iProcure - reinventing input distribution for rural Africa

Building & scaling a tech-enabled supply chain

Nairobi, Kenya
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Executive Summary

iProcure is disrupting the Kenyan agriculture input market with its tech-enabled network of 1,500 agrodealers and custom depots, integrated to more than 25 input manufacturers. iProcure delivers quality inputs at a fair-price to small-holder farmers whilst supporting agrodealers to optimize their business with real-time data and access to finance.

iProcure’s growth journey has involved a continuous iteration of their business model, beginning with software as a service, then direct distribution, then a branded depot model, and now focusing on a business-to-business approach via networks of partner agrodealers. Their growth journey has been marked by strategic data-driven decisions to pivot to new customer segments and product features, increased investor involvement, as well as partnerships with Mercy Corps AgriFin and DigiFarm that expanded iProcure’s scale (DigiFarm accounts for ~20% of iProcure’s revenues). iProcure now wholesales to over 1500 agrodealers, and provides them a technology solution to track inventory and redeem farmer loans as part of the DigiFarm network.

Along the journey, the team has learned a number of lessons including:

1. Partnerships can help scale the business, but they may require compromise
2. Embracing adaptability in the business model has strengthened iProcure’s value proposition and competitive advantage
3. Tech-enabled (as opposed to tech-only) disruptions can lead to business growth and drive new business lines
4. Data-driven decisions help to constantly assess the business model and angle the business towards unique opportunities for growth
Mercy Corps AgriFin (MCAF) has supported iProcure over the last 4 years to optimize its model, partnerships and customer base.
Case Outline

1) iProcure Company Profile
2) Overview of Market Challenges
3) iProcure Value Proposition
4) Current Business Model
5) Stage-by-stage Business Model evolution
6) MCAF role in Business Model evolution
7) Lessons Learnt
8) Next Steps
9) Annex: MCAF & Dalberg Background
iProcure: company profile

iProcure has disrupted the rural input distribution supply chain by introducing (i) technology in functions that are predominantly manual, (ii) improved in-person customer experience, and (iii) financial incentives, to offer improved services to input manufacturers, agrodealers, and farmers.

Technology-supported supply chain solutions

- **Efficient logistical support** (just-in-time delivery in 48h based on real-time stock data) in a predominantly manual industry.
- **Improved inventory management** (reducing inventory in stock based on demand, eliminating expiry, risk of theft and working capital constraints)
- **Supply chain visibility** for manufacturers

Enhanced customer experience

- **High quality**, unadulterated inputs
- Customer-centric layout in depots and layout assistance for agrodealers to offer **cleaner, better lit and more accessible shops** for customers
- Stock management to ensure shops are stocked with farmers’ desired products and synchronized to their purchase patterns

Financial incentives for farmers and agrodealers

- **Increased access to finance** (for farmers via DigiFarm input loan facility, and increasingly for agrodealers based on iPOS usage)
- **Lower input prices** for both agrodealers and farmers by eliminating reliance on middlemen and securing discounts from manufacturers for bulk purchases
Our research found that access to affordable quality inputs was a major challenge for farmers

Farmers face multiple challenges related to inputs, these include access, quality, pricing, and usage/farming practices as described below:

1. **Access to inputs is difficult for farmers in remote regions** who must travel long distances to purchase inputs from agrodealers, and often find that the inputs they want are not in stock.

2. **Poor quality inputs lead to low yields and subsequent lower adoption by farmers.** There are cases of agrodealers adulterating inputs with traditional low-quality inputs, leading to reduced yields from farmers and reduced adoption of the use of inputs.

3. **High input prices and access to finance** reduce farmers' ability to purchase sufficient inputs. Less than 1% of households in Sub-Saharan Africa use credit for modern inputs. However, farmers listed this as a lower priority to obtaining quality input.

4. **Limited agricultural knowledge on best farming practices** e.g., in Kenya, both farmers and extension personnel are dissatisfied with the quality and frequency of their interactions and knowledge sharing.

On the supply side, manufacturers and agrodealers face an array of market challenges.

**Agrodealers**
- Overpriced inputs from distributors
- Insufficient quality assurance for inputs
- Inefficient book-keeping systems with limited visibility on product movement and stock levels
- Limited access to financing to buy stock

**Input Manufacturers**
- Information asymmetries on customer needs, profiles, market demand and product usage downstream to agrodealers and stockists
- Complicated distribution systems to rural areas, including high costs of logistics
# iProcure’s value proposition

iProcure’s extensive logistics network and tech-enabled platform enables them to supply high quality inputs to smallholder farmers and agro-dealers at competitive prices.

## Small Holder Farmers
- **Fair Price** streamlined logistics and good relationships with manufacturers allows iProcure to offer farmers a fair price.
- **Quality inputs** that are unadulterated, sourced straight from the manufacturer and traced all the way to the end user.
- **Last Mile Distribution** through a network of 1500 agrodealers and customer facing depots, iProcure can bring quality inputs closer to farmers.

## Agrodealers
- **Real Time Data** enables users to trace their products track product performance, reduce waste and ultimately improve services to Smallholder Farmers.
- **Access to finance** utilizing the data collected from the iPOS system, iProcure can offer credit scoring to finance institutions, who in turn provide credit to agrodealers.

## Manufacturers
- **Warehouse Management** building on their warehouse management experience and technology, iProcure provide manufacturers with end-to-end warehouse services.
90% of iProcure’s current revenue is from input sales, 10% is from warehouse management

Legend:
- Flow of goods and services
- Financial / payment flows
- Information / data

iProcure’s Present Business Model

Manufacturers

- Order inputs
- $ for inputs

Agrodealers

- Inputs
- $ for inputs

iProcure

- Inputs
- Inputs

iProcure depots

- Inputs
- $ for inputs

Farmers

- Inputs
- $ for inputs

Farmer

- Inputs

Legend:
- Flow of goods and services
- Financial / payment flows
- Information / data
However, iProcure’s model started as SaaS and evolved via multiple steps to B2B input sales

**1. Technology development**

Starts as a software-as-a-service company for distributors in Kenya

**2. Customer-facing Distribution**

Starts selling inputs directly to farmers with small shop outside of Nakuru

**3. Wholesale Distribution**

Refocuses customer base towards farmer co-operatives to increase volume and sales revenue

**4. Depot Rollout**

Goes back to B2C model with the roll out of 19 depots selling directly to farmers. Partners with DigiFarm and scales their depots across the country

**5. Business to Business Solutions**

To scale further, iProcure starts to sell inputs wholesale to agrodealers, working with 1500 nationwide. It also starts offering warehouse management services to select manufacturers

**USD 250k BSP funding (2014)**

**USD 400k MCF funding (2016); DigiFarm Partnership**

**USD 1m Novastar Funding (2017)**

**USD 4.5m investment (2019)**
1. Technology Development

**Business Model**

**Software Platform:** iProcure developed bespoke input distribution software for input distributors and sellers

**Tracking products:** This enabled wholesalers to track orders, deliver supplies, communicate with manufacturers and monitor performance

**Key Challenges**

**Misaligned value proposition:** Supply chain transparency alone was not a strong enough incentive for distributors

**Funding:** Having invested in technology development, there were limited availability of funds available to direct towards stock and input distribution

**Lessons Learnt**

**Iterative product development:** Develop internal systems to test and adjust product features to meet market needs

**Technology alone is not always the solution:** Technology alone in a non-tech context may not necessarily address the pain points

**There was an opportunity to operate more effectively:** There was potential to develop more efficient processes along the value chain by using technology and data to bring quality inputs directly to farmers
2. Customer-facing Distribution

**Business Model**

**Farmer facing retail:** iProcure moved into distribution, setting up a small shop 6km outside of Nakuru with 2 tuk-tuks (three-wheeled vehicles)

**Cutting out the middle man:** They sourced inputs from manufacturers and sold them directly to the farmer through door-to-door sales

**Key Challenges**

**Cost of operations:** With high overhead costs, iProcure struggled to compete with more established agrodealers

**Farmer loyalty:** They struggled to build loyalty with farmers and to get the product mix right

**Inventory management:** This left them with unsold inventory

**Lessons Learnt**

**Nature of the retail agri inputs ecosystem:** This includes dynamics of managing retail inventory, nuances of pricing techniques and what influences prices, and how to build customer relationships

**Farmers’ purchasing behavior:** They understood farmers’ purchasing behaviors (as groups and as individuals), and appetite for technology

**Direct retail channels are capital intensive:** Customer acquisition was costly as it required boots on the ground to build a customer base

**Revenue growth**

[Graph showing revenue growth with 10,300% increase from 12 to 19 years]
3. Wholesale Distribution

**Business Model**

**Group-level distribution:** To scale faster, iProcure shifted to working with cooperative-owned agrovets. They began to blend the two approaches of iProcure: input supply (to co-ops/groups) & using tech to manage inventory. **Aggregating demand:** enabled them to boost sales significantly while minimising contact points.

**Key Challenges**

**Risk exposure:** Reducing the points of sale meant iProcure became reliant on a small number of clients.

**Debt collection:** Clients were good at paying at first, but then this dried up leading to a number of defaults and late payments.

**Lessons Learnt**

**Diversify your client base:** The iProcure model would need to reduce risk by increasing the number of clients it served and avoid cashflows being determined by the cycles of a few large clients.

**Learn from pain points and pivot:** While direct retail sales had been challenging, with the shift to coop-distribution manufacturers were starting to take notice of the large volume of inputs iProcure was selling, which improved their credibility in the market.

**Revenues (USD, ‘000s)**

-23.81%
4. Depot Rollout

**Lessons Learnt**

**Focus on best performing products:** A data led approach to product selection supports more efficient logistics, improved margins, and better terms with manufacturers (bulk buying discounts). Cost effective delivery was also facilitated by the presence of depots closer to agrodealers.

**Partnerships can fast track scale:** iProcure’s expansion and increased exposure through DigiFarm enabled a rapid increase in customers.

**Partnerships require compromise:** Working with Safaricom exposed iProcure to a level of bureaucracy they were not used to. This required compromise to ensure alignment on vision and aims.

**Business Model**

**Nation-wide depots:** Growth in transactions through group / co-op distribution attracted investor funding, allowing iProcure to open 19 new depots selling to agrodealers and farmers directly.

**Partnerships:** Partnership with DigiFarm (facilitated by MCAF) pushed iProcure to scale their depots to meet increasing demand.

**Key Challenges**

**Opex costs:** Rapid expansion resulted in large Opex costs despite an average 6-month breakeven period.

**Fierce competition:** Other agrodealers felt threatened leading to a lose-lose price war.

**Farmer acquisition:** Very challenging to get farmers to shift to iProcure.

**Revenue growth**

![Revenue growth chart](chart.png)
5. Business to Business

Business Model

Return to wholesale: Strategic repositioning, the Digifarm partnership, and a strong brand association with quality increased traction with agrodealers, expanding their network to 1500 agrodealers

Tech offer: iProcure offered agrodealers the iPOS system to order inputs and track inventory

Warehouse management: Began warehouse management services for manufacturers

Key Challenges

Tech adoption: Agrodealers incentives, financing, and training to acquire and consistently use the iPOS system

Quality control: Wholesale distribution makes it challenging to ensure farmers are receiving quality inputs from all agrodealers, who also buy inputs from other distributors

Lessons Learnt

Data can open up new opportunities: iProcure has the platform to collect data on buying habits of farmers. This could be leveraged as an additional income stream

Agrodealers need access to finance: When Dalberg supported iProcure with the roll out of the iPOS system, access to finance was consistently identified as a significant pain point. iPOS data can help to improve agrodealer credit ratings and in turn help them access finance

Revenue growth

+1391%
iProcure has made critical pivots to develop its’ business model to date

2016: MCAF facilitated the relationship between iProcure and Digifarm and completed a strategic review, recommending a reduction in product range

“Augustine supported us to transform our logistics operations and professionalize the way we moved goods around the country”

2017: MCAF and Dalberg carried out analysis to scale the number of depots as well as supporting their B2B expansion strategy

2017: MCAF provided logistics support, helping to design and implement iProcure’s logistics processes

“Dalberg’s Agrodealer expansion strategy helped us to understand our customer’s needs and introduce new products to drive up demand and iPOS usage”

2019: MCAF and Dalberg supported iProcure to expand their iPOS software to agrodealers nationwide
What has iProcure learned along the way? (1 of 2)

1. **Understand the end-to-end journey** – iProcure’s journey between B2C and B2B was in hindsight a necessary journey. Its customer facing operations taught the company how to serve smallholders and understand depot pain points. This informed the new model of B2B and its focus on particular services and products rather than trying to do everything.

2. **Focus on product selection** – Early on, iProcure analysed which products sell well and/or provide best return. This allowed the company to reduce the inventory without losing business opportunities and customer interest.

3. **Be customer focused** – More recently, MCAF has supported iProcure to understand agrodealer challenges through user experience testing with Dalberg. With these insight, iProcure adjusted its expansion strategy.

4. **See technology as an enabler** – iProcure is a technology company, however it understands that technology is an enabler and that you only realise benefits with seamless process and the right team. It has therefore learnt to focus on getting business process right before investing in new technology.

5. **Be data-led in decision making** – With a growing bank of data, regular analysis and customer feedback will help to constantly assess the business model and focus. This has helped iProcure to assess product mix as well the type of agrodealers they target.
What has iProcure learned along the way? (2 of 2)

6. **Hire local talent** – iProcure have had a lot of success in employing local talent out of university and promoting from within. While this has required lots of time and investment from senior staff, it has been far more effective than hiring from outside.

7. **Hire talent with appropriate skills** – From their experience, it is not necessary to hire ‘A-players’ unless you really need them. Otherwise you end up paying high salaries for skills you are not going to fully utilize.

8. **Use industry experts appropriately** – In iProcure’s experience industry experts are most valuable as advisory board members, not company employees.

9. **Hire a great accountant** – In the early stages, efforts are best spent employing a strong accountant rather than a Chief Finance Officer.
What is next for iProcure?

1. **Consolidate the Kenyan Market**
   - **Network expansion:** Working closely with their regional sales teams, iProcure plans to expand their network of agrodealers to reach more smallholder farmers.
   - **iPOS rollout:** iProcure is investing to scale the number of agrodealers using their iPOS solution.
   - **iPOS usage increase:** iProcure will focus efforts on increasing the use of the iPOS system amongst its customer base. Based on Dalberg’s recent strategy support, one option they are exploring is to provide access to finance for iPOS super users.

2. **Product Diversification**
   - **Reducing physical volume of products:** A small number of products in iProcure’s inventory are taking up the majority of space in trucks and warehouses while providing low profit margins.
   - **Diversifying product offer:** Leveraging their existing logistics capabilities, they would like to explore alternative products to wholesale. This does not have to be limited to agricultural products.

3. **Regional Expansion**
   - In the long-term, iProcure is interested in expanding to other East African countries including Uganda, Ethiopia and Tanzania.
Annex
AgriFin supports organizations to serve smallholder farmers

Mercy Corps’ AgriFin programming (MCAF) represents **USD 35 million** in innovation funding from the MasterCard Foundation, Bill and Melinda Gates Foundation and the Swiss Development Corporation to support development, testing and scale of digitally-enabled services to more than **3 million smallholders by 2021**

Our objective is to develop sustainable services that **increase farmer income and productivity by 50%**, with **50% outreach to women and youth**

MCAF works as an innovation partner with **private sector** scale partners and such as banks, mobile network operators, agribusinesses, as well as **technology innovators and governments** committed to serving smallholders at scale

We help our partners develop, prototype and scale bundles of **digitally-enabled financial and non-financial services** supporting **partnership development** between market actors that leverage their strengths

We combine MCAF team expertise with strategic subsidy to jointly implement **iterative, fail-fast engagements** with partners on a cost-share basis, **sharing public learnings** to drive market ecosystem growth

Since 2012, we have completed more than **150 engagements with over 70 partners**

Currently, our work reaches more than **2.8 million smallholders**
Dalberg brings a range of business capabilities to support AgriFin’s vision of supporting smallholder farmers

<table>
<thead>
<tr>
<th>24 Locations globally</th>
<th>9 Locations in Africa</th>
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</thead>
<tbody>
<tr>
<td>8 Businesses</td>
<td>32+ Nationalities</td>
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<tr>
<td>60+ Languages</td>
<td>90+ Countries we’ve worked in</td>
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DALBERG GROUP

We are a **global group** working to build a **more inclusive and sustainable world** where all people, everywhere, can reach their fullest potential.

COLLABORATION WITH AGRIFIN

Dalberg leverages a range of business capabilities to support AgriFin Accelerates vision for reaching 1 million smallholder farmers across Kenya, Tanzania and Zambia. Dalberg’s role includes:

- Conducting ecosystem studies for countries
- Designing innovative products and services using human-centered design
- Piloting and assessing effectiveness of products and services
- Developing strategies for key stakeholder partners
- Deep dives on specific elements of agricultural supply chains
Thank You!

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