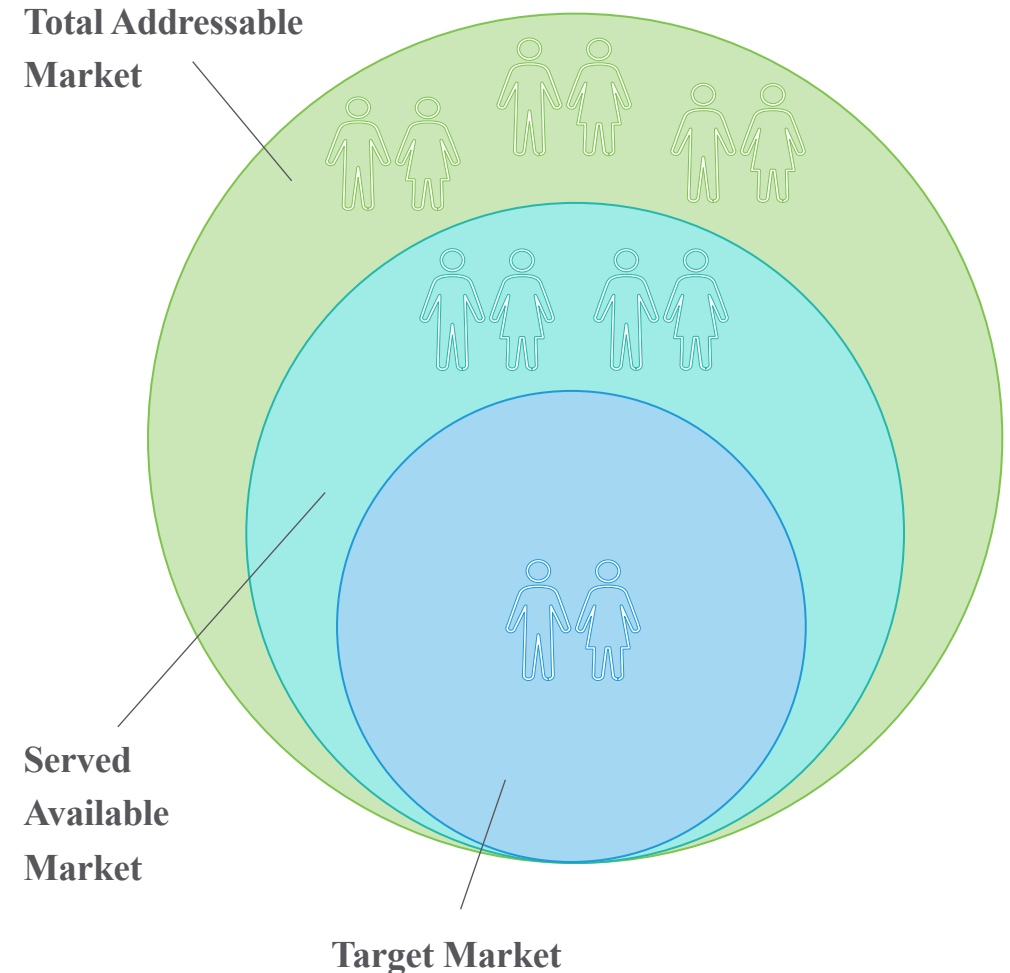
For customers who can't afford the full cost of your products up front, what options do you have?

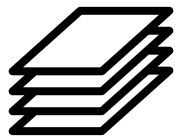
Customer Survey

Customize a customer survey to use in refining, refuting, and validating your assumptions about markets and customers

The Importance of Segmenting Your Market and Defining Your Customers

- This module will take you from broad to narrow, as you **define large markets** and **narrow your focus** to your own markets, further to your customers, and further still to your early adopters
- By the end of this module, you'll be talking to real people you are targeting as customers





Module 4: Sample Materials

Key Resource: Avoiding Pitfalls

Review Your Options on Customer Financing

CUSTOMERS WHO CAN'T PAY

Even with wonderful products and pitches, you won't make sales if customers don't have the money.

Originators tell us that many customers can't afford to pay the full cost of a product up front, especially when a product (a cookstove, a solar light, etc.) can represent a month of income.

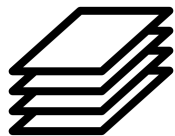
For customers who can't afford the full cost of your products up front, you need to offer them customer financing. Let's review your options.

CUSTOMER FINANCING

Originators have developed several ways of helping customers afford to purchase products. Options include:

- Installment plans
- Layaway
- Pay-as-you-go

Note: 85% of Pollinate's revenue from customers is paid through installment plans!

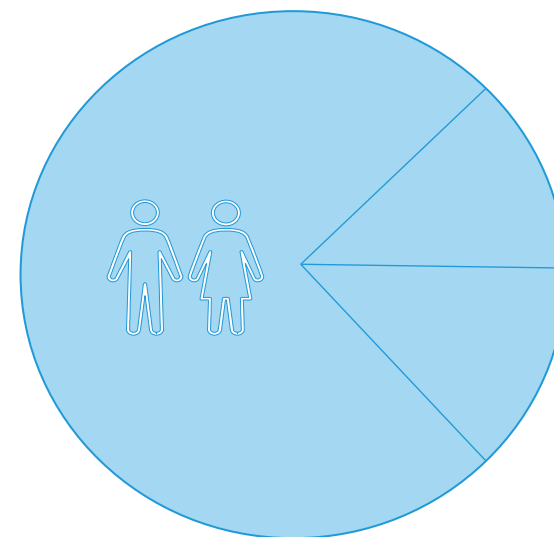


Module 4: Sample Materials

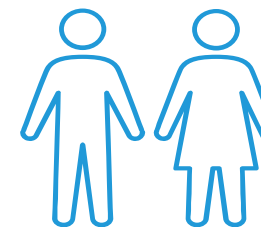
Key Resource: Module Outputs

- Define your **Target Market** in 1-2 sentences
- Describe your **typical customers**
- Identify **Early Adopters**
- Write your pitch to customers
- Use the provided sample **customer survey** to learn more about your target market

Target Market



Typical Customers





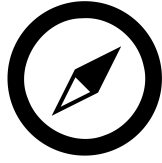
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Last Mile Distribution Playbook

Module 5:

Sales & Sales Agents





Module 5: Overview

Sales and Sales Agents

in this module you will...

Sales Agents

Decide who your sales agents will be

Sales Process

Outline the process by which your enterprise will sell products to your typical customers, including any after-sales services

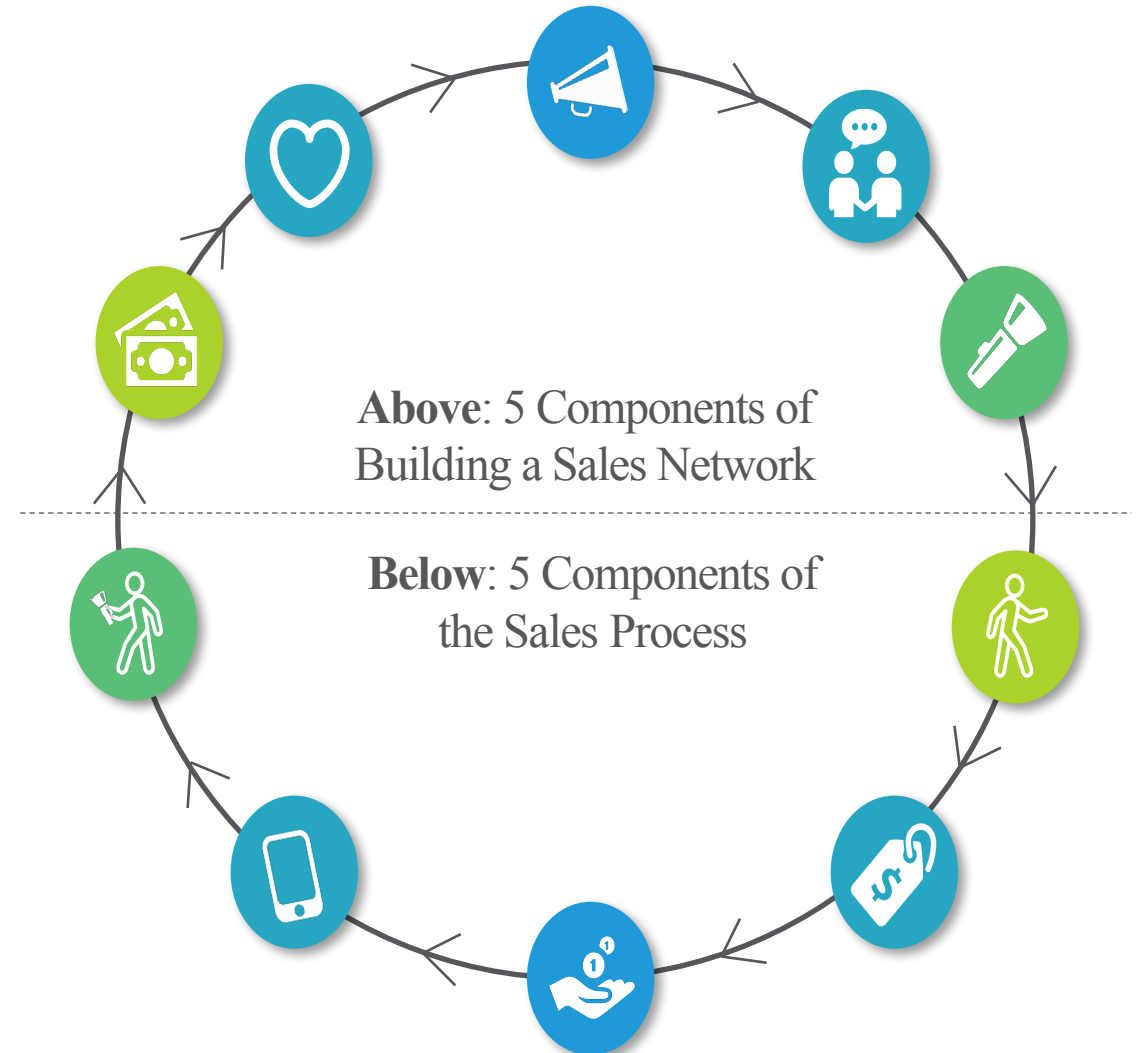
Building a Sales Network

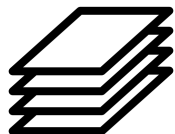
Begin planning how you will build your sales network

The Importance of Sales Agents

Originating enterprises unanimously underscore the importance of sales agents. Sales agents:

- Represent your brand and enterprise
- Directly interface with your customers
- Cost you money to train and monitor
- (Often) borrow your products to sell them (a.k.a. consignment)
- Provide crucial insights towards growing your business





Module 5: Sample Materials

Key Resource: Module Outputs

- Describe the key qualities and characteristics of your sales agents by creating a **sales agent profile**
- Define your **sales process** in regards to your sales agents. Consider how and *where* your agents will sell products.
- Build a **network of partners** that can help you hire, train, and manage sales agents and attract new customers



Agents travel into communities to bring product to customers, or operate from a kiosk/store in a local community



Agents make sales to customers



Agents collect money for each sale (or layaway contracts, etc.)



Agents come back to the main office and return remaining product



Agents report sales back to the head office via a smartphone

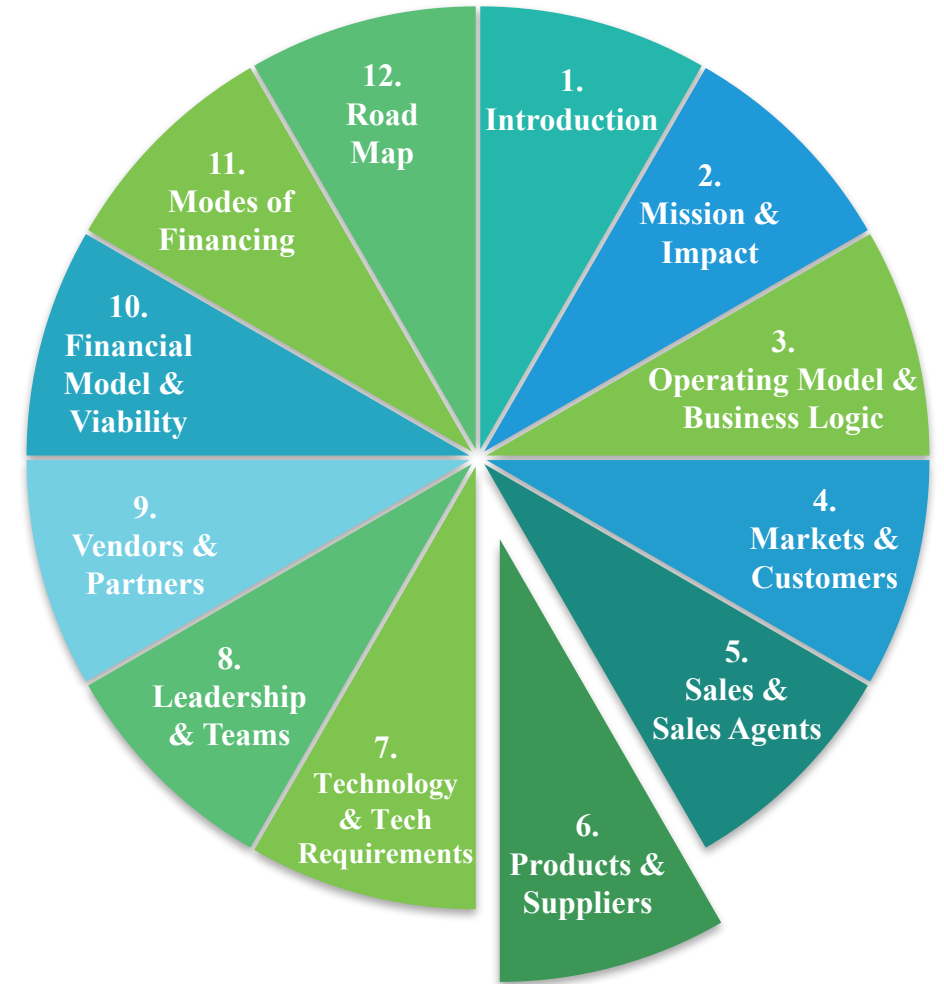


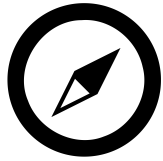
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Last Mile Distribution Playbook

Module 6:

Products & Suppliers





Module 6: Overview

Products and Suppliers

in this module you will...

Products

Determine which products you will distribute

Key Terminology

Learn about pricing, volumes, margins, and ordering cycles

Inventory Management

Become familiar with inventory management challenges in last-mile distribution

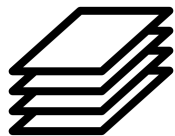
Suppliers

Prepare to make inquiries with suppliers

The Importance of Choosing the Right Products and Suppliers

- The stakes are high: originators identify **managing their inventory** and **negotiating with suppliers** as critical factors in succeeding or failing
- Don't let perfection get in the way of success. Find a good product from a good supplier and get going selling it and learning!





Module 6: Sample Materials

Key Resource: Avoiding Pitfalls

The playbook includes materials to help you avoid common pitfalls

ORIGINATORS SAY...

Last-mile distribution originators have unanimously told us that products, suppliers, and inventory management are crucial to succeeding, and the source of common pitfalls you can avoid

1

Running out of stock

We are providing you with an Excel tool that you and your mentor will use to stay current on how much inventory you need and when you need to order more

2

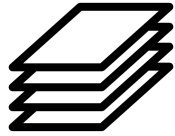
Running out of cash

The Excel tool we are providing will also help you understand how much cash you'll need for your initial inventory

3

Buying low-quality stock

We are providing you with a supplier questionnaire, which will help you verify the quality of products you buy

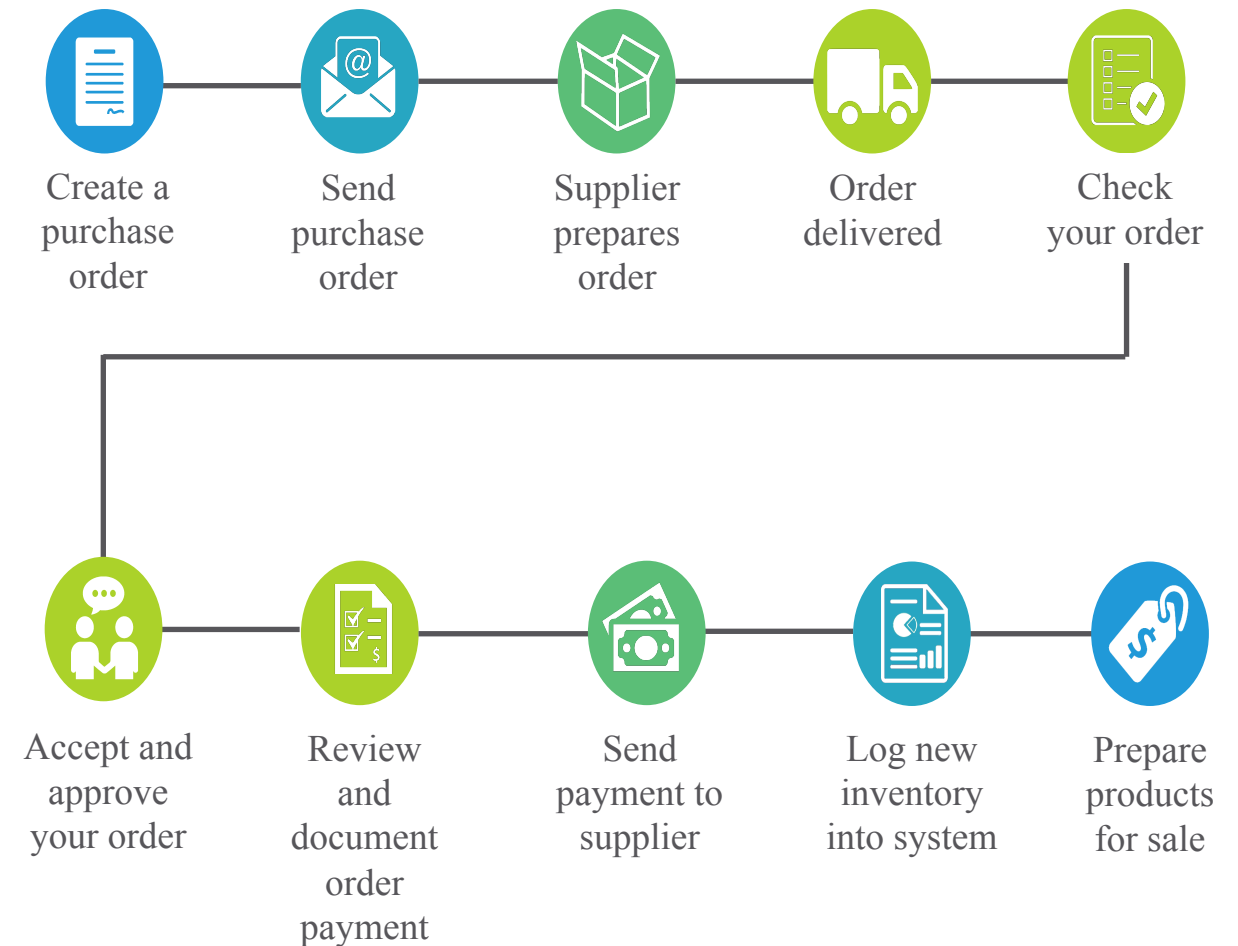


Module 6: Sample Materials

Key Resource: Module Outputs

- Determine which **products** your enterprise will sell and **find suppliers** for the products
- Use **provided questionnaire** to learn more about the supplier and their products and services
- Once you've decided on products and suppliers, use the provided Excel template to determine **profit margins and ordering cycles**.

Inventory Management Flowchart



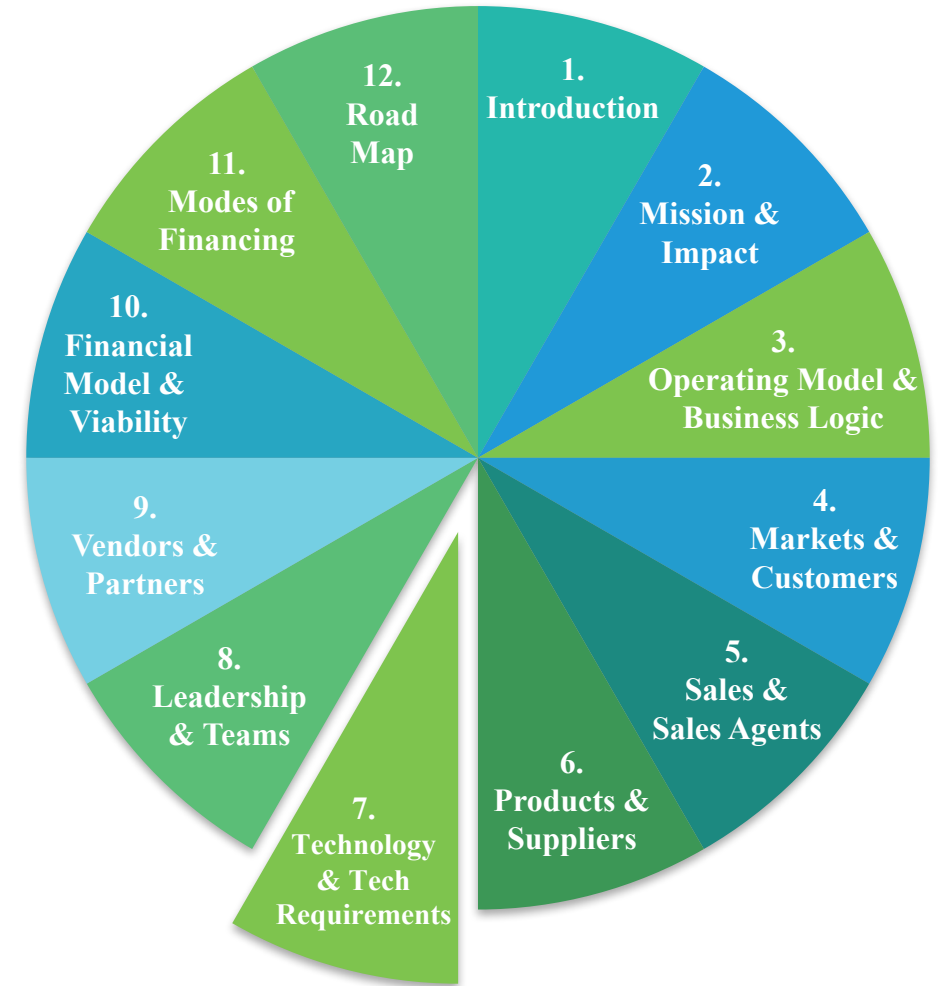


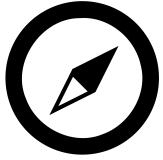
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Last Mile Distribution Playbook

Module 7:

Technology & Tech Requirements





Module 7: Overview

Technology and Tech Requirements

in this module you will...

How Originators Use Technology

Learn how successful LMD enterprises use inventory management and sales tracking technology as core elements of their operations

Constraints

Consider constraints affecting your use and choice of technology

Your Requirements

Outline technology requirements of your enterprise, incorporating a list of elements we provide

Inquiries

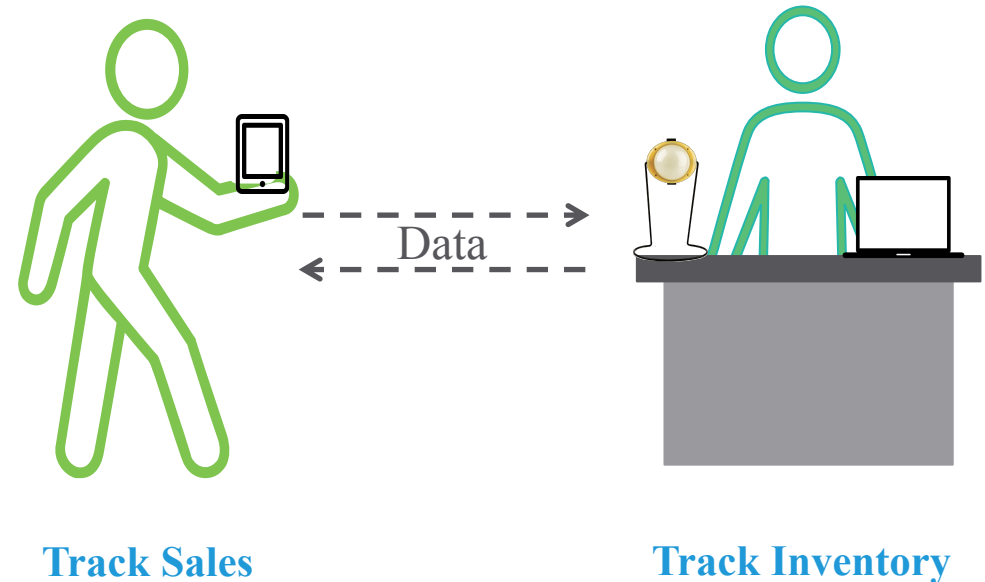
Make inquiries with technology providers, using questions we provide

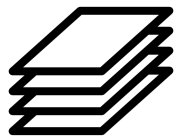
The Importance of Technology for Tracking Sales

Originators tell us they advise LMD enterprises to invest in sales tracking and inventory management technologies early, and with specific ends in mind such as:

- To **make their sales agents more effective** by giving them ready access to data on which customers have paid and which have not
- So they always **know which of their products are where**—on their way from a supplier, at a particular branch, with a particular agent, recently sold, etc.
- To **measure their impact** and credibly present progress to donors and investors

This module will help you crystallize your thoughts on sales and inventory technologies you intend to use, and will prep you to approach technology providers towards securing such systems for your enterprise.





Module 7: Sample Materials

Key Resource: Avoiding Pitfalls

Personnel and Technology

PITFALL

Some last-mile distribution entrepreneurs act as if well-designed technology will run smoothly on its own. Here's what originators say:

“Operations managers need a lot more training on the system than we originally provided, and they need to feel comfortable trouble shooting the various reports – just because it's tech doesn't mean it'll manage itself, there are still people involved and they need to know what to do!”

-Alexei Seller, regarding Pollinate Energy

“You need to have lots of checks and balances in place as people will be entering this data and mistakes will happen (and in worst-case scenarios try to manipulate the systems...)”

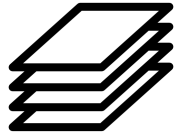
-David O'Connor, regarding Solar Sister

PLAYBOOK TOOLS

Don't underestimate the training and people-management required to manage technology as part of an ongoing operation!

→The playbook gives you questions to ask tech providers to ensure that the system you choose fits your operation

→Module 8 (Leadership & Teams) will prompt you to define personnel requirements for your enterprise, including any ways in which your choices of technology affect your choice of personnel.



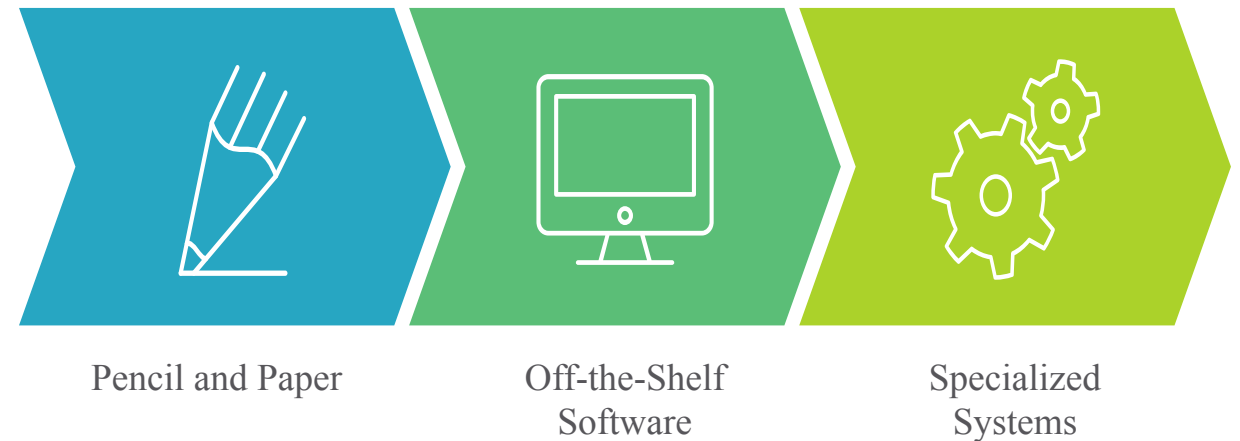
Module 7: Sample Materials

Key Resource: Module Outputs

- Describe the main **software and hardware constraints** you face running your enterprise
- Summarize what technology your enterprise needs. Bring this summary with you when you visit **technology providers**
- Consider what kind of technology **support and training** you will need from the provider and will need to provide your staff with

Technology As Your Enterprise Grows

Start Simple and Evolve Your Technology





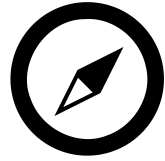
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Last Mile Distribution Playbook

Module 8:

Leadership & Teams





Module 8: Overview

Leadership and Teams

in this module you will...

Characteristics of Successful LMD Entrepreneurs

Learn about common characteristics of those entrepreneurs who successfully launch and grow LMD enterprises

Self-Assessment

Assess yourself vis-à-vis the leadership requirements of an LMD enterprise

Pivoting

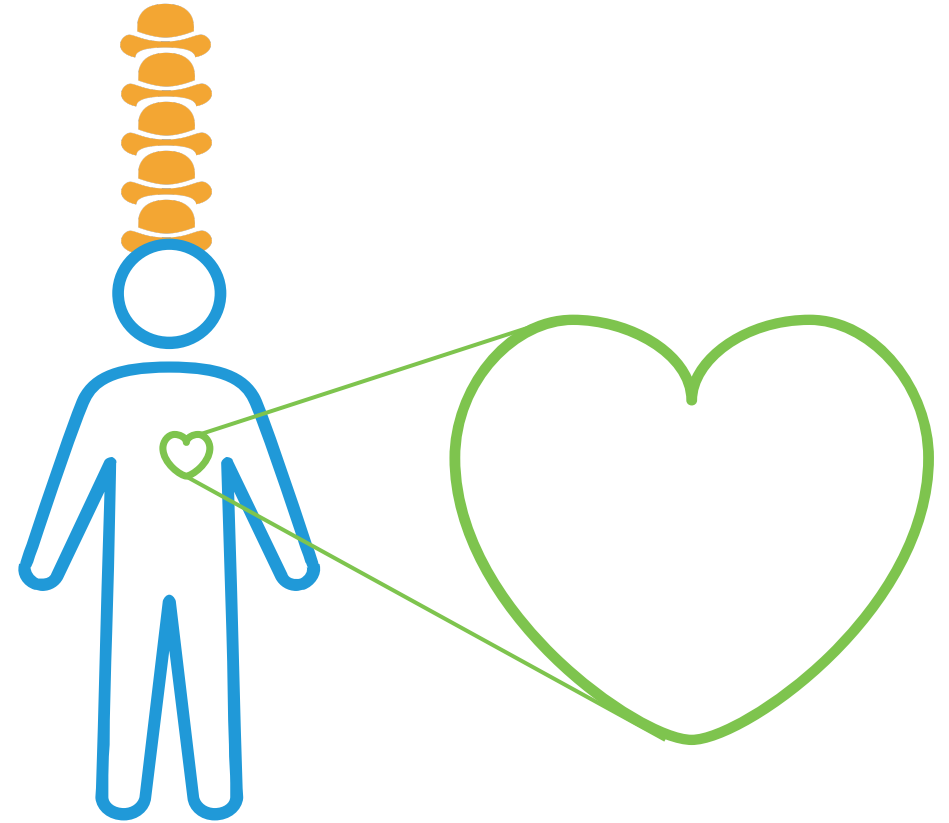
Contemplate the importance of pivoting when faced with unforeseen obstacles and opportunities

Personnel

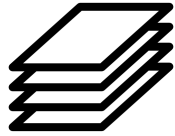
Define the personnel requirements of your enterprise

The Importance of Leaders and Teams

- Being a social entrepreneur might sound sexy, but it's very challenging
- A great leader **building a great team** can do wondrous things; a weak leader building a weak team consumes cash and fails
- Take the time to take an honest look at yourself in this module and count the cost of leading an LMD enterprise



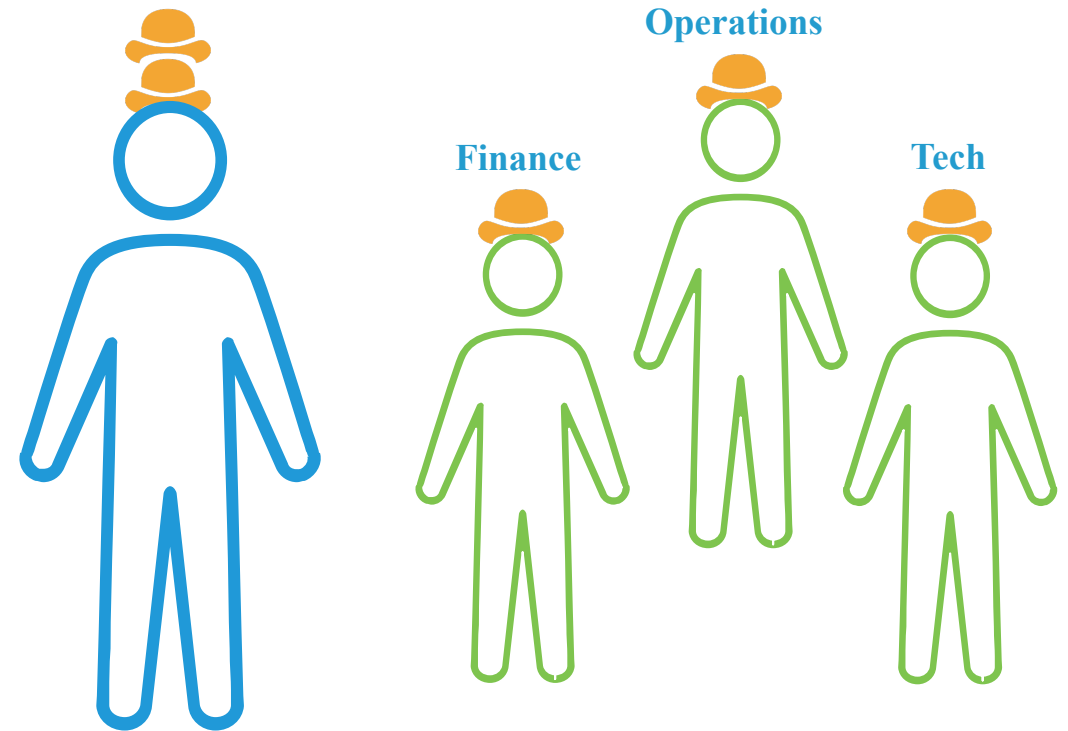
The CEO of a social enterprise must play many different roles, especially in the beginning



Module 8: Sample Materials

Key Resource: Module Outputs

- Complete a **self-assessment questionnaire** to help you evaluate your skills as a leader, then discuss with your mentor
- Create an **organizational chart** to structure your current staff and identify new key positions you need to hire for
- Write **profiles of new key positions** including the characteristics and qualifications of the ideal candidate



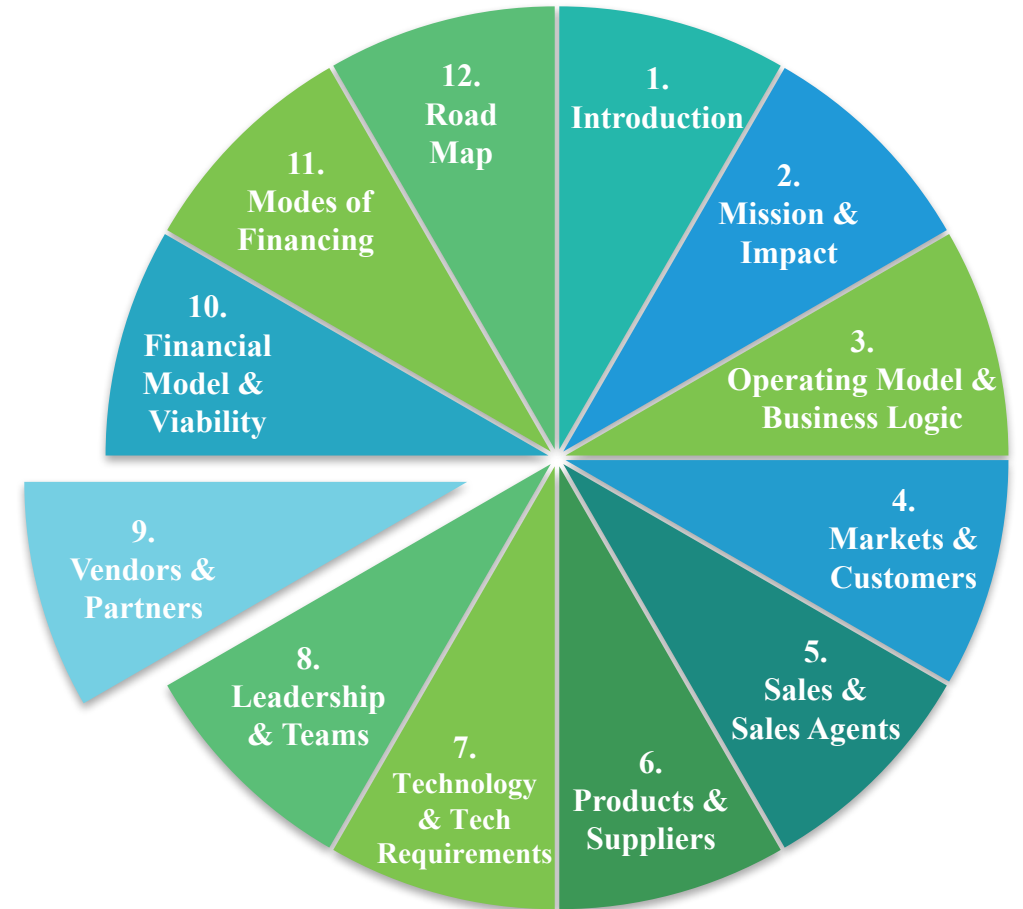


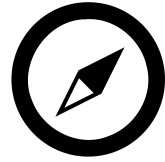
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Last Mile Distribution Playbook

Module 9:

Vendors & Partners





Module 9: Overview

Vendors and Partners

in this module you will...

Vendors and Partners

Learn about typical vendors and partners of LMD enterprises, and how partners differ from vendors

Risks

Consider risks involved in relying on vendors and partners

Agreements

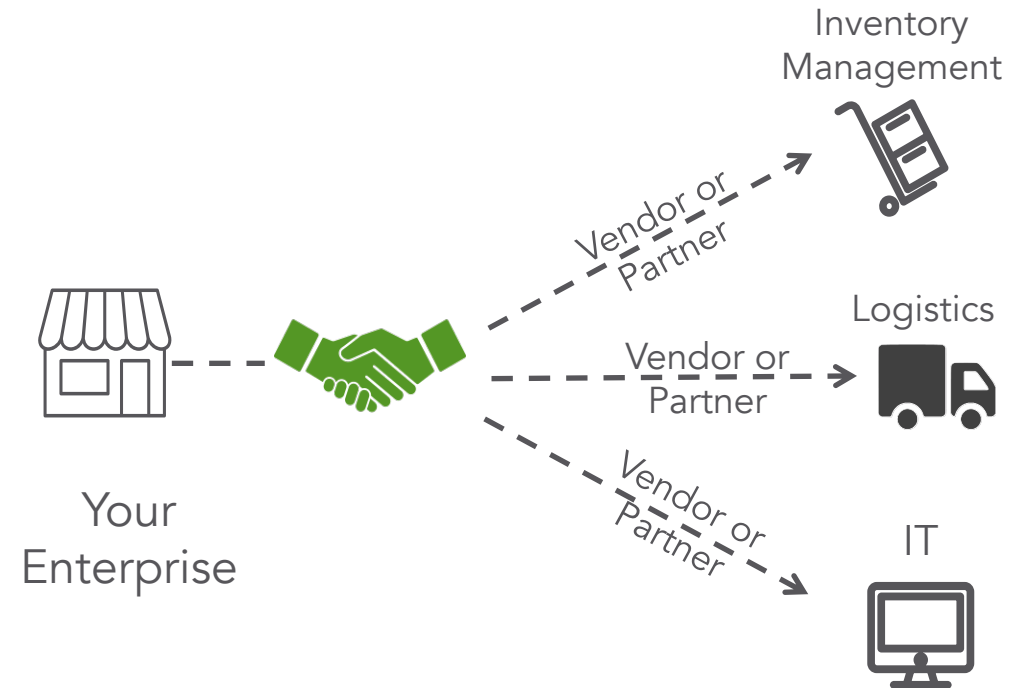
Identify which vendors and partners you will pursue, and prepare to structure agreements with them that further your enterprise's goals

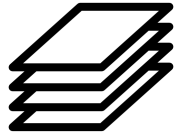
Meetings

Prepare to meet potential vendors and partners

The Importance of Vendors and Partners

- You can gain or lose significant advantage while **structuring and negotiating agreements** with vendors and partners
- By the end of this module, you'll be better prepared to structure and negotiate agreements with the vendors and partners of your choice
- In Module 8 (Leadership & Teams) you looked *inside* yourself and your enterprise. In Module 9, you will **look outside your enterprise** and consider: what external people and organizations will you depend on?





Module 9: Sample Materials

Key Resource: Avoiding Pitfalls

Use the Playbook to Negotiate Like a Larger Player

PITFALL

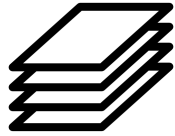
You have limited leverage in negotiations
b/c you're small...

...And the business you're in requires
volume discounts that are most easily
secured by larger players...

PLAYBOOK TOOLS

The playbook gives you tools to negotiate like a
larger player, even when you're small:

- Negotiating points in this module (M9)
- Supplier questionnaire in M6 to ask questions other LMD enterprises might not know to ask
- Financial modeling tool in M10 to help you be crystal clear about the pricing AND timing you need to succeed
- Help framing your value chain (M3), sales pitch (M5), and other parts of your enterprise, so you can convey your vision and professionalism



Module 9: Sample Materials

Key Resource: Module Outputs

- Review the included **sample supplier agreement** and adapt it to your enterprise's needs
- Create an **organizational tool** to document and track your relationships with your vendors and partners

How Partners are Different than Vendors

VENDORS

Straightforward contract
Clear-cut deliverables
Tasks that are defined up front
Less loyalty; free to move on quickly if things go bad

PARTNERS

Flexible structure
Uncertainty around technologies, markets, timing, costs, etc.
More serious commitment; locked into open-ended relationship

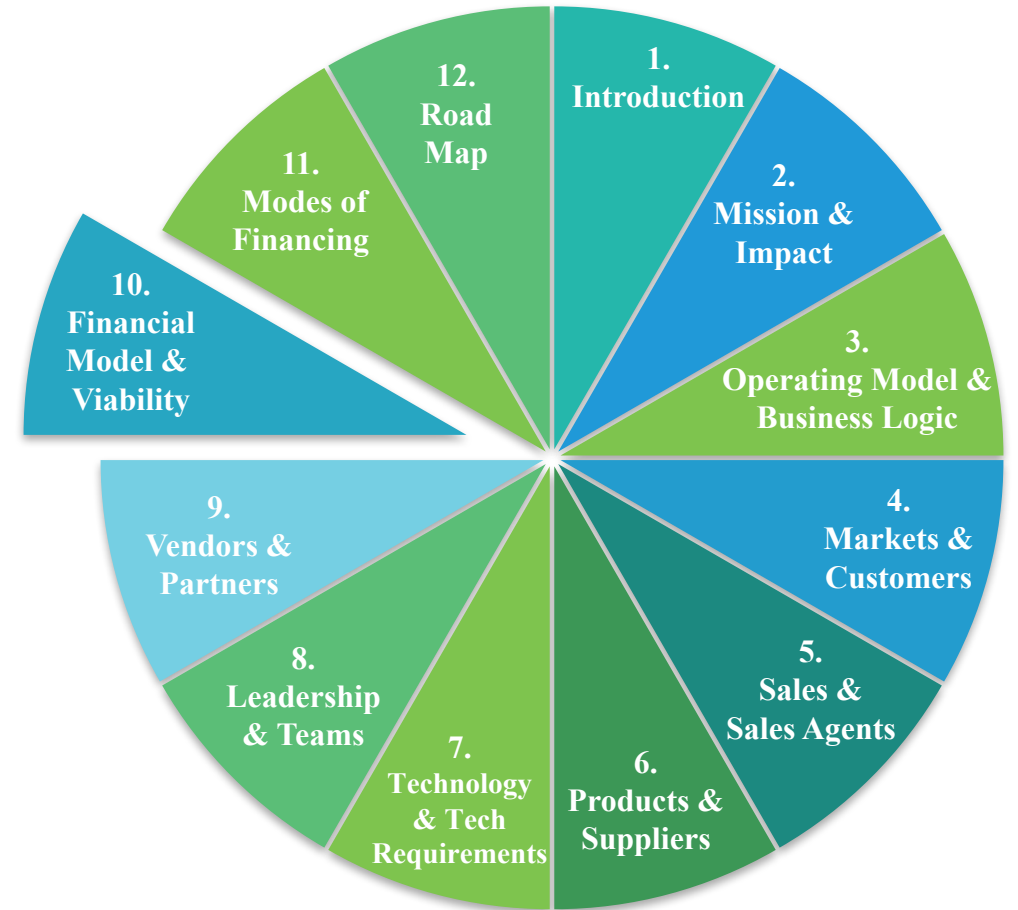


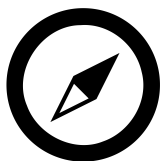
Miller Center
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Last Mile Distribution Playbook

Module 10:

Financial Model and Viability





Module 10: Overview

Financial Models and Viability

in this module you will...

Viability

Define your vision of your enterprise's financial viability

What-If Analysis Tool

Learn how to inform key business decisions using a numerical what-if analysis tool that incorporates elements from all other playbook modules

Key Variables

Focus on how key variables affect profitability of LMD enterprises, including timing of financing to customers and from suppliers

Model It!

Stitch all previous modules into a what-if model for your enterprise, using your own estimates. Find out how much capital you'll need, and what adjustments you need to make to succeed!

The Importance of Financial Modeling

- This module builds off nearly all the other modules in some way
- Originators underscored to us how tricky it can be to balance **financing you offer to customers** with **financing offered to you by suppliers**. We'll show you why, and equip you with knowledge to outpace your competitors
- Some entrepreneurs think they can leave numbers to others; don't make that mistake! You need people skills AND analytical skills to succeed



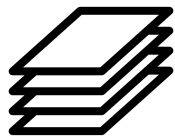
Inputs

Estimates of revenue, costs, and other key numbers

What-If Analysis Tool

How will your bottom line be affected if you increase sales, hire more staff, or offer your customers financing?

How much cash do you need to raise for next year?



Module 10: Sample Materials

Key Resource: Module Outputs

- Use the provided **What-If Analysis Tool** to create the template for an income statement, balance sheet, and cash flow statement for your enterprise
- Create a list of **cost estimates** for the first full year of operating your enterprise
- Generate a simple **financial model** for your enterprise and review it with your mentor

FULLY GRANT-FUNDED

LMD as a way to achieve a social mission

Orient decisions around mission

Raise donations and grants forever

LIVELYHOODS



POLLINATE
ENERGY



SOLAR
SISTER

FULLY COMMERCIAL

LMD as a way to make money

Orient decisions around profitability

Attract investments, pay returns

MIDDLE GROUND

Seek profitable agents, branches, or regions

Sustain overall enterprise with grants/loans

Some potential of breaking even at large scale





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Last Mile Distribution Playbook

Module 11:

Modes of Financing



Module 11: Overview

Modes of Financing

in this module you will...

Modes of Financing

Explore different types of funding available to LMD enterprises

Creating a Justifiable Ask

Learn how to convert your capital requirements into a compelling request for funding

Funding Your Enterprise

Determine what modes of financing are most appropriate for your enterprise, and identify potential funders

Funding Pipeline

Dig into potential funding sources, one by one. Then begin meeting potential funders, refining your funding pipeline along the way

The Importance of Modes of Financing

- Over the coming months and years, you will need to attract more than one mode of financing. We want you to be familiar with each mode.
- Each mode of financing comes with its own administrative burden, legal implications, and reporting requirements.
- The same amount of funding can enable or disable your enterprise, depending on how that funding is structured.

Modes of
Financing
to Generate
This Total
Amount of
Money

Equity

Earnings and capital contributions

Grants and Donations

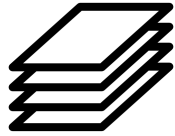
A type of capital contribution to nonprofits

Debt

Long-term debt including leases

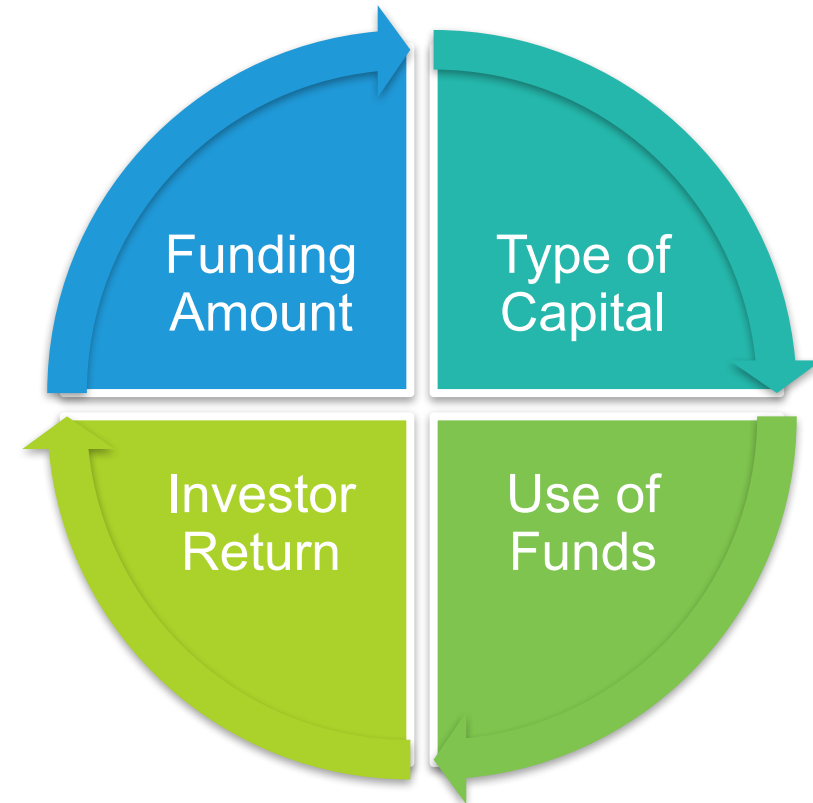
Working Capital Loans

Short-term debt targeted at inventory, receivables, payables



Key Resource: Module Outputs

- After discussing the most common modes of financing for social entrepreneurs, **brainstorm potential funding sources** for each type of financing
- For each of the potential funding sources, use the provided resources to **gather and organize information about the funder** before you ask for funds



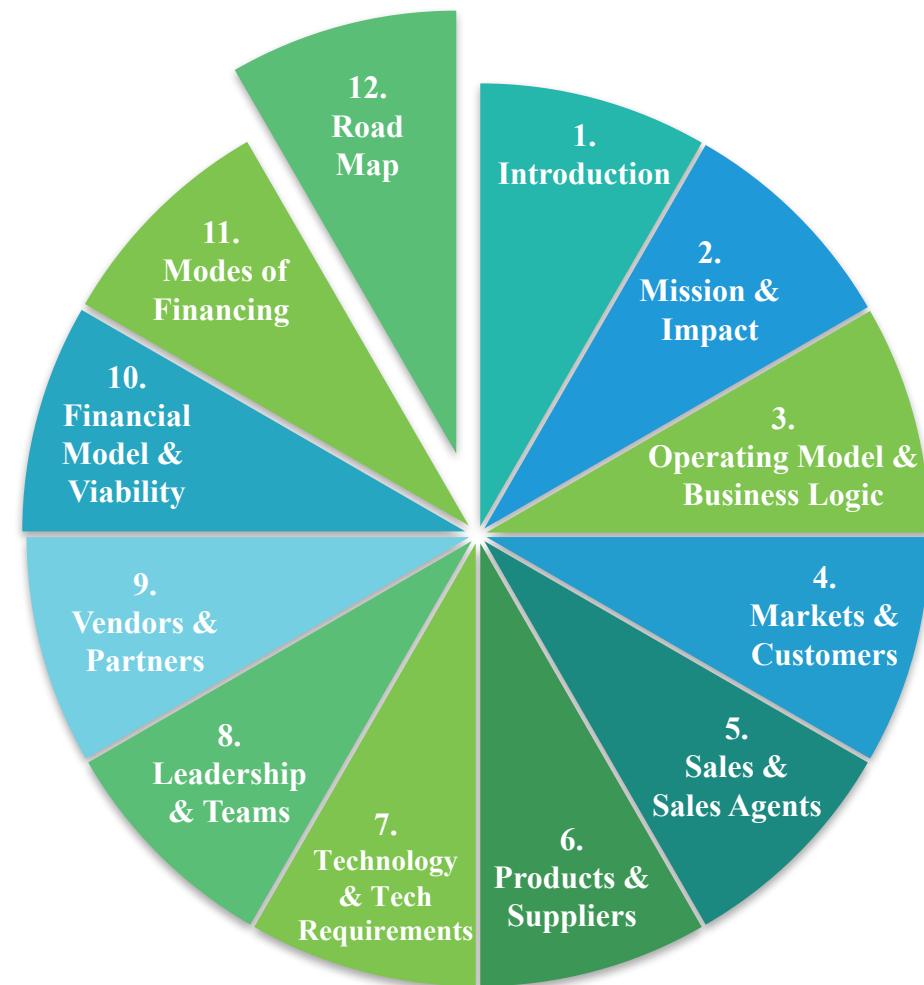


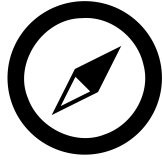
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Module 12:

Road Map





Module 12: Overview

Road Map

the road map will lead you to...

Road Map Outputs

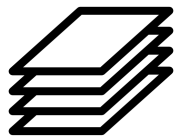
Collect all your module-by-module outputs in one place

The Journey Ahead

Learn about other actions to take as you launch your business, along with recommendations on types of support to seek along the way

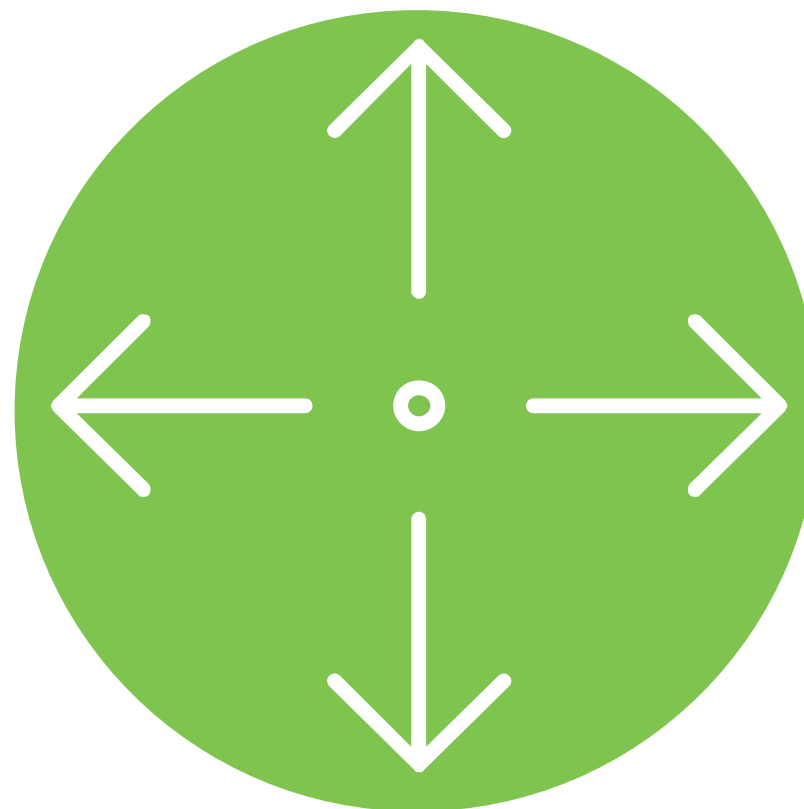
My Road Map

Mine your collection of Road Map Outputs, as well as our description of The Journey Ahead, extracting a list of key tasks to complete over the next 3-6 months, including assigning responsibility and determining a timeline.



Key Resource: Module Outputs

- Now that you have gone through each module, create a **six month execution plan** for yourself. Include all major actions you need to take in the next six months and a timeline for completing those actions
- Review your execution plan with your mentor and be sure to **consider an administrative actions** that you'll need to complete over the next six months as well



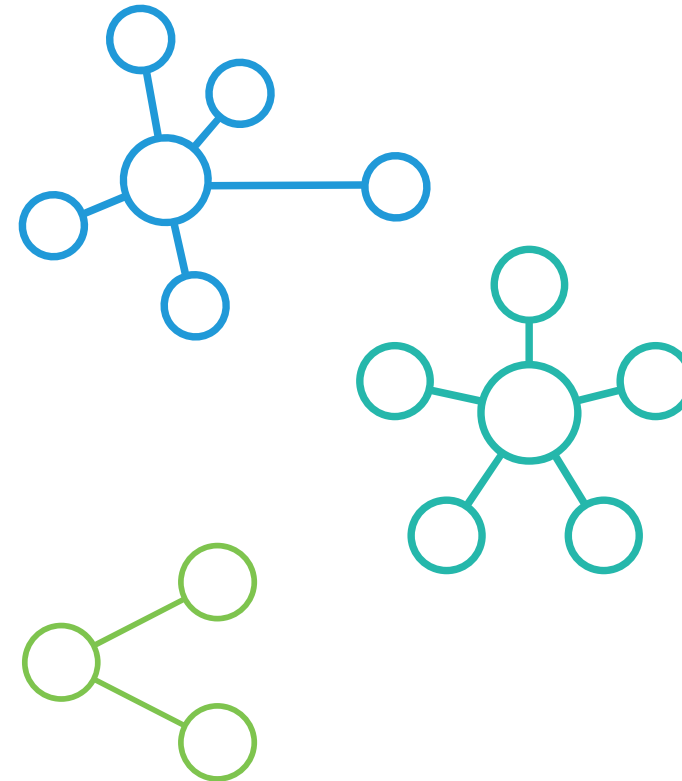


Key Resource: Road Map Module Outputs

Building Blocks You Can Assemble into Various Forms

The Road Map Outputs you have produced are resources you can re-arrange and re-purpose into various forms, such as:

- A business plan
- A pitch deck to attract investors
- Grant applications
- Material for your website
- Etc.

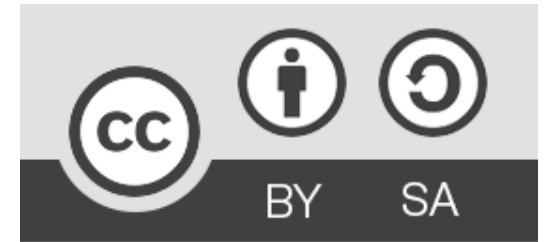


Credits and Disclaimers

- This document was produced by the Miller Center for Social Entrepreneurship at Santa Clara University as part of the Replication Initiative
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- Thank you to all the other experts, partners, and mentors we have failed to mention
- Feedback and suggestions on the Playbook are welcome at any time. Please direct your responses to: Neal A. Harrison at nharrison@scu.edu

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