

Consumer goods distribution

This is an intervention summary from the MSD for employment (MSD4E) landscape assessment.

Piloting a new business model for fast-moving consumer goods (FMCG) distribution, involving FMCG suppliers contracting young people as small-scale distributors and offering pre-financing and training.

Background information

Project	PROSPECTS IV
Funder	Sida
Implementer	Mercy Corps
Contact	Hamid Gbawuru Marah (hmarah@mercycorps.org)
Rural or urban?	Urban and peri-urban
Sectors	FMCG
Intended employment outcomes	Job creation Job quality
Target group (end beneficiaries)	Young people (18-35) living in urban and peri-urban areas
Cross-cutting priorities	GESI
Years of operation	2023

What constraints did the intervention aim to address?

Access to startup capital is an important factor in enabling Liberian youth to enter the job market (given most work is in the form of self-employment). Often, young people face challenges in securing finance due to perceptions of being high-risk borrowers with unpredictable incomes, limiting opportunities for self-employment and business expansion. In-kind financing mechanisms in the FMCG sector have the potential to offer a more accessible form of startup capital to young people living in urban and peri-urban areas.

Which market actor partners did the intervention work with?

1. **Jungle Water**, an FMCG supplier, offers pre-financing in the form of products, essentially in-kind loans at wholesale prices.
2. **Young people** contracted directly as micro distributors, selected based on pre-set criteria.
3. **Tip Me**: a Fintech service provider, that develops systems that facilitate payments, sales, and loan repayment tracking to determine the creditworthiness of sales agents.
4. **MTN** is developing micro-loan products for businesses, working in partnership with Mercy Corps.

5. The **Ministry of Commerce** and business registration authorities.
6. Possible future involvement from **local banks**.

What were the intended behaviour changes for these partners?

1. **FMCG companies**, currently involving a single partner with a second considering partnership, aim to establish the business case for engaging young people as distributors. To support this, the project offers a) a risk guarantee (covering the initial three months of salary, mentoring costs, and reimbursing 25% of any losses related to the value of goods) and b) support to build FMCG supplier capacity to train youth distributors.
2. **Fintech companies** collaborate with financial institutions and suppliers to adopt technologies that capture sales and repayment records, thereby defining consumer creditworthiness. This involves information sharing on potential business opportunities through meetings focused on engaging a large number of youths in the business.
3. **Young people** are encouraged to see the potential in running a distribution business, which can serve as a foundation for building their enterprises. This approach also provides a stepping stone for accessing additional finance.

How sustainable are these behaviour changes?

Jungle Water was willing to absorb costs for recruiting staff dedicated to working with youth, signalling an interest in continuing the intervention. This shows an initial step towards a sustainable model. However, it's important to note that the intervention is currently in an early pilot phase. Most of the sustainability plans are conceptual at this stage and lack clear evidence of long-term viability.

What were the intervention's key results?

- 150 youth distribution partners engaged and trained
- 139 youth distribution partners currently signed up
- 99% repayment rate and over 60% youth distribution partners restocking
- There is an increase in sales from Jungle Water, attributed to the expansion of the distributor networks.
- Profits have increased as a result of reduced operational costs and more efficient time management.
- The adoption and replication of this business model by more large suppliers are leading to increased employment opportunities for youth.

<i>Has a third party been involved in measuring these results?</i>	No
<i>Is the partner behaviour change the sole/major/minor contributing factor towards the employment-related outcome you've reported? (i.e. are there other contributing factors?)</i>	Sole
<i>Results chain available?</i>	Yes

What is one lesson learned from this work?

One significant issue is the impact of social norms and cultural barriers on the involvement of young women. One example is the reluctance of 'gatekeepers' (such as family heads or community leaders) to approve their participation or act as guarantors. This issue became evident during the recruitment stages for sales agents, where young women faced difficulties in obtaining 'authorisation' from these gatekeepers.

A second issue is that some companies still perceive young people as a high-risk group and are hesitant to engage them in business models that involve stock on credit. Instead, they show a preference for working with established businesses. This reflects a broader challenge in changing existing perceptions and business practices to include younger, less established entrepreneurs.

The MSD4E Intervention Library was compiled by the MSD4E Community of Practice and funded by the ILO, Mercy Corps and Swisscontact.

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