Growsari: Innovative Last-Mile Delivery and Inventory Financing Solutions for Sari-Saris

Photo provided by Growsari



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Preamble

This case study was developed in conjunction with the 2023 Financial Inclusion study "Financial Inclusion in Post-COVID Southeast Asia: Accelerating Impact Beyond Access".¹ It is part of a collection of stories of how financial services providers (FSPs) in Southeast Asia have gone beyond the provision of financial services to make conscious efforts to address underserved markets. These case studies reveal how these FSPs have done so by assessing their contributions to the financial health of their customers and monitoring the impact of their services.

These case studies were prepared by the Centre for Impact Investing and Practices (CIIP) in partnership with the eight FSPs featured: Amartha (Indonesia), BPI Direct BanKo (The Philippines), Funding Societies (Southeast Asia), Growsari (The Philippines), KoinWorks (Indonesia), Noburo (Thailand), TYM (Vietnam), and Vui App (Vietnam).

It is intended as an accompaniment to the 2023 Financial Inclusion study, which had contributions from 60 organisations, including industry associations and investors, 31 FSPs and over 8,500² customers across six markets in Southeast Asia (Cambodia, Indonesia, Myanmar, the Philippines, Thailand and Vietnam).

The 2023 study went beyond examining how FSPs enable access to financial services to offer insights into the impact of access to credit on FSP customers' business and livelihoods, quality of life and household wellbeing, and other financial health outcomes such as resilience and agency. These insights were drawn not just from the accumulation of qualitative interviews but also quantitative survey results and loan book data, which allowed us to come to a holistic view of the state of financial inclusion in Southeast Asia amid the changes brought by largescale digitalisation in the region.

You can find our 2023 Financial Inclusion study titled "*Financial Inclusion in Post-COVID Southeast Asia: Accelerating Impact Beyond Access*" on CIIP's website and by scanning the QR code below.



¹ This study was conducted by the Centre for Impact Investing and Practices (CIIP), in collaboration with the United Nations Capital Development Fund (UNCDF) and Helicap, supported by 60 Decibels (60dB).

² Additional data points were available after the publication of the 2023 Financial Inclusion study. This is available in the Southeast Asia Financial Service Providers 2023 Impact Report, an addendum prepared by 60 Decibels.

Growsari

HEADQUARTERS

Quezon City, The Philippines

GEOGRAPHY FOCUS

The Philippines

SECTORS

Business/Productivity Software, Application Software, Media and Information Services, Consumer & Retail, and Financial Services

FOUNDING YEAR

2016

SIZE OF FUND

USD 110M (Series C)

KEY MILESTONES

- 2016: Started as an ordering platform servicing roughly 1,000 sari-sari stores in three cities.
- 2024: Growsari is serving 100,000 active stores ordering month-on-month in over 24 key cities and 400 municipalities.

MISSION

To empower and transform over 1.3 million sarisari stores using technology by providing them affordable products, e-businesses, and financial solutions.

Introduction

- Growsari is a tech-enabled businessto-business (B2B) platform that helps the Philippines' sari-sari stores get better service levels, assortment, and access to new services.
- Growsari provides the stores with the infrastructure and tools they need to transform from simple fast-moving consumer goods (FMCG) outlets to comprehensive service hubs for the nation's grassroots communities.
- Growsari started in 2016 as an ordering platform servicing roughly 1,000 sari-sari stores in three cities in Metro Manila.
- Growsari's B2B e-commerce marketplace is intended to help shop owners **digitally** procure goods for their stores by eliminating middlemen.
- Growsari's founders sought to use technology to ensure that these stores got the most effective pricing, and in the long run, not only survive but also become more financial savvy in their store management.

The challenge and impact thesis

Challenge

- There are over 2 million MSMEs in the Philippines, many of which are sari-sari stores, or mom-andpop shops. Sari-sari stores account for over 60% of MSMEs in the Philippines.
- Sari-sari stores face the need to procure a variety of goods to service the needs of their neighbourhoods.
- They need to deal with **multiple distributors**, **multiple suppliers**, and the supply chain is **complex and expensive**.
- Despite significant improvement in financial services penetration and adoption, there remains a large gap in financial inclusion in the Philippines, especially among those in the lower socioeconomic brackets.
- Growsari's founders, who had prior experience at P&G and Unilever, felt the distribution and supply chain as well as financial inclusion issues faced by sari-sari stores impeded business operations and income generation.

Impact thesis

 Growsari's solution is to look at the full supply chain - from buying, to storing goods, to last mile distribution, and solving each element to ensure a cost-effective distribution of goods.

Who

- Growsari serves sari-sari stores, which are ubiquitous in neighbourhoods and around streets. Over 80% of Philippine households stay within 10 minutes of a sari-sari store.
- 80% of Growsari's stores are sole proprietor stores, and over 90% are owned by women.
- Growsari estimates that there are more than 1.3 million sari-sari stores in the Philippines, and they account for the movement of up to 60% of FMCG sold in the country.

How

- Because mostsari-saristores are sole proprietorships, their margins are smaller than large retailers, who are large enough to negotiate with FMCG wholesalers.
- Growsari's supplier marketplace called Sarimart gives sari-sari stores access to the distributor list prices enjoyed by large stores and wholesalers.







- Growsari's marketplace uses technology to connect stores directly to companies, and enables stores to sell new types of products, including mobile and wallet top-ups, bill payments, and other digital services.
- In addition, Growsari's financial services arm called Saripay provides stores the tools they need to manage their respective businesses – including access to credit, cashless payments, and various business management solutions.

Business Model

Strategic Aggregation

- Growsari leases 23 of its own warehouses and delivers goods through its own rented trucks, allowing it to identify the most efficient travel routes to each store.
- Growsari's approach is to capture **50–60% of all sari**sari stores in a specific neighbourhood.
- Via the Growsari app, stores can easily procure over 800 products at distributor prices from brands such as Unilever, P&G, Nestle, Monde Nissin, and Coca-Cola.
- Stores are able to **replenish their inventory and** widen their assortment of products.
- By having enough stores in a given location sign on to Growsari's platform, this allows them enough density to aggregate orders for individual delivery trucks, ensuring the economics of delivery work.
 - For its deliveries, Growsari holds to two key principles:
 - o No sari-sari store has a minimum requirement for the size or cost of an order
 - o No store is charged for the delivery of its items
- This also allows Growsari to keep its pricing low and competitive while providing price transparency to its customers.

Embedded financing

- To address pain points in **inventory payment**, Growsari has developed several pathways for its customers to pay, including:
 - o Cash on delivery
 - o GrowCoins, or cash credits that can be topped up through Growsari's shippers, online transfers, banks or at convenience stores
 - o E-Lista, Growsari's seven-day **Buy Now Pay** Later (BNPL) product.

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• Because Growsari's BNPL product cannot be cashed out, this allows them to **build better credit risk dimensions for their customers within a closed loop.**

Integrated financial and e-commerce services

- Growsari provides accessible and affordable financial and e-commerce services to its customers, especially those with limited mobile or internet access.
- With more than 200 service providers for telco, bills payment, and subscription pins such as Meralco, Manila Water, and Sky Cable, Growsari helps sari-sari store owners provide access to these services for their end customers.
- Growsari's partnership with Lazada and Shopee also allows sari-sari stories to serve as **online shopping** ordering hubs for their respective neighbourhoods.
- On the Saripay platform, stores can now also accept digital payments from their consumers through the National QR Code Standard's (QR Ph) rails.
- In addition, Saripay is now piloting the next set of store management solutions to enable their stores to become better entrepreneurs.

- Profit maximiser: where stores can now check for the recommended selling price of any specific product based on a pooled sales price across a range of stores, organised retail, and wholesalers.
- Cash tracker: where stores can enter their daily cash movements, and view their daily, weekly, monthly cash generation and expenses.

Growsari's Impact

SDGs Addressed

5 GENDER EQUALITY

- **Gender Equality**
 - Over 90% of sari-sari stores are owned by women.

Decent Work and Economic Growth

• Growsari powers the management,

growth, and analytics infrastructure of **over 100,000 stores in 400 cities** actively ordering on the platform each month.

Reduced Inequalities

Growsari taps the underserved market of mostly women-owned sari-sari stores and has expanded its reach from Metro Manila to underserved neighbourhoods outside of metro areas including the rest of Luzon (including North Luzon, South Luzon, and the Bicol region) and in the Visayas and Mindanao regions.

Business Success

- Number of customers: Over 100,000 sari-saris
- Number of borrowers served: 13,398 (CY21), 23,201 (H122)
- Fundraising:
 - To date, Growsari has raised USD 110 million from investors, including USD 77.5 million in its latest series C round that closed in March 2022. This round was led by KKR.
 - o Other investors included the International Finance Corporation, Wavemaker Partners and Pavilion Capital.

What's Next

Expanding geographic reach

- Growsari continues to expand nationwide to serve stores who are digitally and financially excluded.
- It plans to serve more types of MSMEs, like carinderias (small eateries), small over-the-counter pharmacies, and other roadside and market shops.

Expanding products and services

- Growsari is bolstering its fintech product suite to provide greater access to credit and basic financial services.
- Growsari is planning to build its supplier marketplace, including commodities and private label products.

References

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- TechCrunch (2022). Philippines-based MSME platform GrowSari raises \$77.5 million Series C.



About the Centre for Impact Investing and Practices (CIIP)

The Centre for Impact Investing and Practices ("CIIP") fosters the growth of impact investing and practices in Asia and beyond by building and sharing knowledge, bringing together stakeholders in the community, and bringing about positive action that accelerates the adoption of impact investing. Based in Singapore, CIIP was established in 2022 as a non-profit centre by Temasek Trust, a steward of philanthropic endowments and gifts. Temasek and ABC Impact are our strategic partners.

To achieve a sustainable future for all that mankind, the world needs companies achi that can drive positive changes at Dev scale through products and services. Impact investing can spur the growth For of such companies and help advance visit solutions to address the challenges info

that the world faces today. We believe that sustainable companies are those who pursue social and environmental impact as avidly as they pursue profits and shareholder value. By striving to generate positive and measurable social and environmental returns alongside a financial return, both impact investors and companies can achieve returns with purpose.

We are SDG Impact's anchor partner for Asia. SDG Impact is the United Nations Development Programme initiative tasked to develop resources that accelerate investments towards achieving the United Nations Sustainable Development Goals by 2030.

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