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LESSONS FOR STARTUPS TO FIND PRODUCT MARKET FIT AND IMPROVE REMOTE OPERATIONS DURING COVID

Case studies from Catalyst Fund and GMC coLABS

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CONTENTS

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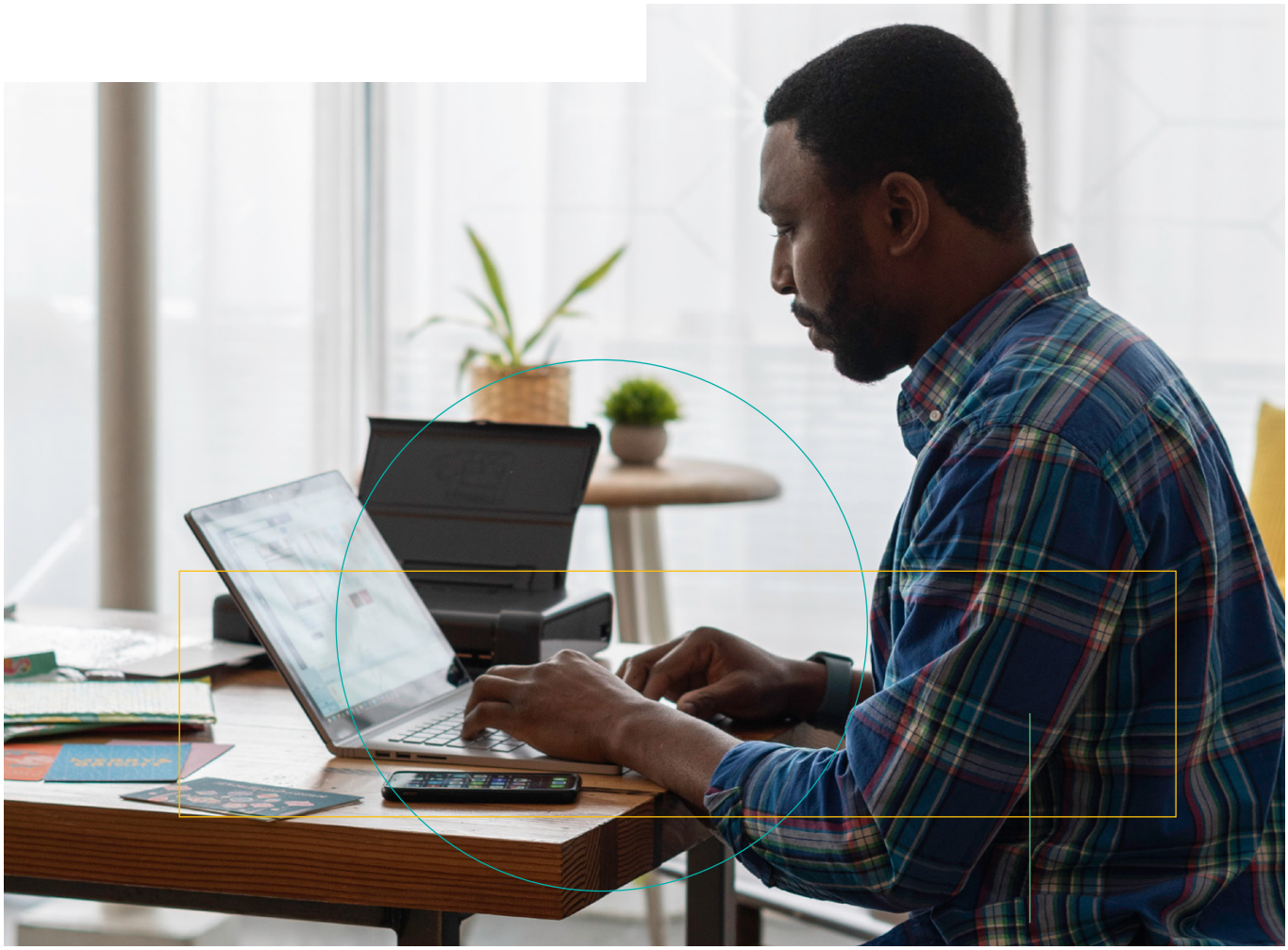
INTRODUCTION

The COVID-19 pandemic has motivated customers to purchase online and driven the digital transformation of business operations and processes. Businesses have developed e-commerce solutions, home delivery, and social media engagement to replace in-person customer service, offline retail, and other traditional channels. This transformation has nearly doubled the volume of digital payments, from $3.9 trillion to 2019 to $5.4 trillion in 2020.

For some companies, the transformation to digital was a natural step in their business evolution. However, for startups still trying to achieve product-market fit, going remote has been an existential threat. Without the ability to observe users and speak with them, or to train and deploy field staff, startups were at a distinct disadvantage in their journey toward product market fit.

Instead, they have had to develop remote customer-centric methods for product design and testing. In particular, inclusive fintech, agri-tech and health-tech startups, which have typically depended on a mix of tech-and-touch to build trust and engagement, have had to shift their focus to digital tools to engage users and build trust even as they are just starting to establish their brands and voice.

This brief provides in-depth case studies on how companies in both the Catalyst Fund and coLABS portfolios have successfully leveraged methods for remote product development, digital sales & distribution, and contactless service provision, even in the earliest stages of product-market fit.



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Remote product development

Startups typically engage in extensive user research and prototyping as they iterate through the first steps of product development. Founders often conceive of early features and interfaces after speaking with target users and getting their response to sketches and prototypes. At these initial stages, startup teams tend to work in stereotypically intense manners, spending long hours hacking together new features, coding throughout the night, and addressing problems as they arise.

However, COVID has meant that these ways of working in person are out of the question, effectively precluding the wide range of human-centered design tools and lean experimentation that have come to define best practice. Instead, startups must rely on lower-touch methods like phone and web surveys, video calls, and data analysis to gather the insights needed to develop superior products. Case studies from startups in the Catalyst Fund and coLABS portfolios suggest a few lessons that may help others seeking to employ remote methods for product design:

Web surveys, when deployed with an incentive for completion among active users, can achieve high participation and completion rates, but data quality can sometimes be poor as can representativeness of the sample. Numerical entry should be avoided in favor of single-select multiple choice, and demographic characteristics of the sample should be carefully validated against the characteristics of the target population.

Qualitative phone interviews are a better choice for more detailed narratives and even numerical estimates, but scheduling and timing is a challenge and can be demoralizing. In addition, matching local languages, accents, vocabulary and other socio-cultural markers is even more important to establish trust over the phone than in-person.

Data analysis is a good way to confirm or reject hypotheses about value propositions and product market fit, often better than fieldwork as what people say doesn't always match what they do.

User research with platform workers in India to understand users' behaviors and preferences

Background

Karmalife, a Catalyst Fund portfolio company, provides wage advances to gig workers in India by partnering with ride hailing and other service platforms. Based on their initial research, the team was sure that gig workers could benefit from more liquidity, but after a few months of deploying the product, a new set of questions arose. The usage data validated many hypotheses, but the team wanted to know what users were spending the money on and, importantly, what complementary financial services could benefit them.

Remote user research

Under normal circumstances, the team would get into the field to speak to workers. Connecting with them for in-depth interviews had served the team well when developing the product and would have undoubtedly been a valuable exercise at that point. However, under COVID circumstances, the team had to turn to remote research methods. The Catalyst Fund team helped the startup conduct two research efforts: a quantitative web survey, and qualitative phone interviews. Due to time constraints, the two efforts were conducted simultaneously, therefore preventing us from allowing findings from one to inform the other.

The web survey was shared via the startups' app and a small airtime reward was offered to those who completed the survey. Response rates were around 14% and 175 responses were collected. The survey included approximately 30 questions divided evenly between demographic and socio-economic factors, current financial habits, and forward-looking

structure, debt, assets, education, and other account ownership. These factors helped the startup segment the user base and identify key characteristics like vehicle and home ownership, family obligations, and other debt. The second third of the survey helped the team understand how workers were using the advances (e.g., for fuel, emergency funds, and to repay debt) and the frequency of such usage. They also asked about income and expenditure flows, and the impact of COVID on their livelihoods. The last third of the survey explored demand for and willingness to pay for other related services like additional term credit, savings, and insurance.

The phone interviews were designed in a more open-ended fashion in which a team member spoke with users about similar topics, but in a more conversational fashion. The team planned to conduct 35 conversations but stopped at 19 after finding little variety in responses. Given COVID conditions, workers were facing similar conditions and most articulated similar frustrations about being unable to meet family obligations or plan for the future, and wanting higher credit limits.

Together, these two efforts gave KarmaLife a detailed picture of how workers were faring under COVID and the value of the wage advances. For example, the team learned about how workers' incomes had changed since COVID hit, the extent of their financial concerns, and even their hopes for the future. However, a few questions did not produce reliable results. For example, estimates about weekly income among gig-workers varied so dramatically as to indicate data quality problems.

The detailed and robust findings were possible because KarmaLife already had a strong understanding of their users. They were able to use this foundation to design clear, relevant questions that probed in the right direction. Moreover, the team had the dedication and discipline to launch time- and effort-intensive efforts to get high-quality information, even when times were tough for the business. Together, the Catalyst Fund and KarmaLife teams learned that remote research is demanding, but can be extremely fruitful when built on strong foundations.

Lessons learned

- Qualitative and quantitative research can be complementary even when deployed simultaneously if built on a strong understanding of users and their priorities.
- Keeping questions simple, direct, and closed can improve data quality.

Web surveys

- Response rates for web surveys tend to be very low (<15% in emerging markets), reflecting people's busy schedules, low digital literacy, and, perhaps, their underlying feelings about providers. Moreover, users who are more active (and probably benefiting from the service more) are more likely to respond, thereby skewing results towards those who are satisfied. As such, web surveys are a better tool for understanding active users, and not for unpacking weak retention.
- Incentives are important to motivating responses but we found that distributing airtime rewards wasn't straightforward. Be aware that startups may not be able (legally or logistically) to credit accounts or to deposit rewards into customers' wallets, so you might have to find other solutions.
- Questions requiring numerical entry tend to be unreliable, especially if they require mental math or long-term recall. Given that digital literacy may be limited, and that numerical recall/estimation is difficult, it is wise to forgo questions that require entering numbers or using drag/drop scales.
  It can help to triangulate income and expense data via third-party research rather than depending only on respondent recall.

- It can be valuable to target responses using characteristics that providers already know about users. For example, targeting active and churned users separately can help draw conclusions about how they understand the value proposition.

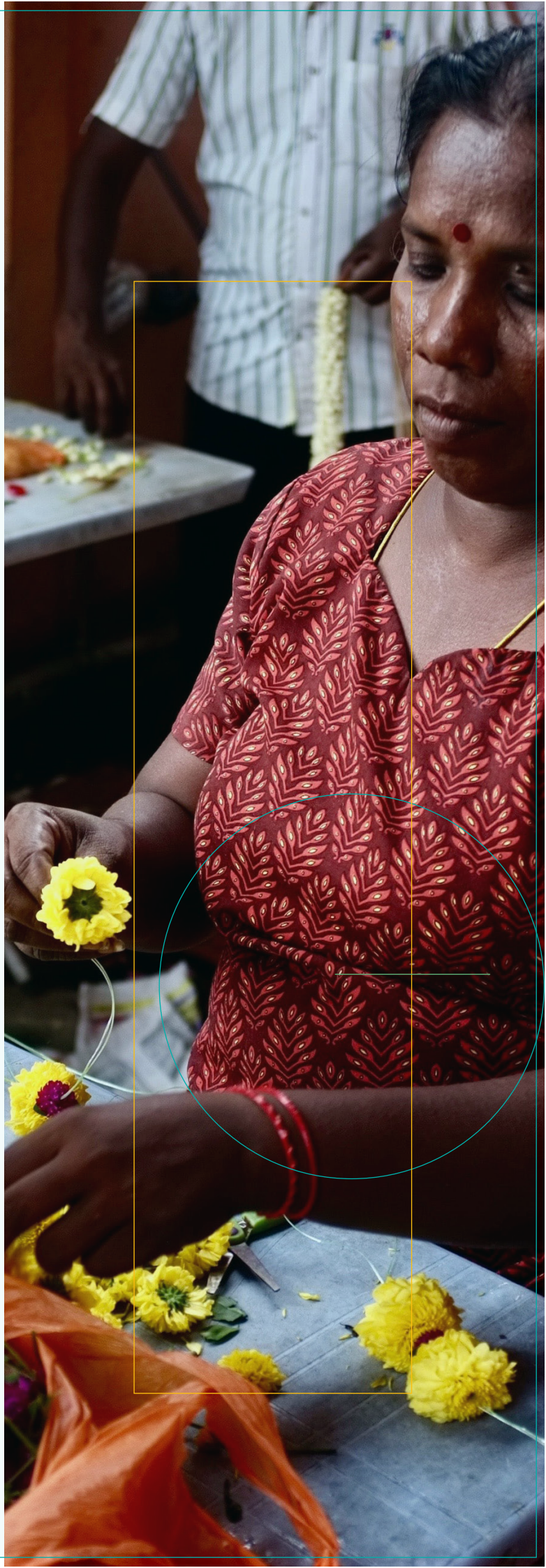
- Similarly, matching user responses with more detailed usage rates can give responses more meaning. For example, targeting different user segments (active/churned, young/old, single/family) can prevent responses from being overwhelmingly uniform.

- It can take several weeks as well as multiple pushes to accumulate sufficient responses so ensure you have time to collect results and incorporate findings.

Interviews

- Building trust over the phone is possible but requires cultural and linguistic sensitivity. Catalyst Fund researchers were able to conduct interviews in workers' native language, thus building trust and easing conversation. Users may be more willing to be honest with researchers of their own gender, who look like them, and talk like them. These factors may be even more salient with video and phone calls.

- It is time consuming to schedule and conduct phone interviews, and it can be demoralizing for researchers to face unavoidable cancellations and no-shows. Be sure to budget sufficient resources, time, and effort for scheduling interviews.



Data analysis to understand why users churn

Background

Kandua, a Catalyst Fund portfolio company, is an online marketplace that allows gig professionals like construction and home repair workers to bid for jobs offered by private customers. By presenting jobs in one place, Kandua allows workers to more easily and more quickly find jobs when they need them. As a result, the average pro on Kandua's platform earns about one month of additional income through jobs they get directly via the marketplace, and even more from referrals and repeat customers from Kandua jobs.The platform also provides pros with operational tools for quoting and invoicing customers, as well as marketing support for winning bids. In South Africa, where Kandua operates, pros are typically young, informal entrepreneurs who struggle to make ends meet, and to invest in growing or upgrading their businesses.

Data analysis for remote product insights

Prior to the pandemic, Kandua had concerns about the level of churn in their business. Although the user base was growing and the firm was observing organic acquisition of pros, not all of them were sticking around. A steady percentage of pros stopped using the platform each month and the team was not entirely sure why.

The first step was to call a small sample of churned pros, those who had used a first batch of bid credits, but then stopped using the platform. These conversations revealed that churned pros were frustrated that their bids had failed to win jobs.

However, given the nature of the marketplace model, the Kandua team was unable to confirm whether churned pros were in fact losing more jobs than retained pros.The Kandua marketplace provided a mechanism for pros to submit bids, but the team could not see which ones were eventually selected and at what price.

As such, they could not confirm that low bid conversion was, in fact, driving churn. While such questions would have normally initiated a round of fieldwork with pros or the launch of new features to be tested, the pandemic precluded such conversations, and activity on the platform had more or less come to a temporary halt due to lockdowns.

To better understand churn, and without the ability to test new features, the team decided to take a closer look at their data with the help of the Catalyst Fund venture-builders. The data revealed slightly different drivers of churn than the small survey had suggested. Although Kandua could not observe win rates, the team could observe differences between retained pros and churned pros. First, they noticed that churned pros and retained pros faced the same level of competition - each bidding on jobs with an equal number of bids, and probably losing at equal rates as well. This finding helped the team understand that low bid conversions were unlikely to be driving churn.

Next, they found that retained pros were much more active on the platform from the outset; they made more bids, more frequently, and waited less time before purchasing additional bid credits. In contrast, pros that went on to churn were slow to make and purchase bids. The team learned that low engagement was a meaningful predictor of churn, even without visibility into how many bids the pros went on to win.

These findings helped the team shift their attention to establishing early engagement with the platform to reduce churn, even as they grew the capabilities and functionalities of the platform to deliver additional value to pros.

Lessons learned

- While lean experiments are almost always the best way to test ideas, interrogating usage data is the best way to decide what to test and under what conditions. Startups should use data insights to develop strong hypotheses that can serve as the foundation for lean experiments and quick iterations.

- Data analysis is a good way to confirm or reject hypotheses about value propositions and product market fit, often better than field work as what people say doesn't always match what they do.

- Superior data quality and architecture are an invaluable resource for getting to product market fit. Startups should build these foundations with care as retroactively merging and tagging data can be extremely painful, and leave startups without the information they need to progress.

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Digital customer acquisition and sales

Inclusive fintech startups work with underserved users who are typically less literate, less comfortable with advanced technology, and less trusting of financial service providers. This means startups must take extra steps to build trust and facilitate usage, often in the form of tech-and-touch models that leverage agents, call centers, or retail chains. Partnering with brick-and-mortar resources on the ground means that users can interact with a trusted face in their community, rather than make the leap to a fully digital solution.

However, in COVID circumstances, startups have been forced to reinvent tech-and-touch models and shift to totally digital methods. In many countries, they have been fortunate to encounter growing smartphone penetration and acceptance of social media platforms, particularly WhatsApp, to be able to reach and engage customers. In particular, with WhatsApp Business, startups can interact with their customers in a direct and personal way. It enables them to operate remotely while providing them with a convenient option to engage with their users/customers in a responsive manner. For example, in the case of the coLABS startup working in menstrual health and hygiene described below, in-person community engagement was critical to creating awareness and enabling behavioral change. The team was able to leverage social media and WhatsApp to achieve their objectives. The experience of our startups suggest the following takeaways for startups looking to leverage similar tools:

Where WhatsApp is established and widespread, it can be a powerful channel for reaching underserved users who would otherwise need higher-touch mechanisms for establishing trust.

Chatbots can ease some data entry and parts of the customer journey, if designed well. Questions need to be clear, with limited answers that provide immediate, clear value to the user and sales processes. Collecting data just for the sake of the business, without using it to immediately improve that user's experience will probably lead to poor conversion and engagement. Chatbots can easily feel cold and extractive if not designed well.

Lack of access to smartphones is still a huge challenge and this digital divide can prevent a majority of people from accessing platforms such as WhatsApp. Unreliable power supply is also a challenge coupled with expensive airtime and internet bundles can further limit access.

Whatsapp for PAYGo sales in Mexico

Background

Graviti, a Catalyst Fund portfolio company, is a buy now, pay later platform that enables low-income, unbanked families in Latin America to buy household appliances that meet their basic needs via accessible loans and flexible payments. For example, Graviti offers solar water-heaters (as well as other appliances) to Mexican families in peri-urban areas where piped gas is not available and where they must rely on gas boilers or stovetops to heat water. Unlike other providers of solar water heaters that use neighborhood outlets and on-the-ground sales teams, Graviti wanted to keep costs down using digital and remote means of acquisition.

As the team was starting out, leads were fielded by a call center team either over message or voice call. Customers loved interacting with the team and speaking to real humans, but such mechanisms were driving up acquisition costs. Moreover, conversion rates were low as many leads would drop away after receiving a quote based on the credit score, water heating needs, as well as the characteristics of the home (and installation complications).

Remote sales

To improve remote sales, the team needed to maintain the warmth and personalization of the call center sales process, but decrease the cost. User research conducted by Catalyst Fund found that churned leads were not yet cold, they remained interested in Graviti months after interacting with the sales team. Research also found that the quotation was a decision-making factor, determining whether customers would purchase immediately or not.

Graviti found the opportunity to improve their processes when WhatsApp launched

Whatsapp for Business, and opened their APIs to local businesses. Using the API, Graviti developed a chatbot to automate the quotation process and only once customers approved the quotation, moved them to a human interaction in the call center.

The solution works because Mexicans know and trust WhatsApp. It feels warm and personal, much like the original process, while also drastically reducing cost of customer acquisition for the startup. Cost savings are not the only advantage, the solution also creates an established, ongoing conversation with leads so that Graviti can now periodically reconnect them to see if they are still interested and willing to invest. Reconnecting with leads increases conversion rates as lost leads are not truly lost, and can still be recovered at a low cost. Moreover, the chatbot is easy to adjust. As the Graviti quotation and scoring algorithm improves, the team does not need to rebuild a back-end, the API can be adjusted quite simply to improve outreach and targeting.

Lessons learned

- Where WhatsApp is established and widespread, it can be a powerful channel for reaching underserved users who would otherwise need higher-touch mechanisms for establishing trust. Chatbots can ease some data entry and parts of the customer journey, if designed well. Questions need to be clear, with limited answers that provide immediate, clear value to the user and to the funnel process. If the sales, customer service, or other process can be improved by a few, clear pieces of data, a chatbot may be a good solution. However, collecting data just for the sake of the business, without using it to immediately improve that user's experience, will probably lead to poor conversion.

- Chatbots can easily feel cold and extractive if not designed well. Collecting personal information from users without providing them any value will leave them feeling used. Ensure the experience with the chatbot fits with the values and brand of the business.

WhatsApp to engage hard-to-reach populations

Background

WomenChoice Industries, a coLABS portfolio company, manufactures and distributes Salama Pads -- low cost, affordable Menstrual Hygiene Management (MHM) reusable sanitary towels -- to women and girls in low-resource settings in Tanzania. The Pads are soft, user- and environment-friendly, and can reduce menstrual costs by 75%-90% annually since the Pads can be reused for up to three years. WomenChoice Industries also provides employment to women from local communities by recruiting them as sales agents and equipping them with financial literacy and business management skills.

Before the COVID19 pandemic, WomenChoice Industries (WCI) employed various sales and marketing strategies, including door-to-door outreach and advertising activities, as well as outreach activities in schools and colleges. The enterprise heavily relied on sales agents, vendors, shops and institutional kiosks to distribute their products. The team sought to provide the local community with MHM information and create awareness about the benefits of the Salama Pads. In-person community interactions facilitated the dialogue on MHM.

However, long commutes and increased expenses on fuel and transportation were constantly driving up costs. The size of the team limited the number of people, groups and users they could reach as it was cost-prohibitive to hire more facilitators and officers. Further, the team wanted a solution that would support their scaling efforts in the longer term and help close the menstrual hygiene gap for women and girls.

With the onset of the pandemic and the implementation of strict stay-at-home orders and social distancing requirements, women and girls struggled to procure pads and the WCI team struggled to reach users. As the team explored different ways to maintain operations during lockdown conditions, they knew they needed to retain the social fabric and community interaction aspects of the model. These aspects were central to creating awareness around MHM and encouraging the use of quality, safe menstrual hygiene products, both critical to behavior change.

A few months into the pandemic, in July 2020, WCI partnered with Amref Africa to organize a training for their local stakeholders, including vendors, women and girl sales agents, teachers, and community health workers. In the process, the idea of having a social media platform emerged as a vital way to reach different stakeholders and facilitate dialogue on MHM.

Social media platforms like Facebook and LinkedIn seemed like viable options given their reach and cost-effectiveness. However, when the team tried these platforms, they realized that a majority of their customers lacked the basic skills and knowledge required to navigate these platforms. A majority of the local population; women, girls and even men, were not registered on any of the social media platforms.

Remote user engagement

The team did find that WhatsApp was widely used and set up the Tanga Regional MHM WhatsApp group to provide adequate, detailed MHM conversations, to facilitate access to products, and to conduct sales and marketing. When the WhatsApp platform was first created, it consisted of 69 individuals including local government authorities, women and girls, vendors and sales agents. In the months since, membership has grown to 821 members. The members were trained and encouraged to use WhatsApp to solicit and share information.

The WhatsApp group has also facilitated business outreach and sales. The team has distributed 1,500 care products to women and girls (mostly to girls in schools), and all with far lower costs. The WhatsApp groups' internet bundles cost between US$ 0.50-1 per week whereas transportation by car and labor costs for two people would have totaled US$40 plus an additional of US$45 a week for fuel, resulting in a total cost of US$85 each week. WhatsApp has thus been cost effective, efficient, and user friendly.

Since the initial success with WhatsApp, the team has created an additional group for general information. They use WhatsApp for Business for the Tanga MHM Platform to help the general public access MHM information, care products, and services. The initial group, ''Tanzania MHM Coalition'', continues to bring together stakeholders and vendors to facilitate the supply and distribution of MHM reusable sanitary towels. It is also used to deliver business and financial management training to empower women and girls from socially disadvantaged settings with knowledge, skills and expertise on record keeping and basic financial literacy.

The WhatsApp platform has also been critical in driving sales and delivering marketing. The platform allows the team to collect products' receipts and payment confirmations from the bank. It has become a one-stop shop for information and accessing menstrual hygiene products, and also helped the team streamline operations and costs. WhatsApp's user-friendly design and easy-to-use features helped increase community engagement and stakeholder participation in MHM development programs.

Lessons learned

- WhatsApp is a simple to use, cost-effective, time-saving and convenient channel to build community interaction and drive customer acquisition.
  Social media usage remains law in many areas. Of the 69 people who eventually signed up for the WhatsApp group, only 21 (30%) were social media users and a majority of them (70%) had only limited access to smartphones and social media apps. The simplicity and widespread acceptance of WhatsApp made it a preferred medium as compared to the complexity of navigating Facebook.

- An effective engagement plan to drive communication is key to avoid the perception of "spamming" and to deliver a superior user experience.

  - Identifying topics for discussion, providing timely responses and using customer feedback to improve engagement are central to using this platform.

  - Addressing stakeholder interests, expectations, and concerns in a timely manner is critical.

  - Constant engagement of the community and its beneficiaries by sharing valuable information on MHM, opportunities and providing support is crucial to the sustainability of the platform.

- Lack of access to smartphones is still a huge challenge and this digital divide can prevent a majority of people from accessing platforms such as WhatsApp. Unreliable power supply is also a challenge and has often resulted in people being disconnected for 5-10 days, excluding them from important discussions. This coupled with expensive airtime and internet bundles can further limit people from fully participating in the groups. This was especially a huge challenge for WomenChoice Industries as a majority of people in the communities they work live on less than US$1.90 a day.

- Small solar-energy supplier handsets may enhance continuity in accessing the group services and stay connected with the group.

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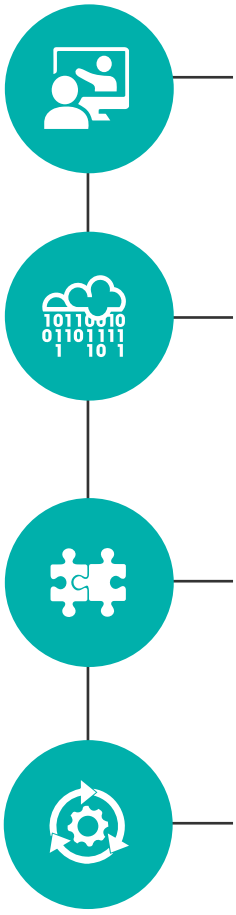
Contactless service provision

While WhatsApp and other digital communication methods were relatively clear choices for engaging customers for business-to-consumer (B2C) models, business-to-business-to-consumer (B2B2C) models faced slightly different challenges. B2B2C startups deliver services and products via business customers, partnering with retail networks, telecommunication companies, employers, financial institutions, and gig work platforms to reach underserved users. Such partnerships allow them to reach more users, more quickly, leveraging the partners' established networks and brand trust. Making such partnerships work often requires in-person training and high levels of service on the part of the startup to onboard last-mile businesses.

When adjusting to COVID, B2B2C startups had to adjust their own models to minimize human contact, but also help their customers (e.g., retailers, agents) adjust to remote. In particular, B2B2C startups had to adjust their onboarding and training, so that their own sales and service teams could stay isolated. They also had to equip their acquisition/distribution customers to serve their end-customers, often low-income people with low digital literacy.

In making such adjustments, our startups have found:



Virtual training and onboarding can actually be an advantage because it offers greater flexibility, but knowledge transfer is not as effective when done virtually. In these instances, an online quiz can create accountability and highlight gaps.

Data and bandwidth is an issue for digital training and onboarding. USSD platforms have good potential to connect the last mile and reach underserved communities where lack of reliable internet connectivity limits the use of mobile apps.

It is better to piece together pieces of the digital process stepwise so you know what will work rather than roll-out a slick solution in one go that is too much of a stretch for users.

Moving to tech-based processes often requires greater handholding. For example, staff has to follow-up with greater frequency and sessions must often be rescheduled at the last minute.

Leveraging remote technology for onboarding

Background

Redbird, a coLABS portfolio company, helps community pharmacies offer on-site rapid diagnostic testing for ten different disease conditions so that users can get accurate diagnoses as well as generate digital health records. As such, Redbird enables patients to better manage their health at convenient community pharmacies and avoid unnecessary, costly hospital visits.

To onboard pharmacies, Redbird would invite their staff to come to Redbird's office for a full-day training with up to seven other trainees. This training would cover both theoretical and practical aspects of performing rapid diagnostic tests. Afterwards, a Redbird Customer Success Representative would visit a pharmacy in-person with the initial supplies and set up the marketing materials, diagnostic test components, and the tablet/software system in the pharmacy together with the pharmacy staff.

However, when COVID-19 hit Ghana, the Redbird team was faced with the following challenges:

- Reducing in-person travel to pharmacies to only contactless deliveries
- Reducing the density of staff and visitors to Redbird's office or pharmacies
- Minimizing the time staff and customers spent around those not in their bubbles

Before COVID lockdowns, Redbird would onboard more than 15 new pharmacies per month. In April, when restrictions came on the team only brought on 2 pharmacies, an 87% drop in new partners. To grow their business, the team knew they had to identify a solution that not only addressed the above issues, but did so in a cost effective manner. Redbird found remote solutions in two areas: training, and the go-live process of setting-up in pharmacies. The transition to remote processes enabled Redbird to rebound to onboarding more than 13 new pharmacies a month between May-July.

Remote training

Given that administering diagnostic tests is a critical aspect of Redbird services, the startup requires that pharmacists practice administering the test. It is not feasible to make practice tests part of the training virtual, so those parts still happen in-person, but the theory and preparatory pieces are now conducted virtually, reducing in-person training time by 50%.

However, moving to virtual training was not straightforward given data, device, and bandwidth limitations. Rather than share a link to video materials, the team loaded the training videos onto the tablets that pharmacies receive as part of their Redbird package. Prior to COVID, pharmacies would only receive the tablet after completing training and onboarding, but Redbird decided that providing the tablet earlier in the onboarding journey was a small price to pay for enabling remote training.

Once they complete training, the trainees are provided a link to an online quiz to test for comprehension of the material. Once the partner completes the quiz, Redbird schedules a shortened, in-person practical training on administering tests. Together, this process has enabled Redbird staff to spend less time in-person with smaller groups, therein limiting exposure to COVID.

Remote onboarding

Prior to COVID, Redbird staff would visit pharmacies to set up testing sites and materials. To adjust for remote circumstances, Redbird's Customer Success team rapidly transformed their go-live process into a self-setup process with remote direction from a Customer Success representative over video conference. Materials are now delivered to the pharmacy via courier and then a Redbird representative walks the pharmacy through the necessary steps remotely.

For both training and onboarding, Redbird was able to move quickly by leveraging technology that pharmacies already used and trusted. For training, the existing hardware (the tablet) and simple google forms were leveraged to ensure technology was not a hurdle for new users. For go-lives, the team used Google Meet and WhatsApp video chat, both of which had already been proven internally and were familiar to most pharmacy staff.

Lessons learned

- Virtual training fits better with MSEs schedules and they find it easier to focus over a shorter training day. However, the virtual component was viewed as not as effective as an in-person visit in terms of achieving knowledge transfer.
  The main benefit of the online quiz for training was that it created accountability and discussion before an in-person visit.
  Data and bandwidth continues to be an issue. Staff were not excited about using their own data accounts when asked to access video content on their own.

- Virtual approaches did not significantly change costs but they are easier to scale, so there is now an opportunity to execute more go-lives a day using the virtual approach.

- It is critical to be realistic about how far your customers will be willing to stretch in adopting technology. It works better to piece together parts so you know what will work rather than roll-out a slick solution that is too much of a stretch. WhatsApp, Google Forms, and YouTube links can go a long way in testing how customers react to new processes.

- Moving to tech-based processes often requires greater handholding. For example, Redbird has found that it is not easy to get trainees to do independent work before in-person training (and to prove they have retained information). They have also found that effort around scheduling has increased. Staff has to follow-up with trainees and ensure they do the pre-training work, and then sessions must be rescheduled when the trainees have not done the prework. The team is also still working on strategies to ensure that retention of theoretical elements of the training is high, as per Redbird's standards.

Transformation of agro-dealer stores to DigiShops

Background

Farmers Pride, a coLABS portfolio company, employs a market systems approach to connect village-level farmers to quality inputs, services, and information via a network of last-mile agro-dealers. Through Farmers Pride, last-mile agro-dealers and cooperative entrepreneurs are able to digitize their operations and provide smallholder farmers with the right and affordable technology, quality products and services thus, creating a community of digitized micro-entrepreneurs serving the smallholder farmer community.

This approach works because agro-dealer stores are the backbone of the agricultural distribution network. These stores act as central points for farmers to access agricultural inputs and gain knowledge and training through demonstrations and group gatherings.

Prior to the pandemic, Farmers Pride trained 5,000 farmers a month largely through demonstration farms.The team employed some digital training but the ratio of digital versus physical delivery was 1:9 before the pandemic.

Digital service provision

With the onset of the pandemic, between March and April 2020, monthly consultations with farmers dropped by 90%. There was also a dramatic plummet in the monthly sales of agro dealer stores, where revenue dropped by 40% since the stores were unable to reach smallholder farmers.

In response, Farmers Pride designed an integrated digital delivery solution to enable dealers to become DigiShops and deliver

digital consultations with agro-experts and access digital inputs. Such digital delivery allowed them to provide services without in-person contact, and reinforced the value offered to agro-dealer stores in the network. It also distinguished Farmers Pride dealers from those outside the network, giving them a competitive advantage in serving smallholder farmers.

DigiShop abilities are delivered via a USSD (Unstructured Supplementary Service Data) platform and a mobile app. Since USSD platforms do not require internet connectivity, the team observed the USSD platform had higher rates of engagement (95%). In contrast, few farmers leveraged the mobile app, thanks to limited internet accessibility. In all, the team found that farmers embraced feature phone channels and most of them are excited about this new way to access credible inputs and gain technical knowledge without the need to travel.

They found that targeted outreach is a great tool to engage more smallholder farmers and encourage them to adopt technology. Farmers Pride also leveraged technology to improve internal inventory management, financial management, quality control, performance measurement, and supply management.

The team was able to successfully onboarded 25 agro dealer stores and transformed them into DigiShops. Around 16,200 farmers (spread across five counties in Kenya) have self-registered and use the platform to access inputs and knowledge.

Lessons learned

- USSD platforms have a huge potential to connect the last mile and reach underserved communities. On the other hand, lack of reliable internet connectivity has limited the use of the mobile app.
- Community buy-in is important to instill confidence, establish trust and facilitate adoption of technology at scale. With DigiShop owners serving as ambassadors for the new technology, they leveraged it in their networks and helped mobilize the community for successful adoption.

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Conclusion

Even as COVID draws to a close, many of these remote methods are likely to last. Startups have found that digital, remote methods can be cost-effective, dynamic, and scalable solutions for user research, customer acquisition, and service provision. With increases in smartphone penetration and the growing acceptance of platforms like WhatsApp, such methods will increasingly become a norm among startups reaching underserved users. However, it is worth remembering that the digital divide persists and that remote, poor, illiterate, and other marginalized users largely remain outside the reach of remote methods. Those seeking to ensure inclusion and equity should remember that in-person, human contact may not soon be replaced among the most vulnerable.

ABOUT CATALYST FUND

Catalyst Fund, managed by BFA Global, is a global accelerator that supports inclusive tech innovators and facilitates the growth of innovation ecosystems in emerging markets. The Catalyst Fund Inclusive Fintech Program, supported by the UK Foreign, Commonwealth and Development Office (FCDO) and JPMorgan Chase & Co., and fiscally sponsored by Rockefeller Philanthropy Advisors, provides startups with catalytic grant capital, bespoke venture building support from emerging markets and fintech experts and access to a global network of investors and corporate partners, while sharing learnings and insights with the broader inclusive tech ecosystem. Its mission is to accelerate the development of affordable, accessible and appropriate digital financial solutions to improve the financial health of the world's 3 billion underserved. Its focus markets include Kenya, Nigeria, South Africa, Mexico and India.

www.bfaglobal.com/catalyst-fund/

About coLABS

coLABS is a gender-focused investment portfolio launched by Gray Matters Capital to invest in innovative and scalable enterprises that have the potential to dramatically improve the lives of women. coLABS has committed $5 million to invest in market driven businesses that have a positive impact on women, with a current focus in East and West Africa and a ticket size of $100,000 to $250,000. The current portfolio spans 7 countries and several different sectors that include healthcare, agri-tech and livelihoods.

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