

SOCIAL BUSINESS DEVELOPMENT OPPORTUNITIES

Analysis: The Transportation Sector in Low Income Countries

TRANSPORT NEED: AT THE LAST MILE AND BEYOND

Effective transportation is fundamental to the performance of health and welfare systems in low income countries. In some Asian and African countries, as much as 80% of the population lives in rural communities – those living at the last mile, disconnected from transportation networks that support commercial and public services. Improving transportation services for last mile health systems addresses critical gaps in healthcare access for remote communities.

Limited and irregular supplies of vaccines, medical equipment and fuel required to support health centers results in both lower use of and confidence in the health system. Improving transportation networks for health systems can be leveraged for broader social and economic benefit and to enable basic food supply. As the primary economic activity in rural communities, agriculture forms the focus of many programs aimed at improving incomes of the rural poor. Applying more reliable transportation services to the agriculture sector will ensure lasting impact for development programs focused on achieving higher crop productivity gains. A reliable and transparent network of distribution and trade is critical to achieving the complementary objectives of stronger rural health systems and more economically developed rural communities.



VILLAGE REACH

Many developing countries face significant infrastructure gaps that severely limit the performance of their health systems and economies. VillageReach’s programs strengthen health systems - especially in remote, last mile communities - by addressing these critical infrastructure gaps. Three infrastructure sectors comprise the main focus of VillageReach’s programs: energy, transportation/logistics, and communications/IT. VillageReach partners with public and private sector health programs to deliver two interconnected parts of the health systems strengthening (HSS) model:

- ◆ Field programs that expand access to healthcare at the last mile by evaluating and improving logistics and providing infrastructure support services.
- ◆ Creation and management of social businesses that increase the performance of the health system by producing sustained improvements to critically important infrastructure.

The creation of social businesses supports VillageReach’s field programs, while also facilitating other development programs run by governments, non-governmental organizations (NGOs), private corporations, and multi-lateral aid agencies. Additionally, as social businesses become increasingly profitable they boost the local economy and attract the attention of investors seeking opportunities with financial and social returns.

TRANSPORTATION ALTERNATIVES

EVALUATING TRANSPORT OPTIONS

VillageReach conducts assessments of transportation options in the developing world and identifies opportunities for the creation of social businesses. VillageReach's analyses include evaluations of cost, market structure, and estimates of reliable supply and sustainability.

Rural distribution and transport networks are typically characterized by proprietary fleets and informal networks of vehicle owner-operators, who primarily act as traders: the assets they carry are purchased and then re-sold to the next link in the transportation value chain. However private vehicle owner-operators do not guarantee or verify timeliness or quality of delivered cargo. As a result, most organizations use them only as a last resort. Government and independent organizations – including ministries of health, NGOs, and commercial farms and mines - typically operate their own vehicle fleets due to a lack of reliable logistics providers.

Critical criteria for evaluating effective transport solutions include utilization and load rates of the transport vehicles, quality and reliability of the vehicles and personnel, the initial investment required to scale the services, and the potential for reach into remote communities.

In-house Fleets is the predominant model for government ministries and NGO programs today.

Advantages: Complete management control of quality and scheduling.

Challenges: high capital investment, covering fleet purchases and supporting repair equipment. High operating costs, including personnel/salaries and vehicle repairs. Extremely inefficient (low utilization), not scalable in comparison with diversified carriers that address multiple customers.



Transporters in Mozambique

Owner-operated vehicles dominate India's trucking industry



Integrated Carriers (eg. Federal Express, UPS) provide expedited, time-sensitive services, serving private sector, for-profit customers, however their reach is limited to larger commercial centers.

Advantages: Services are highly scalable, reliable and predictable for planning and ROI estimations.

Challenges: Limited reach, potentially limited volume support, extreme high cost

Logistics Providers address all aspects of the supply chain to increase order visibility, reduce surplus inventory, control inflated delivery-cycle times, monitor and assign accountability and reduce overall supply chain costs.

Advantages: highly scalable in terms of their address of the whole value chain. Solutions seek to ensure high utilization of transport fleets for maximum efficiency.

Challenges: prohibitively expensive for the requirements of most clients operating in the developing world. There are few existing examples of sustainable operations supporting development programs.

VILLAGEREACH SOLUTIONS

IDENTIFYING CHALLENGES – LEADS TO OPPORTUNITIES

Each transportation option presents unique challenges - VillageReach brings the expertise to develop creative solutions.

Challenges	→	Solutions
<p>In-house Vehicle Fleets</p> <ul style="list-style-type: none"> • High initial capital costs • High management, operational, maintenance costs • Difficult to scale 		<ul style="list-style-type: none"> • Adhere to strict driver training and vehicle maintenance regimes • Consolidate multiple shipments (from multiple customers) • Lower costs through effective backhaul
<p>Outsourced Vehicle Fleets</p> <ul style="list-style-type: none"> • High cost, poor geographic reach of credible logistics providers • High cost, low reliability of independent truckers 		<ul style="list-style-type: none"> • Develop structured partnerships with local vehicle owner-operators • Diversify 3rd-party service providers

VILLAGEREACH’S VALUE AND APPROACH – TOOLS AND SERVICES

VillageReach utilizes a set of proven tools and services to strengthen support for health and development programs to serve under-privileged communities.

- ◆ **Market Demand Assessment:** provides a demand-side analysis by evaluating potential for organic growth potential and new market development opportunities.
- ◆ **Market Supply Assessment:** estimates the landscape of existing supply alternatives - potential competitors and partners.
- ◆ **Solutions Response Options:** defines ideal solutions alternatives, new paths to market, demand driven scenarios and determines scenarios for displacement of legacy energy options’.
- ◆ **Resource Development Requirements:** provides a framework and specific estimates of requirements to develop the business: capital investment, financial requirements, management leadership, procurement/supply estimates, strategic partners, go-to-market needs, etc.
- ◆ **Strategic Management Overview:** summarizes the business opportunity, supply options, required resources and strategic response to develop the market opportunity. The overview provides the basis for the business plan to be developed once management has been assigned.

OPPORTUNITIES TO PARTNER WITH VILLAGEREACH

VillageReach supports its partners and clients seeking to close gaps in critical infrastructure through two distinct engagement models:

- ◆ **Consulting:** providing advisory services covering market assessments and gap analysis, infrastructure development and demand creation, and business and financial planning.
- ◆ **Sub-contracting:** serving as a solutions provider and manager of businesses created to support HSS programs.

CONTACTS

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