

On-demand business model goes global

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As U.S. startups compete to make everything from diapers to dog food available at the tap of a finger, a group of entrepreneurs from the developing world is using those on-demand business models to make life easier for consumers in their home countries.

A growing number of people in Africa, India and Latin America are online and using smartphones, and investors say there's a huge potential market for apps that offer ride-booking, instant delivery and online marketplaces.

Some of the startups tackling these areas are funded by U.S. investors such as Mountain View-based accelerator Y Combinator, which showcased companies including India's Uber for trucking, called GoLorry, and Rappi, Latin America's combination Instacart and Postmates, during its most recent Demo Day.

"We're seeing a huge increase of people in the [developing world](#) and in other regions with access to smartphones and access to mobile, and that is really fueling the growth of these companies there," said Kat Manalac, a partner at Y Combinator.

Aditya Agarwalla, who with his father founded Kisan Network, an online marketplace for Indian farmers, says mobile Internet usage in India is exploding. It jumped from 30 million people connected in 2014 to nearly 60 million last year, and this year it is expected to hit 110 million, he said. The founders peg the population of their target market - rural India - at 900 million.

"Kisan Network wouldn't have been possible four years ago," Agarwalla said.

Also in India, GoLorry uses a smartphone app to connect factories and truckers, allowing businesses to ship their goods more efficiently and for a lower cost, said co-founder and CEO Sanjay Mandava. The disruptive business model also allows truckers to eliminate the middleman - such transactions usually are arranged by a broker who keeps a cut of the proceeds.

"Uber provides a good example for a lot of people on how to do ride-sharing around the world," Mandava said.

Rappi, another Y Combinator-backed app, uses couriers on bicycles and motorized scooters to deliver everything from groceries to prepared meals to cosmetics in Bogota and Barranquilla, Colombia, and Mexico City.

While some on-demand startups in Silicon Valley are struggling with the high cost of instant delivery, Simon Borrero says the business model is ideal for dense Latin American cities. Wages are so low where he operates - he says about a third of residents make less than \$1 an hour - that Borrero racks up minimal costs. His couriers make the equivalent of about \$2.50 an hour, a far cry from California's coming \$15 minimum wage.

"Maybe that doesn't sound like much here," Borrero said of his couriers' wages, "but for those guys, it makes a huge difference in their lives."

Borrero, who is from Colombia and temporarily relocated to Silicon Valley for the Y Combinator program, is capitalizing on his local knowledge. He calls his couriers Tenderos, after the shopkeepers who traditionally tend mom-and-pop stores in Latin America, and fosters the

local connection locals appreciate by dispatching the same Tenderos to the same homes day after day. And Borrero made one more big tweak to the Instacart business model: His couriers accept cash. Only 18 percent of people in Latin America have credit cards, he said.

"But now everyone, everyone has a smartphone," Borrero said. "That has become a status icon. Maybe you don't have enough money to pay the rent, but you would have a new smartphone."

Andrew Chung, who invests in companies that bring U.S. and European technology to the developing world, said those local changes can give a company an edge.

"Having cultural language sensitivity, having an understanding of the local market, having the access to local distribution channels in an unfair way - all these things are typically easier if you're someone who's from there," he said.

Chung, a former Khosla Ventures partner, launched 1955 Capital earlier this year with the goal of tackling social problems overseas. He warned bringing a business idea across international borders can be risky, as founders are forced to navigate foreign laws and regulations.

Perry Ogwuche, co-founder and CEO of Shypmate, knows that all too well. To fend off the anticipated questions, he made an unusual pitch during his Y Combinator demo day presentation. "This is legal," he assured the audience.

Shypmate transports retail items from U.S. stores to customers in Nigeria and Ghana, using extra room in the luggage of travelers. For \$4 per pound plus 13 percent of the item's price, customers can get their hands on trendy U.S. merchandise from stores that don't ship to Africa. The traveler gets to keep 70 percent of the money.

Ogwuche said the company mostly gets orders for clothing, but he's seen a few unusual items, such as toilet deodorizing spray Poo-Pourri. Travelers have to declare these items at customs, and when asked by airport personnel, explain they are carrying an item for someone else, but they packed their bags themselves, said Ogwuche, who is from Nigeria.

"It's not illegal to carry stuff for other people," he said. "I think a lot of people just don't understand that."

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Crossing borders

Here's a look at some of the international startups backed by Mountain View, Calif.-based accelerator Y Combinator that are using technology and [business models](#) made popular in the U.S. to improve the lives of people in developing countries.

GoLorry - The Indian Uber for truckers, it uses a mobile app to match truckers with factories that need goods delivered.

Paystack - A Nigerian online payments company.

Kisan Network - Allows farmers in India to connect via smartphone with companies that will buy their produce, meaning they no longer have to sell to middlemen at small, local markets.

Zenysis - A data analytics company that builds software tailored to governments in the developing world. The company launched a pilot program in Ethiopia, helping the government vaccinate its citizens.

Rappi - An on-demand delivery app, similar to Instacart or Postmates,

operating in Colombia and Mexico.

Shypmate - Allows customers in Nigeria and Ghana to order U.S. products, which are then transported to Africa using the extra room in travelers' bags.

Links - Ships products from anywhere in the U.S. to Egypt.

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