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## **Economic and social issues around Last Mile Delivery**

FACTS Introduction

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## Economic and social issues around Last Mile Delivery

### FACTS Introduction



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#### **Last Mile Delivery is a subject at the crossroads of economic and social issues.**

On the one hand, the ability to reach out to very low income populations deprived of access to basic services, particularly those in isolated rural areas, has long been one of the main concerns of many humanitarian organizations or development NGOs.

On the other, for a few years now a growing number of businesses have become interested in a segment that is too often forgotten by economic globalization: populations living on only a few dollars a day.

The very strong economic growth of the emerging countries, and in particular India, China and Brazil, has led the major multinational corporations to be interested not only in the emerging middle classes in these countries, but also in the very great majority of potential consumers of these markets, the lower-income populations. The *Base of the Pyramid* theory thus conceptualizes a natural tendency of globalization: the search for the new untapped markets that the four billion people living with less than 5 to 6 dollars per day could represent. In parallel, after being in existence of over 15 years, the “Social Responsibility” initiatives of large multinationals have moved from traditional forms of patronage to the creation of “laboratories” of alternative economic projects targeting poor populations. Social and inclusive business are some of the terms used to designate these new ways for businesses to contribute to economic and social development seeking legitimacy in the eyes of the public and motivation for their employees.

And if the strategies concerning underprivileged populations today cover multiple realities, a change is in progress: poverty is no longer only seen by the international private sector from a philanthropic viewpoint but also from a more economic angle. In France, for instance, half of listed businesses in the CAC 40 index have launched initiatives of this type.

The last mile is considered as one of the key challenges for

these models. All the stakeholders involved in these strategies, despite their considerable diversity - businesses, NGOs, social entrepreneurs - and the variety of sectors in which they operate, are encountering operational difficulties in actually reaching the poor populations in question, especially in rural areas.

The last mile delivery is also and above all a significant challenge for economic development, for two reasons: on the one hand, the implementation of innovative distribution systems relying on micro-entrepreneurs could be an important factor in terms of job creation and income generation; the development of micro-franchise networks also plays a significant part in the development of micro-entrepreneurship. On the other hand, the inefficiency or even total absence of distribution networks, particularly in rural areas of developing countries, is a major obstacle to access by poor populations to essential goods and services and largely explains the penalties of poverty weighing down on the “base of the pyramid”.

In this context, this FACTS issue therefore aims to better analyze innovative distribution practices, including those relying on micro-franchises, and to understand the effects of these new practices on development. The sector of essential goods and services, such as nutrition, energy, health or water, will be studied more particularly.

The analysis of these practices has highlighted several points which are often overlooked in the debate around the last Mile.

In the first place, the last mile is not simply a logistic and physical challenge; it comprises, as Arjun Appadurai<sup>1</sup> has shown, all of the things that make up “the capacity to aspire”. In this context, it entails for organizations seeking to reach out to low-income populations, to achieve a happy match between distribution and understanding of the needs of the populations concerned.

In addition, these strategies represent the meeting between radically different market logics. The businesses, particularly

<sup>1</sup> Arjun Appadurai, *The Capacity to Aspire: Culture and the Terms of Recognition*, in *Culture and Public Action*. Rao, Vijayendra and Michael Walton (ed.). Stanford University Press. 2004.

multinationals are part of a formal market economy, contract-based and imbued with modern marketing techniques. When they target low-income segments of the population in emerging countries, they confront a traditional, certainly informal but sometimes very hierarchical, market logic. In other words, these strategies lead to a confrontation between *political economies* that are often profoundly different.

The point of contact between two specific trade cultures in the implementation of these strategies will precisely be the distributor. The distributor may in effect be also the “relay” between these two worlds, the figure where these two economies influence each other, like the passageway identified by Laurence Fontaine between the aristocratic economy and the democratic economy in pre-industrial Europe <sup>2</sup>.

The distribution circuits and networks of distributors then become an issue that goes beyond the simple question - one that is nevertheless strategic for business - of the effectiveness of the sales channels: the point being indeed a much broader one, and that is to understand - through distribution - the interaction between different political logics.

This issue’s analysis of distribution strategies to reach low-income populations in emerging countries provides the opportunity to understand how these political market economies fit together and interact with each other. The aim is on the one hand to understand the existing distribution networks, their structure and their dynamics, and on the other to analyze the possible relations between these networks and multinational businesses, and their consequences on the two economies.

Lastly, these analyses will firstly make it possible to understand, as Laurence Fontaine points out in the historical perspective she provides in introduction to this number, how access to the market is a key element for survival strategies and poverty avoidance coping mechanisms for low-income populations. It is in this context that distribution plays a major part in development and the fight against poverty. Distribution first favors the employment of micro-entrepreneurs - street vendors, shopkeepers, hawkers - and then gives low-income populations access to quality products.

This issue aims to analyze very varied geographical situations and sectors of activity in order to multiply the forms of political economies. Rapidly developing urban India; rural India still marked by the importance of traditions and castes; urban Vietnam, a country that is still communist but where cities are experiencing a disruption: these will be the main areas analyzed, but Bangladesh, Brazil or South Africa will help identify both the best ways for reaching low-income populations but also the possible configurations between different political economies.

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<sup>2</sup> Laurence Fontaine, *L’économie morale, pauvreté, crédit et confiance dans l’Europe pré-industrielle*. Gallimard, 2008