

**Shortening Supply Chains: Experimental Evidence  
from Fruit and Vegetable Vendors in Bogota #**

Leonardo Iacovone, *World Bank*

David McKenzie, *Development Research Group, World Bank*

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### *Abstract*

Fruit and vegetable vendors in Bogota travel most days to a central market to purchase produce, incurring substantial costs. A social enterprise attempted to shorten the supply chain by aggregating orders from many small stores and delivering orders directly from farmers to vendors. We randomized the introduction of this service at the market-block level. Initial interest was high, and the service reduced travel time and costs, and increased work-life balance. Purchase costs fell 6 to 8 percent, there was incomplete pass-through into lower prices for consumers, and markups rose. However, stores reduced sales of products not offered by this new service, and their total sales and profits appear to have fallen in the short-run, with service usage falling over time. The results offer a window into the nature of competition among small retailers, and point to the challenges in achieving economies of scale when disrupting centralized markets for multi-product firms.

**Keywords:** Retail supply chains; microenterprise competition; social entrepreneurship; randomized experiment.

**JEL Classification codes:** O12, C93, D43, L31

## 1. Introduction

Small retail stores in developing countries are a common form of self-employment, and the main source of food and many other goods for poor urban consumers. These stores face very different supply chains across the products they sell. Multinational suppliers of non-perishable products like Coca-Cola, Unilever, and Avon have famously perfected efficient supply chains that result in store-door delivery to even the most remote regions of the planet (Hammond and Prahalad, 2004). In contrast, the fresh fruit and vegetables they sell are part of what are typically less efficient supply chains, that often end in centralized wholesale markets, necessitating substantial travel time and costs for retail store vendors, and increased food costs for the urban poor (Ruel et al, 1998; FAO 2010). This is the case in Bogota, Colombia, where the typical store owner gets up at 4:30am, spends over two hours daily travelling to, around, and back from the central market of Corabastos, and spends an average of 30 percent of daily profits on transportation costs.

Improving the efficiency of their integration into supply chains could have significant benefits in terms of overall welfare, given their sizeable employment share, but also potentially lower prices for consumers. One potential solution would be for store owners to work together and form buyer cooperatives, allowing them to source products in bulk from the market or even directly from the farmers, and to arrange to have the products delivered to their stores. But the large number of small firms, each working long hours, and with limited and low-trust connections to one another results in a coordination failure that prevents this from occurring. The social enterprise *Agruppa* was formed with the goal of using new technologies to solve this coordination issue. Their model is to use mobile phones to create virtual buyer groups, agglomerate daily orders from store owners, bulk buy from farmers, and then deliver the produce directly to stores. The aims were to reduce the amount of time and cost store owners spend travelling to the central market, improving their incomes and work-life balance as a result, lower the cost of fresh produce purchased by stores, and, in turn, reduce the prices paid by consumers.

We conducted a randomized experiment to test the extent to which this innovation was able to achieve these aims. We began with a baseline survey of 1,620 firms in 63 market blocks, in which firm owners were asked about their potential interest in using the new service, with 70 percent expressing interest. These blocks were then grouped into matched pairs, with one block in each pair randomized to treatment and the other to control. Agruppa then phased in their service at the

rate of one block per week, offering their service to all interested firms in the treatment blocks. Surveys in both the treatment and matched control blocks at 2, 4, 6, 10, 14, 26, and 52 weeks after the offer enable us to trace the trajectory of impacts on both firms offered the service, as well as spillover effects on uninterested firms in these same blocks (who were not offered the service).

We find initial interest in this solution is high, with 66 percent of interested firms (and thus 46 percent of all firms) in the treated blocks making a purchase from Agruppa. To begin with, Agruppa focused on the heaviest and highest rotation products, offering only five products to start with (potatoes, onions, plantains, tomatoes and spring onions). After four months they began adding items, eventually reaching 28 products. We find that firms taking up the Agruppa service did travel less to the central market of Corabastos, going 0.4 days fewer per week, spending less time at the market on each visit, and saving a total of 113 minutes per week in travel time. This reduced travel costs, and improved an index measure of work-life balance. The offer of Agruppa lowered purchase prices for these five core vegetables by 6 to 8 percent. There was incomplete pass-through of these savings into consumer prices, with mark-ups increasing, suggesting imperfect competition. Uninterested firms operating in the same blocks as firms served by Agruppa also reduced their prices for these core products. However, those offered Agruppa services also cut back on sales of other products (since they were going to the market less), and there is suggestive evidence that total firm sales fell as a result.<sup>1</sup> Usage fell over time, with only 24 percent of interested firms still using Agruppa after six months, and only 16 percent after one year. The difficulty of achieving sufficient economies of scale to both serve a large enough number of firms and to offer them sufficient variety of products led Agruppa to close business in January 2018, two months after our final follow-up survey.

The data collected through this experiment also provide a rare opportunity to closely examine how multi-product urban small retailers price their goods and compete with one another. The final part of our paper uses our rich data to establish several key facts for understanding this behavior. We show that prices for fruits and vegetables change very frequently, and closely track the Corabastos prices over time. However, there is large cross-sectional dispersion in prices for the same good on

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<sup>1</sup> Note that a combination of poor record-keeping and distrust about taxes and crime means that item non-response rates for sales and profits are very high, so this sales figure should be viewed as suggestive only.

the same day within a neighborhood, even after adjusting for quality. But firms are not consistently the cheapest, with firms that are cheap in one good today not much more likely to be cheap for another good today or for the same good in the future. Together these three facts help explain how firms can survive while charging different prices, and suggest a limited ability of firms to benefit from small price reductions obtained through Agruppa.

This work contributes to three main strands of the literature. The first is a literature studying the effects of introducing modern communication technologies on the behavior of traders and markets (e.g. Aker and Fafchamps, 2015; Aker et al. 2016). This has largely focused on the role of technology in making price information more transparent, and less on order agglomeration. The second is a literature on competition in agricultural supply chains. Dillon and Dambro (2017) provide a recent review, noting that most of this literature has focused on other parts of the supply chain from us, examining impacts on farmers, and the role of traders/intermediaries. Most of this literature has been non-experimental, and has examined the responses of farmers to better information about prices, and the extent to which prices in different markets co-vary. Two recent experiments have examined the responses of intermediaries to temporary price subsidies or bonuses. Casaburi and Reed (2017) find that cocoa traders in Sierra Leone appear to operate in quite competitive markets, but note that price pass-through of a quality premium takes place in the form of interlinked credit transactions, rather than lower prices. In contrast, Falcao Bergquist and Dinerstein (2020) find that intermediaries in the Kenyan maize market appear to have substantial market power, with traders only passing through 22 percent of a subsidy to customers. To date this work has not focused on shortening supply chains, with the exception of Emran et al. (forthcoming), who find that a ban on a particular layer of middlemen in the palm oil supply chain in Bangladesh actually ended up increasing wholesale prices and mark-ups. Busso and Galiani (2019) also find evidence of imperfect competition among grocery stores in the Dominican Republic, but that randomizing the entry of new stores did result in lower prices for consumers.

The third strand of the literature is a growing literature on efforts to alleviate constraints to the growth of micro and small enterprises in developing countries. The vast majority of this literature has consisted of interventions intended to overcome constraints facing individual firms, such as lack of access to capital, lack of business skills, and lack of demand (see Quinn and Woodruff, 2019 for a recent review). In contrast, a recent systematic review (Piza et al, 2016) found the only

studies of interventions designed to help individual firms overcome coordination failures and benefit from agglomeration externalities were work on training firms in industrial clusters, and a supplier development program that aimed to link SMEs to large firms in Chile (Arráiz et al, 2013). This paper therefore supplies evidence on a type of intervention not previously considered in the literature, and points to the potential and challenges associated with overcoming coordination failures facing a very common type of small firm. Moreover, it highlights that not all new technologies may be profitable for firms to adopt, but that firms may need to experiment with the new technology in order to learn this, as was the case in Karlan et al. (2015) for the adoption of new business practices recommended by consultants.

The remainder of this paper is organized as follows: Section 2 describes in detail the current supply chain facing small retailers in Bogota, and Agruppa's solution; Section 3 discusses our sample and implementation; Section 4 measures the impacts on firms; Section 5 examines what this experience tells us about the nature of competition amongst these small retailers; and Section 6 concludes. An Appendix provides more details and robustness checks.

## **2. The Problem Facing Small Vendors and Agruppa's Solution**

### **2.1.Context and the Problem to be Solved**

Wholesale of fruits and vegetables in Bogota is heavily centralized at *Corabastos* market, the second largest market in Latin America (after one in Mexico City). The market, located in the Southwest of the city, is owned by a combination of government and private sector shareholders, and was opened in 1972. It has an area of more than 400,000 square meters, more than 5,300 sellers, serves approximately 150,000 customers per day, and sells an average 11,500 tons of produce daily (Caracol Radio, 2018). The commercial part of the market is organized into warehouses, sorted by product (Appendix 1 provides pictures), with supply chains typically consisting of farmers selling to buyers or directly to transporters, who then bring truckloads of products in during the night to sell each day to the wholesalers. Wholesalers then negotiate with the small fruit and vegetable sellers looking to buy produce, with the price depending on the number of trucks arriving in the market that day, and the origin and quality of the produce.

This centralized market offers enormous product variety, but offers three key disadvantages in terms of *time*, *weight*, and *cost* for the small-scale neighborhood stores selling vegetables in Bogota, almost all of which mainly buy their fruit and vegetables from Corabastos (95% of our

sample does at baseline). The most important disadvantage is in terms of time. The perishable nature of produce means that store owners travel frequently to the market, with 38 percent going seven days a week, and the median owner going 4 times a week at baseline. On the days they go to market, the median owner in our sample wakes up at 4:30am to head to Corabastos, spends 20 minutes travelling to Corabastos from their home, 120 minutes shopping for different products at the market (the vast size of the market and organization of warehouses by product means a lot of travel within the market), and then a median of 25 minutes time travelling back to their business. The consequence is a median (mean) of more than 10 hours (more than 12 hours) per week spent travelling to, in, and from the market. This is on top of long working days, with the owners typically opening their stores at 7am and keeping them open until 9pm (14 hours per day), with 97 percent of firms open every day per week.

In addition to the time taken shopping for produce, store owners must figure out how to transport a heavy weight of purchases. Potatoes are sold in *bultos* (50 kilogram bags), onions in *bultos* or *arrobas* (11.3 kg bags), tomatoes in 22 kilogram *canastillas*, plantains in 20 kilogram *bolsas*, and spring onions either in *arrobas*, in 25 kilogram units called a *pony*, or by the pound. Conditional on purchasing a product, the median amount purchased by firms in our sample is 100 kg of potatoes, 25 kg of onions, 60 kg of plantains, 44 kg of tomatoes and 22 kg of spring onions. Not surprisingly, 68 percent pay for a *cotero* (intra-market transporter) to transport the goods within the market for them, at a median cost of 10,000 pesos (\$3.24) per visit.<sup>2</sup> In addition to this cost, store owners must pay the cost of their own transportation to the market, sometimes pay a market exit fee<sup>3</sup> (averaging 7,700 pesos), and transportation back from the market with their goods. The total mean (median) cost per visit is 29,152 pesos (25,000 pesos), which is approximately 30-35 percent of median and mean daily profits for these firms. While we do not have an exact breakdown, at least half to three-quarters of this total cost is likely to be a fixed cost paid by all store owners shopping at the market, while some of the *cotero* and transportation costs will vary depending on the quantity and variety of items.

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<sup>2</sup> We use an exchange rate of 1 USD = 3085.6 Colombian pesos that was prevailing at the time of the study for all currency conversions.

<sup>3</sup> One-third of firms paid this fee on their last purchase at baseline. The fee is charged to limit congestion, and varies with type of vehicle. Those travelling with their own vehicle would pay the fee, while the fee would be priced into the cost of paying for space on someone else's truck.

There are thousands of these small neighborhood grocery stores scattered throughout Bogota. One solution would be for them to band together as a buyer cooperative to share travel costs, and to potentially obtain bulk discounts from agglomerating orders. However, there is a coordination failure, with the long hours of operation leaving owners little time to coordinate, which combined with competition and a lack of trust prevents this from occurring.<sup>4</sup>

## **2.2.Agruppa's Solution**

Agruppa is a start-up social enterprise founded in 2014 with the goal of leveraging mobile phone technology to aggregate demand for produce from small vendors, creating daily collective orders which can then be purchased in bulk directly from farms (and, by taking advantage of economies of scale, at a discount), and then be delivered to the business places of the small retail shops. This effectively shortens and makes more efficient the supply chain between farms and retailers. Their goals are to reduce the travel time and costs for the owners of these small stores, deliver fresh fruits and vegetables at a price discount of at least 5 percent on what store owners would pay at Corabastos, and potentially lower the costs of food to poor consumers buying from these stores.

Agruppa carried out market research and piloted a minimum viable product version of their operating model with 20 neighborhood retail stores in Bogota in 2014. In 2015 they were then selected as one of the winners of an SME innovative ideas competition run by the World Bank, and also attracted funding from social investors including Wayra (the accelerator of Telefonica), Mercy Corps Social Venture Fund and Yunus Social Business. This led them to agree to work with us to evaluate the effectiveness of their model as they launched and expanded their business in 2016. At the time of our first baseline survey, Agruppa had not formally launched, and had no customers beyond the 20 from its pilot. They were therefore still in the process of fine-tuning their business model, hiring key staff, and had committed to a pilot where they would aim to serve at least 300 customers over the following year.

Agruppa intended to develop an app that retail store owners could use to place their daily orders, but technology problems meant that this was not developed during our implementation phase. Instead, Agruppa offered customers three ways to make their orders: (1) ordering directly from the transporters, who would take the next order while delivering the current day's order – used in 36

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<sup>4</sup> Likewise, since each wholesaler at Corabastos typically sells only one product, no single wholesaler can deliver the bundle of goods a retail store typically buys at the market, and they do not typically offer delivery services.

percent of transactions; (2) phone orders to a call center, where retail stores could call between 4 and 10pm each evening and place their order for the next day – used in 40 percent of transactions; and (3) WhatsApp orders, where customers could use their mobile phones to place orders directly – used in 24 percent of transactions. Mobile technology thus still facilitated two-thirds of the orders. These orders were then aggregated into a daily collective order per product, and Agruppa would then purchase these products as early in the supply chain as possible – either directly from farmers, or from the first middlemen. Food would then be delivered to a distribution outlet located close to the poor neighborhoods in Bogota, and delivery trucks would then take produce directly from there to the doorsteps of each customer.<sup>5</sup>

### **3. Sample, Randomization, Implementation and Take-up, and Data**

#### **3.1. Selection of the Sample and Random Assignment**

All neighborhoods in Bogota are classified by the government into one of six socio-economic strata, classified from 1 (poorest) to 6 (richest). Our focus is on poor neighborhoods (strata 1 to 3) in the South-West of Bogota, not immediately adjacent to Corabastos. Agruppa went door-to-door along streets in these neighborhoods in January and February 2016 (see Appendix 2 for a study timeline) to identify stores that sell fruit and vegetables, excluding the few large supermarkets and chain stores. Their aim was to map approximately 2,400 stores. Using larger streets as natural boundaries, these neighborhoods were then divided into 69 blocks, with a median block size of 36 retail shops per block. Six of these blocks were then dropped for safety reasons, leaving 63 blocks. The center of these blocks was on average 3.8 kilometers straight-line distance from Corabastos, with a range of 1 to 8.5 kilometers. The stores are geographically dispersed within each block, typically with only one store on any street segment, and with a median straight-line distance of 48 meters to the nearest store. Blocks were formed into matched pairs<sup>6</sup> based on geographic location and the number of firms in the block, and then ordered according to the sequence in which Agruppa desired to expand operations. One block within each pair was then randomly assigned to treatment, and the other to control, for a total of 32 treatment blocks and 31 control blocks (Figure A1).

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<sup>5</sup> Note that since orders were aggregated at night, and delivery occurred the next morning, Agruppa had to source fruits and vegetables two to three days ahead based on predicted sales, rather than actual sales. Agruppa built a small buffer in stocking for this. This added additional cost to Agruppa's model in the form of excess stock on some days, or the need to purchase additional stock from Corabastos directly on occasions where they underestimated demand.

<sup>6</sup> The last three firms were grouped into a triplet, with two blocks out of three randomly assigned to treatment.

Baseline surveys were then carried out by Innovations for Poverty Action (IPA) Colombia on a rolling basis between April and November 2016. Each week they would survey firms in both blocks in a pair (one treatment and one control block), checking to see whether a firm existed, whether it sold the products offered by Agruppa, and then administering a baseline survey to collect details on the owner and firm. At the end of the survey, firm owners in both blocks were given a brief factual explanation of Agruppa, and asked whether they would be interested in being a client should Agruppa decide to offer the service in their neighborhood. On this basis, firms were classified as being either *interested in Agruppa* or *uninterested in Agruppa*. Seventy-six percent of firms approached agreed to participate in the survey.

This yielded a sample of 1,620 firms, comprising 852 firms in treatment blocks and 768 firms in control blocks. On average, 69 percent of firms in treatment blocks and 70 percent of firms in control blocks expressed interest in Agruppa, giving us samples of 586 interested firms in treatment blocks, 266 uninterested firms in treatment blocks, 536 interested firms in control blocks, and 232 uninterested firms in control blocks.

### **3.2 Characteristics of the Sample**

Table 1 summarizes key characteristics of the sample by treatment status, and by interest in Agruppa. The sample consists of small retail stores that sell fruit and vegetables, along with selected other products like grains (85% of stores), eggs (84%), dairy products (79%), bottled drinks (79%), household and personal cleaning products (each 79%), bread (77%), and occasionally other items such as meat (29%), and airtime (11%). Fruits and vegetables have the highest rotation rates and are purchased most regularly by customers. The average store sells 4.3 out of the 5 core products Agruppa began with (potatoes, onions, spring onions, plantains and tomatoes), and these products constituted just over half of the total value of sales for these firms. The prices of these products change very frequently, with 76 percent reporting that they change prices every day, and a further 22 percent changing prices at least weekly.

Firm owners range in age from 18 to 83, with an average age of 43, and one-third of the sample are female. They have been running their businesses for a mean (median) of 10.6 years (8 years). There is considerable variation in education levels, with 49 percent having completed no more than primary education, 43 percent having done some high school education, and only 8 percent with post-high school education. Many owners were reluctant to provide full financial information

for several reasons. First, was fear of crime, with 56 percent viewing their neighborhood as unsafe or very unsafe and 10 percent being robbed in the last six months. Indeed, our enumerators were robbed several times. A second reason may be partial informality: 64 percent were registered for taxes, but those registered for taxes were less likely to report sales data. Finally, a third reason is that few owners keep financial records, with only 29 percent saying they record quantities purchased, and only 38 percent saying they record amounts sold. As a consequence, we are missing baseline household income data and profits and sales data for about half the firms in the sample. Of those who do report, mean (median) per-capita monthly household income is US\$164 (US\$122), and 39 percent are below the national poverty line.<sup>7</sup> The mean firm is making profits of US\$125 per week on US\$1041 of weekly sales.

Table 1 shows that the randomized treatment and control groups look similar on most baseline observables for the full sample, and for the separate sub-samples of interested and uninterested firms.<sup>8</sup> The last column then tests whether interested firms differ from uninterested firms on these owner and firm characteristics. Owners are more likely to be interested in Agruppa if they are female (which qualitative research suggested was in part due to the advantage of not having to deal with transporting heavy sacks of vegetables), and if they are younger, more educated and have higher household and business incomes (possibly reflecting a greater willingness to try new technologies or higher opportunity cost for their time). Firm owners who have a greater distance to travel to Corabastos are more interested (they have more to gain from saving on travel time), but owners who rely on the core Agruppa products for more of their sales and who travel most frequently to Corabastos are less interested (perhaps because they value the selection at Corabastos more).

We also did a one-time survey of 650 customers in 20 of the blocks (10 treatment and 10 control) to understand the characteristics of customers, and the extent to which our neighborhood blocks

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<sup>7</sup> Those who do not report household income tend to come from larger households. Imputing poverty rates on the basis of gender, age, education, household demographic composition, and geographic block gives an estimated poverty rate of 41 percent for those not reporting baseline income. We use the national poverty line of 223,638 pesos (\$72) per person per month in 2015 from DANE.

<sup>8</sup> A test of joint orthogonality based on the gender of the owner and the six firm variables in Table 1 with 10 percent or fewer of the observations missing cannot reject the null of balance for the full sample ( $p=0.147$ ), for interested firms ( $p=0.111$ ) or for uninterested firms ( $p=0.111$ ).

corresponded to their shopping locations.<sup>9</sup> This was done by randomly sampling customers shopping at stores in our sample to interview. Seventy-four percent of the customers are women, with a median age of 48, and 98 percent lived in the neighborhood they were interviewed shopping in, with a median time living in the neighborhood of 15 years. Median monthly per-capita household income is 250,000 pesos (US\$81), which is approximately two-thirds of that of the median store owner. They shop for fruit and vegetables frequently, with a mean of 4.7 days per week and median of daily shopping. The median customer spends 100 percent of their fruit and vegetable expenditure at stores in the neighborhood, and only 18 percent had made any fruit and vegetable purchase outside the neighborhood in the past week. Sixty percent say they usually shop at the same businesses within the neighborhood, while 40 percent shop around to see who has the best prices that day, and the median customer makes purchases from two different stores in a week. This suggests some competition within the neighborhood for customers, but little competition across neighborhoods.

### **3.3 Implementation**

Agruppa entered into a new treatment block each week, starting with our first treatment block on April 18, 2016, and entering the last treatment block at the start of December 2016. They would first visit the sample of interested firms identified in the baseline, explain their product offerings, and attempt to take orders that they would then fill in the coming days. This approach of a block a week was done to allow them to have sufficient manpower to do this first marketing visit, but it meant that to begin with, the number of firms they would be working with was small. This limited the ability to place large orders at scale, and so Agruppa began by offering only five core products (potatoes, onions, spring onions, plantains, and tomatoes).<sup>10</sup> These products were identified as high rotation and heavy purchases, as well as being products that most stores sold. Only these first five products were offered for the first 15 weeks, and then Agruppa gradually introduced additional products, starting with carrots, yuca and guava, and reaching 20 products by time the last treatment block was offered the service, and a maximum of 28 products by late 2017. The new products with the highest sales levels were peas, lemon, lulo (a citrus fruit) and rice. The initial five core products

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<sup>9</sup> This survey was done between November 2017 and January 2018. There is no significant difference in the share spent in the neighborhood or likelihood of shopping outside of the neighborhood by treatment status.

<sup>10</sup> Note that they offered several varieties/sizes of these products.

still accounted for 59 percent of total sales in December 2016, and 50 percent in the third quarter of 2017.

### **3.4 The Take-up and usage decisions of store-owners**

We model Agruppa's service as the introduction of a new technology that fruit and vegetable store owners could potentially use to source some of their inputs. A store owner deciding whether to use this new technology will then compare the expected benefits to the expected costs of doing so. The main potential benefits the service offers are (i) a reduction in transportation costs and increase in sleep or leisure time, if store owners can receive items directly at their store instead of going as often to Corabastos market; (ii) a savings in input costs to the extent that Agruppa charges a lower price per item than would be charged at Corabastos; and (iii) any potential improvement in input quality or service quality that comes from using Agruppa. We would expect these benefits to be largest for firm owners that face the highest travel costs, which will be those who live further from Corabastos and/or those who incur those costs most frequently by shopping every day at the market; and for those who face the highest disutility of leaving their home early in the morning, such as women with young children.

These benefits should be compared to the main potential costs of using Agruppa's services. There could be direct costs in the form of higher prices or lower quality if Agruppa is not able to meet its goals of offering cost savings and good service. In addition, there can be opportunity costs of not going to Corabastos. These include a reduced ability to purchase other products that are for sale at the market and that Agruppa does not sell; and less chance to interact with other store owners and vendors at the market. This interaction may have an important social component for some store owners who otherwise spend the rest of their day in their stores. It could also result in a reduction in relational capital if store owners form long-term relationships with suppliers and are able to access credit or favorable prices as a result. Our baseline directly asked store owners what the most important criteria was in selecting a wholesaler to purchase from, and only 0.6 percent said the relationship with the supplier, with the majority saying they selected based on price and quality. Thirty-nine percent said they typically shopped at the same wholesalers in the market, while the majority shopped around. Short-term credit of a day was obtained by 15 percent of firms at least once in the month.

As a new service, the magnitude of these benefits and costs are likely to be difficult for many store owners to ascertain *ex ante*. The service has elements of an experience good, where buyers can only learn about the quality through transacting. Initial take-up is therefore likely to reflect whether store owners perceive the benefits to exceed the costs in expectation, or at least whether they believe it is likely enough that it is worth investing in at least one transaction to learn more. Continued usage will then reflect whether they still believe the benefits to exceed the costs after trying this service.

We begin by examining aggregate take-up and usage. Figure 1 shows take-up and usage of Agruppa in the treatment blocks, while Figure 2 shows the dynamics of churn into and out of usage. Most firms decide whether or not to try the service within the first two weeks. Fifty-two percent of interested firms make at least one purchase from Agruppa within the first two weeks, while sixty-six percent make a purchase at least once in the first year (387 of the 586 interested firms). That is, based on their initial cost-benefit calculations, many firms appear to think the new service offers value to them. After the first eight weeks, there is little new customer acquisition, and the main dynamics consist of churn of customers back and forth between stopping using in a week, and then starting to use again in a future week. Usage in the current week averages 35 percent over the first six weeks, drops to 28 percent by week 14 and 24 percent by six months, and is only 16 percent after one year. This suggests a process whereby firms revise their expectations of the costs and benefits of the service through usage, and suggests they underestimated the costs or overestimated the potential benefits. Uninterested firms were not marketed the service, and we see very little usage by these firms.<sup>11</sup>

We next examine which characteristics of firms are associated with take-up and continued usage. The first step towards usage is expressing interest in the service. Column 1 of Table 2 presents marginal coefficients of a probit examining the correlates of interest in Agruppa. We see that women with young children are more likely to be interested, as are younger owners. Firm owners who shop everyday at Corabastos are less likely to be interested – while the potential benefits in terms of reduced travel time may be high for them, so might the costs in terms of what they would give up by not going to Corabastos. Another factor that is likely to be important in take-up is trust,

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<sup>11</sup> Seven uninterested firms, and four control firms used the service within the first six months of launching in their block.

especially given many firm owners were concerned about crime and sharing financial information. One potential reason for not wanting to share information could be fear of taxes, and of leaving more of a paper trail if purchase transactions move from the market to a single vendor. However, we see no correlation between registration and interest in Agruppa. Since use of Agruppa would still not provide tax authorities with sales information, and thus not be able to be used to directly assess profitability, we do not believe that this tax fear was a strong factor in take-up decisions. Instead, more general distrust of others may have been a factor. Indeed, we see that firm owners who were unwilling to share their birth date information at baseline (and thus are missing age), and those who were unwilling to reveal household income (and hence poverty status) are less interested in Agruppa.<sup>12</sup>

Column 2 of Table 2 then examines the correlates of taking up Agruppa amongst those firms which expressed initial interest. The strongest, and only statistically significant, predictor of not taking it up is if the firm owner was going everyday to Corabastos at baseline – 70 percent of those firm owners who did not go daily took it up, versus only 58 percent of daily travelers. Since Agruppa started with only five core products, one might think that take-up rates would be higher when more products began to be offered. However, Figure A3 shows there is no correlation between take-up rate in a block and the number of products on offer at the time Agruppa began selling in that block. Since the ordering of which blocks to sell in first was not randomized, but was optimized for delivery routes, this might reflect other differences among firms across blocks. However, Table 2 shows that there continues to be no relationship between take-up and the number of products on offer after controlling for owner and firm characteristics.

Column 3 of Table 2 examines the correlates of the decision to stop using Agruppa, conditional on having ever used it, while column 4 considers the correlates of an interested firm continuing to be a customer after one year (which requires them to have first taken the service up (as in column 2), and then to not have stopped using it (examined in column 3). The most important determinant continues to be whether or not they were a daily shopper at Corabastos at baseline, with those who were 16.5 percentage points more likely to stop buying after trying it out, and 14.1 percentage points less likely to start and remain a customer after one year. Table A3 examines how these

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<sup>12</sup> Note that the number of products Agruppa would have available at launch was unknown to firms at the time of assessing interest in the product, which explains the lack of correlation between product variety and interest in column 1.

baseline daily shoppers compare to other firms, and find that they are larger and more profitable firms, that are, on average, closer to Corabastos. We do see in Table 2 that firms in blocks where Agruppa started with more products to offer are actually more likely to stop buying from Agruppa after having tried it out, and less likely to be customers after one year. This is surprising, and goes against the idea that customers will be more likely to stick around if given wider variety. While we are controlling for household socioeconomic status, owner characteristics, distance to Corabastos, and a linear time trend in time since Agruppa started in the first block, this may still reflect unobserved characteristics of the blocks phased in later rather than earlier.<sup>13</sup> Finally, we also see that more educated firm owners with young children are more likely to remain customers.

Our six-month follow-up survey (described below) asked current users the most important reasons for using Agruppa, and those who had stopped using the service the most important reasons for stopping. Table 3 summarizes the results for the full sample, examining the proportion of firms who declare a reason as the most important reason, as well as whether the reason is listed at all as any of the three main reasons. The results are then broken down for firms that were everyday Corabastos shoppers at baseline or not.

We see that the most important reason for using the service is the reduced time going to Corabastos, which 62 percent of users give as the main reason, and 92 percent as an important reason. The other main reasons are lower prices (15%) and transporting heavy items (13%). Over half of current users say that a reason for using the service is that the Agruppa employees are trustworthy and friendly. Very few firms see product quality and variety as important reasons for using the service. The main reasons for stopping using Agruppa's service are more varied: 23% say not enough variety, 23% say customer service, 18% say the prices were not competitive, 18% say other (mainly that the deliveries occurred at inconvenient or unexpected times), and 9% say product quality. Very few firms said that the trustworthiness of Agruppa employees, or the inability to get goods on credit from Agruppa were important reasons for not using the service. While firm owners who shopped everyday at Corabastos at baseline were more likely to stop using the service, we see that the main reasons for continuing to use the service, and the main reasons for stopping use were similar for these more and less frequent shoppers.

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<sup>13</sup> Agruppa staff also note that despite their best efforts, service quality may not have remained stable over time, so that this increase in product variety may have been accompanied by offsetting service quality issues.

Some of the issues around pricing arose from the large price fluctuations in agricultural products. Prices at Corabastos were changing every day, and Agruppa had to buy produce two to three days in advance, and then set prices at least a day in advance of delivery when taking orders. As a result, a price which may have been competitive relative to the purchase price, and to the Corabastos price on the day of ordering, could then end up being more expensive than the price at Corabastos market on the day of delivery. Firms that went to Corabastos for other products could then see that the market price that day was, on occasion, cheaper than that received from Agruppa. On average, as we shall see, Agruppa still delivered cheaper prices, but customers experimenting with the new technology could stop using it if they happened to get a draw of a higher price. Interviews with Agruppa management suggest that they felt they were unable to devote sufficient time to customer retention and sorting out these issues due to a need to rapidly expand to meet the growth targets they had promised investors.

Ex-post qualitative work by Agruppa led them to conclude that their most loyal customers were owners of smaller shops, who had strong practical reasons for not wanting to have to travel to the market, such as safety or caring for children or elderly family members; while other clients were seen as using Agruppa mainly for sporadic needs, stocking up between visits to the market. They also noted that for many shopkeepers, going to Corabastos remained “central to their identity as shopkeepers, to their social life, and even to their ego, while appealing to their primordial need to have selected and negotiated (or in good Colombian “bargained”) the product themselves”. This suggests that the simple comparison of the travel cost savings and price comparison may underestimate the costs of using Agruppa for frequent users, who get direct utility from going to the market.

### **3.5 Data for Measuring Impacts**

IPA Colombia conducted five rounds of high-frequency short-term follow-up surveys at 2, 4, 6, 10, and 14 weeks after the launch of Agruppa in a block. We would survey a treatment block and its corresponding control block in the same week, staggering the timing to match the staggered timing of the baseline surveys and introduction of Agruppa (see timeline in Appendix 2). These high-frequency surveys were short in length, and intended to capture the immediate responses in terms of the key mechanisms through which the service was designed to affect firms: travel to Corabastos, purchase and sales prices for the core Agruppa products, and sales and profits for the

past week. The response rate averaged 79% for firms interested in Agruppa (81% in treatment blocks, 77% in control blocks), and 69% for not-interested firms (70% in treatment blocks, 68% in control blocks). Tables A4.1 and A4.2 break this down by survey round, showing a tendency for response rates to fall over time, reflecting some survey fatigue.<sup>14</sup>

We then collected two longer surveys at six-months and twelve months after the launch of Agruppa in a block. In addition to the information collected in the high-frequency surveys, these questionnaires also asked about business opening hours, sales of some other products, pricing strategies, crime, record-keeping, and work-life balance. The response rates for interested firms were 78% at six months (80% in treatment blocks, 75% in control blocks), and 76% at twelve months (77% in treatment blocks, and 74% in control blocks), and were again lower for uninterested firms (Table A4.1). We were able to collect at least sales prices in most stores interviewed (Table A4.2), but item non-response rates were very high for sales and profits (Table A4.3), so that profits and sales are only available for 35 percent of interested firms on average (similar by treatment status). In our regressions we control for block pair fixed effects (which controls for issues like overall insecurity that affect response rates) and for the baseline values of the outcome of interest (adjusting for an imbalance on initial outcomes caused by attrition).

#### **4. Impacts on Firms**

We analyze the impacts of this intervention by assessing the extent to which it was able to reduce travel times and travel costs to Corabastos and improve life quality for firm owners, whether it changed their input costs and sale prices, whether this resulted in changes in sales and profits, and how competing firms were then affected.

##### **4.1. Estimation Methods**

Randomization at the block level enables us to estimate the intention-to-treat (ITT) effect of offering Agruppa to interested firms by comparing outcomes for interested firms in treatment blocks to those for interested firms in control blocks. To maximize power, we use an Ancova specification which controls for the baseline level of the outcome of interest, and pool together

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<sup>14</sup> Scratch-and-win cards with airtime incentives were offered as an incentive to get firms to respond.

multiple survey rounds to get the average effect over the pooled rounds (McKenzie, 2012). For outcome  $y$  for interested firm  $i$  in block  $b$  in time period  $t$ , we therefore estimate:

$$y_{i,b,t} = \beta \text{AssignedTreatment}_b + \gamma y_{i,b,0} + \delta 1(y_{i,b,0} = \text{missing}) + \sum_{s=1}^T \theta_s 1(t = s) + \sum_{p=1}^{31} \mu_p 1(b \in p) + \varepsilon_{i,t} \quad (1)$$

Where  $\beta$  is the ITT effect, *AssignedTreatment* is a dummy variable taking value one if block  $b$  is assigned to be offered treatment and zero otherwise,  $y_{i,b,0}$  is the baseline value, which is dummied out if missing, and we control for survey round fixed effects  $\theta_s$  and randomization block pair fixed effects  $\mu_p$ . The standard errors are then clustered at the block level. We estimate equation (1) pooling together all seven rounds, and then separately for the first three rounds (short-run effect over weeks 2, 4, and 6), for the next three rounds (medium-run effect over weeks 10, 14, and 26), and for the one-year follow-up.

As we have seen, not all firms offered Agruppa used the service, and use varied over time. We therefore also present local average treatment effect (LATE) estimates by replacing *AssignedTreatment* with *used Agruppa in the past week* in equation (1), and then instrumenting this use with block treatment assignment. This will give the effect of current use of Agruppa for firms who use it when offered. However, the LATE effects rely on the exclusion restriction that there is no effect of Agruppa on firms who do not currently use the service. This assumption will be violated if there are competition effects, whereby non-users adjust prices or lose sales to Agruppa users. It may therefore be a more reasonable assumption for some outcomes such as travel days to Corabastos than for financial outcomes. A second issue to note is that because the usage rate for Agruppa falls over time, the set of individuals who are current Agruppa users is different in each survey round, with the number falling over time. If there are heterogeneous treatment effects, the LATE will therefore be identified for a different set of individuals in each survey round, affecting comparability of the LATE estimates over rounds.

The majority of our analysis will focus on the set of interested firms in both treatment and control blocks. But we are also interested in how uninterested firms respond to interested firms using Agruppa. We therefore also estimate equation (1) separately for the set of uninterested firms, which

enables us to compare uninterested firms in blocks where interested firms are using Agruppa, to uninterested firms in blocks where no firms are using Agruppa.

#### **4.2.Did shortening supply chains reduce travel time, travel costs, and stress?**

Table 4 presents the estimated impacts on Corabastos travel. Panel A considers the extensive margin of whether firm owners shop at Corabastos at all in the past week. We see that almost all of the control group firms go to Corabastos, with only 2.2 to 4.7 percent not shopping there in the past week. Being offered Agruppa significantly increases the likelihood of not going to Corabastos. The ITT is 4.3 to 4.8 percentage points, and is statistically significant and similar in magnitude at all time horizons. The LATE is 13.1 percentage points when pooled over all time periods, and ranges from 10.5 percentage points in the short-run up to 24.0 percentage points for those still complying at one-year. While these impacts are large relative to the control mean, they still imply that the majority of those using Agruppa continue to go to Corabastos.

Panel B then examines the total number of days per week spent shopping at Corabastos. We examine the unconditional effect, including zeros for those not shopping at the market, to avoid selection effects from the extensive margin impact. Over the first six weeks after introducing Agruppa, when usage is highest, those offered Agruppa shop a statistically significant 0.17 days fewer per week, while the LATE is 0.41 days fewer per week, both relative to a control mean of 4.7 days per week. This impact is smaller and not statistically significant over longer time horizons (when usage of Agruppa has fallen), and the pooled ITT impact over all seven rounds of 0.09 days per week is also not statistically significant. These effects are smaller than we ex ante anticipated, and reflects the need for firms to still go to Corabastos to obtain products that Agruppa does not sell.

Our surveys do not collect transaction-level data for purchases at Corabastos, but our six month survey asked firm owners how many days ( $N$ ) in the past week they shopped at Corabastos, and then out of those  $N$  days, how many they had purchased at least one core Agruppa product, how many days they purchased other fruit and vegetables, and how many days they purchased products other than fruits and vegetables. Among interested firms in the control group, 94 percent had purchased Agruppa products every single day they went to Corabastos, and the mean proportion of days at market spent buying Agruppa products is 97.4 percent. Treatment significantly reduces this proportion, with an ITT of 3.6 percentage points (s.e. 1.2 p.p.) and LATE of 13.7 percentage

points (s.e. 4.3 p.p.). However, note that this means the majority of treated firms are still purchasing at least one Agruppa product on the days they go to Corabastos. Interested control group firms also purchase other fruits and vegetables an average of 94.2 percent of the days going to Corabastos, and other items an average of 56.2 percent of days. Treatment also significantly reduces the proportion of visits in which the owner buys other fruits and vegetables (ITT of 4.1 p.p., s.e. 2.2 p.p.), and has a positive, but statistically insignificant, impact on the proportion of visits buying other items.

Even if the firms still need to go to the market, users of Agruppa may need to go to fewer places within the market to purchase products, potentially reducing the amount of time spent shopping. Panel C of Table 3 considers this intensive margin of how many minutes the firm-owner spends shopping at Corabastos conditional on going. In both the short-term, and pooled estimation, we see statistically significant effects whereby firm owners offered Agruppa spend 5-6 minutes less per visit (compared to a control mean of 104-107 minutes), and those firms using Agruppa spend 14 to 15 minutes less per visit. The impacts are not significant for the medium-term, but are significant in the one-year follow-up, with a particularly large LATE of 47 minutes. This suggests the smaller subset left using Agruppa after one year are able to considerably reduce their amount of shopping time on each visit.

Panel D combines the extensive and intensive margins, along with data on the time taken to go to and from the market, to calculate the total amount of time spent each week travelling to, in, and back from Corabastos. The pooled estimate over all seven rounds shows a statistically significant 37 minute per week drop in travel time for those offered Agruppa, and 113 minute per week drop in travel time for those using Agruppa (relative to a control group mean of 729 minutes (12 hours)). These effects are similar and statistically significant in the short-term period, slightly smaller and not significant in the medium-term period, but then significant at the 10 percent level with a very large LATE of 425 minutes after one-year.

Our high-frequency surveys did not ask the amount spent on transportation and exit fees per visit to Corabastos, but we did ask these in the six-month and twelve-month follow-ups. The mean control group user averages 29,659 COP per visit, and the ITT pooled treatment effect over these two rounds is 3,556 COP per visit (s.e. 1297,  $p=0.008$ ), reflecting fewer heavy goods to transport. Combining this reduction in the cost per visit with the reduction in the number of days per week

going to Corabastos of 0.17 in the short-run gives an estimated short-run cost savings of 20,556 COP per week (US\$6.66), which is equivalent to approximately 0.5% of baseline weekly sales, or 4.9% of baseline weekly profits. Using our statistically insignificant pooled effect over the year of a 0.09 reduction in travel days would reduce this to 18,054 COP (US\$5.85) per week.

Finally, panel E of Table 3 examines whether this reduction in travel time and travel costs is accompanied by a change in work-life stress. We asked a set of eight questions about general life and work satisfaction, whether they find work stressful, as well as about whether the owner feels tired, lacks time, and frequently has no time for family. These variables are coded as binary variables in the same direction so that one indicates more stress, and zero less. At baseline, ninety percent of owners say they are satisfied with their life and their work, but one quarter report feeling tired most days per week, and 40 percent say they frequently feel work forces them to spend less time with their family. We see that the offer (and use) of Agruppa results in lower work-life stress, which is significant at the six-month horizon but not at the twelve-month. Table A5 shows the impacts on each contributing item to this index, with the largest changes seen in questions about whether they lack time to do all the things they have planned, or frequently do not have enough time for family, where there is an 18 to 20 percentage point reduction coming from using Agruppa.

#### **4.3. Did offering Agruppa change product availability, prices and mark-ups?**

Table 5 examines impacts of offering Agruppa on the extensive margin of whether a store was open, and whether it was selling specific vegetables and fruits. To allow for seasonal and time effects, our regressions include daily fixed effects. The first column shows that overall, and in the short and medium-term, there was a small and statistically insignificant impact on whether our enumerators found the store to be open on the day of the interview. The next five columns show that there was no significant change in whether or not firms were selling the core five Agruppa products. This is measured by our surveys directly asking whether the product was sold on the day prior to the survey. We see that onions and spring onions are sold by 95-97 percent of stores, plantains by 80 percent, tomatoes by 59 percent, and potatoes by 56 percent.<sup>15</sup>

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<sup>15</sup> These regressions are for selling the most common variety of each of these products. 93 percent of firms sell one of the four variety/sizes of potatoes that we ask about, and there is no significant effect of treatment on the likelihood of selling at least one type of potatoes. We focus on the main variety/size (*papa pastusa gruesa*) for examining impacts on the extensive margin to correspond with the item used in our price regressions.

In contrast, the last five columns of Table 5 consider the impact of offering Agruppa on five other products that Agruppa did not offer to start with, but phased in over time. Since these products were not offered at the start, we only started asking about them partway through the study.<sup>16</sup> At the time of asking, Agruppa had just started selling these products, but most firms had already received their offer of Agruppa services weeks or months before (when they were told Agruppa did not have these products). Our analysis still compares treatment and control firms in the same blocks on the same day for these products. We see that offering Agruppa led to a statistically significant 7 percentage point reduction in the likelihood stores were selling carrots and yuca, and a 16 to 20 percentage point reduction in the likelihood of them selling peas, lemons and bananas. We interpret this reduction to customers being less aware that Agruppa had started selling these products, and stocking out of these products due to fewer trips to Corabastos. Although our surveys do not directly ask whether firm owners are temporarily out of stock, versus have permanently decided to stop selling an item, we find that 66 to 89 percent of treated firms that had been selling an item in a previous round, and then are found to not be selling it in the current round, are selling it again in the subsequent survey round, suggesting the items are just temporarily out of stock.

Agruppa knew that their potential customers would be comparing their prices to those prevailing at Corabastos, so set out to price its products at a price at least 5 percent below the Corabastos price, with a long-run goal of 10 percent. In practice, they used market informants at Corabastos to find out the current day's price, and then would use this to set their price for the following day. They would calculate 5 percent below the Corabastos price, round to nearest 1,000 pesos to make invoicing easier, and then compare to their purchase cost. If they could purchase for a lot lower, they would offer more of a discount, but they would also take a loss on items if needed to achieve the target discount. On top of this, they would adjust prices based on perceived demand elasticity (assuming that people would be more price sensitive to staples like plantains, and so offer higher discounts, than for some fruits). However, as noted earlier, since prices fluctuate a lot from day-to-day, setting a price that was slightly lower than the previous day's Corabastos price did not necessarily mean that it would be cheaper than the Corabastos' price on the day of sale.

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<sup>16</sup> We started asking about carrots and yuca in late August/early September 2016, and lemon, bananas, and peas in early December 2016. Appendix 2 shows that our staggered roll-out and interview schedule meant that some firms were receiving their 2 week follow-up survey and others up to their 14 week follow-up the first time we asked about carrots and yuca, and between their 2 week and 26 week follow-up the first-time we asked about the other three products.

To test the impact on prices, we estimate equation (1), again controlling for daily fixed effects to allow for seasonal and time patterns, and report the results in Figure 3 and Table A6. This estimation is conditional on selling the product, which we have just seen the treatment had no impact on for the core products.<sup>17</sup> We consider both the purchase price to the firm, their sale price, and the mark-up percentage, defined as the difference between log sale price and log purchase price.

Figure 3 shows that firms offered Agruppa reduced the price of purchasing each of the five core products by a statistically significant 6 to 8 percentage points on average pooled across all survey rounds. Firms in turn pass on some of these savings to customers, reducing their sale prices by 1 to 3 percentage points, which is statistically significant for onions, plantains, potatoes, and tomatoes, but not for spring onions in the pooled data.<sup>18</sup> Table A7 shows that these reductions in price do not appear to be due to changes in produce quality: measuring the firmness, color, visual appearance, and shape of produce we find no significant changes in four products, and a small improvement in quality for plantains. The fact that sale prices do not fall by as much as purchase prices means that mark-ups increase, with this being a statistically significant 3 to 5 percentage points for all products except for plantains. This is relative to a control mean mark-up of between 32 and 65 percent depending on product (Table A6). If the exclusion restrictions hold, then the LATE estimates in Table A6 suggest much larger savings in purchase price for those using the service than Agruppa had targeted – with the pooled and short-term estimates in the order of 13 to 20 percentage points. However, the exclusion restrictions may be violated if the option to buy from Agruppa gives firm owners more negotiating power when purchasing from vendors at Corabastos (which we consider unlikely), or if firms not using Agruppa adjust their behavior in response to competitive pressure from those that do (which we have mixed evidence on, as noted below).

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<sup>17</sup> For this reason we do not examine the impact on prices of the non-core products, since Table 5 shows offering Agruppa leads to large treatment effects in the likelihood of selling these products, so that comparing prices in control firms which sell these non-core products to treatment firms selling these non-core products is subject to selection concerns.

<sup>18</sup> Note that in some developing countries it is common for customers to bargain over prices, making it unclear what “the” sale price is on a given day. That is not the situation in our setting. In our baseline, 86% of firms said that all customers pay the same price, and a further 9 percent said prices only vary according to the volume purchased. Only 3.5 percent of firms say that customers pay different prices, or that some pay different prices depending on relationships.

#### **4.4. What was the impact on overall firm sales and profits?**

As previously noted, most firms do not keep records of quantities sold, or of sales and profits. When coupled with safety concerns about crime in their neighborhood, and general mistrust, this meant that item non-response rates are high for our sales and profits measures. On average, we only have profits and sales responses for 35 percent of interested firms when pooled across all rounds.<sup>19</sup> We control for baseline values of the sales or profits outcome, which along with the randomization pair fixed effects helps control for selective responses related to baseline levels or block characteristics. However, we still note the risk of bias is considerably higher for these estimates than for our other outcomes, and urge caution in their interpretation. Table 6 provides the estimated treatment effects. We only show intention-to-treat effects, since the exclusion restrictions may be less likely to hold for sales and profits if there are competitive responses, and because the compliers (Agruppa users) are more likely to have reported sales and profits than the non-compliers.

We have shown that access to Agruppa led to no impact on the extensive margin of whether a firm was selling the core Agruppa products on a given day. Profits from the sales of these products could then increase from making a higher mark-up on each unit sold (the small positive effects of 1.2 to 4.5 percent seen in Figure 3 and Table A6), as well as if lower prices enable firms to capture a larger market share and attract more sales. Table A8 examines impacts on quantities, and finds small and statistically insignificant impacts of -1.7 to 5.0 percentage points on quantities sold of four of the products, and a statistically significant increase in the quantity of plantains sold.

The first column of Table 6 then aggregates sales of the five core Agruppa products in the past day, obtained by multiplying reported price per kilogram against quantities sold. We see that the value of sales does not increase, with the small increases in quantity offset by the small reduction in prices, so that the pooled point estimate is a statistically insignificant 0.1 percent decline. Column 2 shows likewise that there is no significant change in mark-up profits in the last day, measured as the mark-up per kilogram multiplied by the number of kilograms sold. While the point

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<sup>19</sup> Moreover, since we lack prices and quantities for most non-Agruppa products, we cannot estimate sales or impute profits for these missing values, since our results suggest the ratio of Agruppa product to non-Agruppa product sales does not appear likely to have stayed constant over time.

estimate is 0, the 95 percent confidence interval runs from -8.8 percent to +8.8 percent, so is consistent with the firms making 1 to 5 percent higher mark-ups and quantity not changing much.

Columns 3 and 4 of Table 6 then examine the total value of sales and profits in the past week. These are self-reports, based on directly asking firms “how much money did you received from sales the past week?” and “how much were the profits of the business the past week?”. Although de Mel et al. (2009) find this type of direct measure of profits to be preferable than attempting to have small firms that do not keep records recall and match all expenses to sales, it is unclear how well firm owners are able to recall and incorporate any savings from reduced travel costs in these calculations. It also does not value the owner’s time, so that the reduction in time spent going to Corabastos is not counted as higher profit. Moreover, as noted above, the larger concern is that the majority of firms did not report quantities, or sales and profits.

With these caveats in mind, column 3 of Table 6 finds that the total value of sales of all products fell 9 percent for those offered Agruppa, which is statistically significant at the 5 percent level. Column 4 likewise shows a 7 percent reduction in total profits, although this is not statistically significant in the pooled model, but is in the short-run. One potential explanation for this fall in sales is that sales of other products fell, since we have seen firms purchasing from Agruppa were less likely to have other fruits and vegetables in stock. Our point estimates suggest that this also led to the monetary value of profits falling, although this may have been offset by more leisure time and by travel savings that owners do not fully incorporate in their profit calculations.

Since the stress levels and leisure time of firm owners improved as a result of using Agruppa, the reduction in monetary profits does not necessarily mean that use of the product made them worse off. However, the majority of firm owners who tried using Agruppa’s service stopped using it over time, suggesting by revealed preference that the perceived costs of using the service did exceed the perceived benefits on average. This is consistent with firms experimenting with a novel unknown technology, and learning through use that it was not as profitable as they expected, perhaps because they failed to appropriately account for travel costs or because the net benefits were small and not salient. A related example is seen in Karlan et al. (2015), where tailoring firms adopted recommendations from consultants, found this reduced their profits in the short-run, and so over time stopped following these recommendations.

#### **4.5. What was the competitive response or spillover effect on other firms?**

We can examine the spillover effects of this intervention by comparing outcomes for the uninterested firms in treated blocks (where interested firms do get offered Agruppa), to those of uninterested firms in control blocks (where no firm is offered Agruppa). Table 7 reports the results, again with the caveat that overall response rates and item non-response rates on profits and sales were lower for uninterested firms (Tables A4.1, A4.2 and A4.3). The first five columns suggest that uninterested firms lowered their prices of the core Agruppa products by 2 to 4 percent. This suggests that firms are adjusting prices in response to those charged by other firms in their block. However, despite controlling for baseline prices, block pair fixed effects, and daily fixed effects, it is possible that this difference arises from selective attrition. Column 6 shows positive, but statistically insignificant impacts on sales of these core products, and columns 7 and 8 show statistically insignificant impacts on total sales and profits of these uninterested firms. The smaller sample size of the uninterested firms, coupled with lower response rates, however makes the confidence intervals on sales and profits reasonably wide, encompassing a change of 15 percent in either direction.

#### **5. What does this experiment tell us about the nature of firm competition?**

Our data provide a rare look into the pricing of multi-product small retailers of perishable products in a developing country, and enable us to establish several key facts that are important for understanding how firms compete with one another in these markets, and how firms charging different prices to nearby firms are able to survive over time.

##### **5.1 Facts about price changes in these markets**

*Fact 1: Prices change frequently and closely follow the Corabastos wholesale prices.* As noted above, 76 percent of firms at baseline say that they change prices daily. In a simple model of perfect competition, there should be one-for-one pass-through of market prices into retail prices. In contrast, if retail store owners have market power, then they will not pass-through cost changes automatically to consumers. Figure 4 shows that, on average, retail sales prices do closely track vendor purchase prices, which in turn closely track the prices charged at Corabastos, suggesting that on average there is strong pass-through of market prices into retail prices.

In Table 8, we regress the daily sale prices of our core five Agruppa products charged by retail store owners on the daily price at Corabastos. Panel A controls for block and enumerator fixed effects, and panel B for firm fixed effects. The coefficients range from 0.9 to 1.2, and are thus close to one in magnitude, showing high pass-through of input price changes, and suggesting a high level of competition among firms. Note that with imperfect competition, the degree of pass-through is a function of both the level of competition and the curvature of the demand curve (see Falcao-Bergquist, 2016), so that high pass-through per se is not sufficient to establish perfect competition.

*Fact 2: Large cross-sectional variation in prices for the same good within a neighborhood market.* Perfect competition also implies that homogenous goods should sell for the same price at different stores within close proximity to one another, or else customers will have strong incentives to shift to the cheaper store. We regress log prices charged by store owners on block-day fixed effects, and plot the residuals in Figure 5. There is large cross-sectional dispersion in prices: a firm at the 90<sup>th</sup> percentile of onion prices in its block on a given day sells onions for 57 log points (77 percent) more than a firm at the 10<sup>th</sup> percentile; a firm at the 90<sup>th</sup> percentile of potato prices in its block on a given day sells potatoes for 35 percent more than at firm at the 10<sup>th</sup> percentile; and the other three products also have price dispersion of 50 to 60 percent between the 90<sup>th</sup> and 10<sup>th</sup> percentile. This dispersion does not reflect observable differences in product quality, since controlling for the measured quality (Appendix 7) of produce reduces this dispersion by less than one percent. The cross-sectional price dispersion thus would suggest much less competition.

One potential explanation for this dispersion could be measurement error, but we believe the prices are more accurately measured than other firm outcomes, and the dispersion hardly changes if we control also for enumerator fixed effects. Firms tend to price in round numbers, with a typical example being potatoes selling for 400, 500 and 600 pesos per pound in the same block on the same day. While this is a difference of 50% in price, the absolute savings to a consumer when buying a pound of potatoes are small: 200 pesos (\$0.06).

*Fact 3: Firms are not consistently the cheapest: cheap in one product does not necessarily mean cheap in another product, and cheap today does not necessarily mean cheap two weeks from now.*

We de-mean the price a store charges for a product by the block-day average, and then look to see whether a firm that offers cheaper prices for one product is also charging cheaper prices for other

products. The left panel of Figure 6 shows this comparison for potatoes and onions. The rank-order correlation is only 0.20, which is also the average over all ten pairwise comparisons of core products, and shows that stores are not consistently the cheapest across products. As an example, if a customer finds a store whose onions are in the cheapest quartile of prices in their market block on a given day, the chance that the store's potatoes sell at below the mean price is still only 55 percent.

Secondly, we consider the temporal variation in price dispersion, to see if a store is consistently the cheapest for a given product. The right panel of Figure 6 provides an example for potatoes, showing that cheaper today is only weakly correlated with cheaper in two weeks (rank-order correlation of 0.22, which is similar to the 0.24 average across the five core products). As a result, if a store is selling potatoes in the bottom quarter of prices for that market block on a given day, the chance they will be selling at below the mean price two weeks later is only 60 percent.

This fact suggests that spatial variation in prices across firms is unlikely to reflect persistent unobserved characteristics of the firms, such as nicer premises, or a tendency to give credit or discounts to customers. Qualitatively, we have not found many retailers to use these, but did not measure this in our surveys.

## **5.2 Implications for firm competition and understanding the Agruppa impacts**

Taken together, these three facts suggest that although there is close to one-for-one pass-through of wholesale market prices to retail prices, firms are not in perfect competition, as there are large relative differences in prices for the same product on the same day in the same market. It can pay for consumers to shop at more than one store (as the median customer does), and to look around to see which stores have the cheapest prices (as 40 percent of customers do). Indeed, McKenzie and Schargrodsky (2011) in Argentina, and Argente et al. (2020) in Mexico both document that poor consumers tend to buy different items at different stores. However, because these differences vary over products and time and are small in absolute magnitude, there are limits to the value of search, and even within neighborhoods, firms are likely to have some market power through geographic differentiation (the nearest competitor is 50 meters away), and customer familiarity with the owner and the store layout.

This differentiation is likely what allowed firm owners to capture some of the reduction in input costs from shopping with Agruppa, and to increase mark-ups. However, it also shows why a discount of 6 to 8 percent on input costs offered by Agruppa is unlikely to be able to help firms greatly expand sales by undercutting other firms on prices – prevailing prices vary by six to seven times this amount within the same market on the same day, which would make it difficult for consumers to detect a price change arising from securing cheaper produce through Agruppa. This accords with firms not considering the price savings as the most important reason for using Agruppa’s service, but rather the potential time savings from not having to travel to Corabastos.

## **6. Conclusions and Lessons for Intervening to Shorten the Supply Chain**

The large amount of time and money spent by retail store owners in Bogota purchasing fruit and vegetables suggests that there should be high demand for a service that can reduce this burden. Our evaluation of the initial impacts of Agruppa’s attempt to shorten this supply chain do find that there was initially high interest in trying out such a service, and that store owners who used it were able to reduce the amount of time and money spent purchasing products, with an improvement in work-life balance, and cost savings that were partially passed through into cheaper prices for consumers.

However, we also find that, if anything, retailers using Agruppa’s service suffered a reduction in profits and sales in the short-term due to a reduction in sales of products not offered by Agruppa, that not going to the central market as often made them less likely to sell. This could be driven by retailers failing to optimize their stocking behaviors in response to the availability of the new service.<sup>20</sup> Usage of the service fell quickly over time, despite Agruppa expanding its product offerings. Agruppa had projected that it needed to get to a customer base of around 850 retailers buying two to three times a week to achieve the necessary scale to break-even, but was unable to expand sufficiently to reach this level, and lacking a clear pathway to financial sustainability, Agruppa closed as a business on January 20, 2018.

In drawing lessons from this experience, a number of the issues facing Agruppa were those common to many start-ups in terms of difficulties fine-tuning the logistics of product delivery,

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<sup>20</sup> Retailers could have kept their market trips unchanged and gained profits from cost savings on core products, but instead in the presence of the new service traveled less frequently to Corabastos and therefore stocked non-core products less leading to lost profits.

pricing strategy, paying attention to customer retention while expanding into new areas, and dealing with external shocks such as a fall in agricultural prices (which given a fixed mark-up percentage, lowered the amount earned on each transaction). But, in our view, a larger problem stems from the very market failure of a lack of coordination among buyers that this intervention aimed to fix. Starting small with a limited product offering, limited volume, and limited number of customers means that it is difficult to form contracts with farmers, hard to attract and retain customers, and difficult to cover costs while charging competitive prices. It is only by operating at scale and coordinating together the buying power of a large number of retailers that it is likely to be possible to support a broad product offering, offer an attractive partner for farmers (including closing forward contracts with them), and operate an efficient delivery network. Once the product logistics have been piloted, a much larger investment in implementation and marketing than was possible for the Agruppa team is likely to be needed to enable an enterprise to quickly reach such a scale. Nevertheless, the underlying business idea of agglomerating orders from many small purchasers still may offer promise, and at the time of writing, a new start-up had launched with the related business idea of agglomerating purchase orders from restaurants in Bogota<sup>21</sup>, while the company Twiga<sup>22</sup> had expanded a similar model to Agruppa's to reach 13,000 farmers and 6,000 vendors in Kenya.<sup>23</sup> However, as with many new ideas, not all start-ups will succeed. Tenoli, in Mexico City, which was founded with the idea of consolidating orders from many small corner stores together, also folded after running out of investment capital.<sup>24</sup>

A final lesson is for both start-ups and researchers considering implementing randomized trials during the early stage of business launch. The advantage of working together at the launch was that the early data collected could be informative to the social enterprise in knowing more about

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<sup>21</sup> See <https://www.frubana.com> [accessed 20 March, 2019]

<sup>22</sup> While there are important similarity between Twiga and Agruppa as suggested by this article <https://www.theafricareport.com/14831/kenyas-twiga-foods-goes-bananas-on-the-nairobi-market/> [accessed 6 January, 2021] it should be noted that Twiga started focusing primarily on one product, bananas, and it sourced directly from scattered farmers to serve vendors ("Before Twiga, most of the vendors would wake up at 4:00a.m. to go buy supplies for the day").

<sup>23</sup> See <https://twiga.ke/2018/11/15/press-release-ifc-and-tlcom-invest-10m-in-twiga-foods-an-m-commerce-start-up-supporting-kenyan-farmers/> [accessed 29 July, 2019]. Agruppa's founder noted three other country contexts that may make such a product work more better in Kenya: the Kenyan diet relies on a smaller variety of staple products than the Colombian one, making variety less of an issue; in Kenya many of these core products are imported and easier to contract than with individual farmers; and the widespread use of mobile money in Kenya makes payments easier.

<sup>24</sup> See <https://www.forbes.com.mx/la-empresa-social-tenoli-cierra-sus-puertas-por-falta-de-recursos/> [accessed 9 October, 2020].

its customer base, Agruppa was able to use the fact it was doing an impact evaluation and had short-term results in helping fundraise from social investors, and this was a stage where the planned geographic roll-out of the product easily lent itself to a randomized design. However, launching a randomized trial at such an early stage also raised challenges for both the social enterprise and research teams. Upon reflection, the founders of Agruppa note that their delivery routes were not as efficient as they could have been without control blocks, and that they felt constrained from pivoting away from their originally planned growth rate. From the researcher side, measuring impacts while the product logistics were still getting finalized, customer retention systems were not fully in place, and the operation was not operating at scale meant that it was harder to measure what the impacts of such a service could be, given lower than anticipated usage. Ideally, in future collaborations, it would be desirable for proof-of-concept to be delivered at scale in one location, and then a design similar to that used here be used to measure impacts when expanding to a second city or part of the city.

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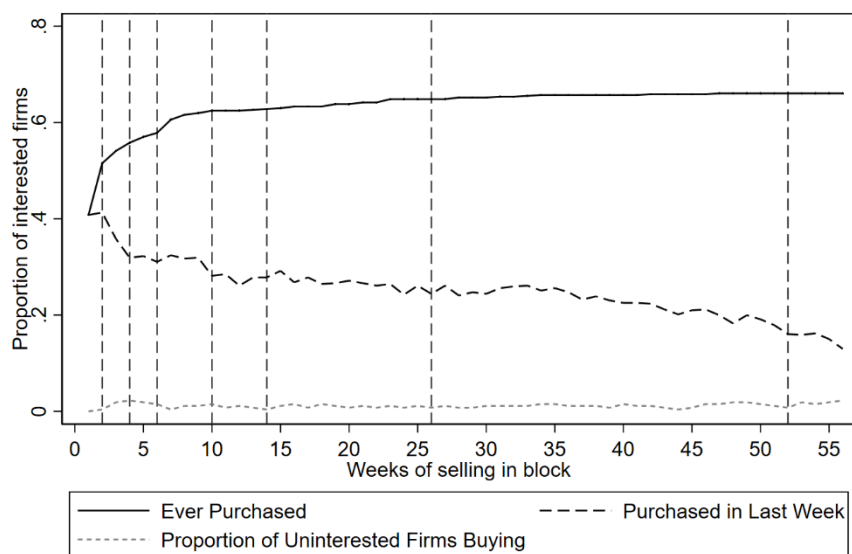
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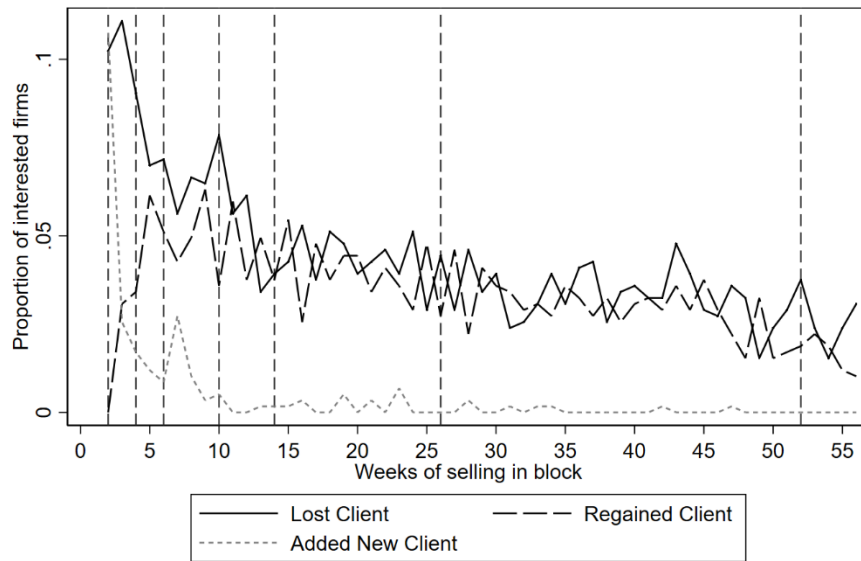
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**Figure 1: Take-up and Usage of Agruppa in Treatment Blocks**



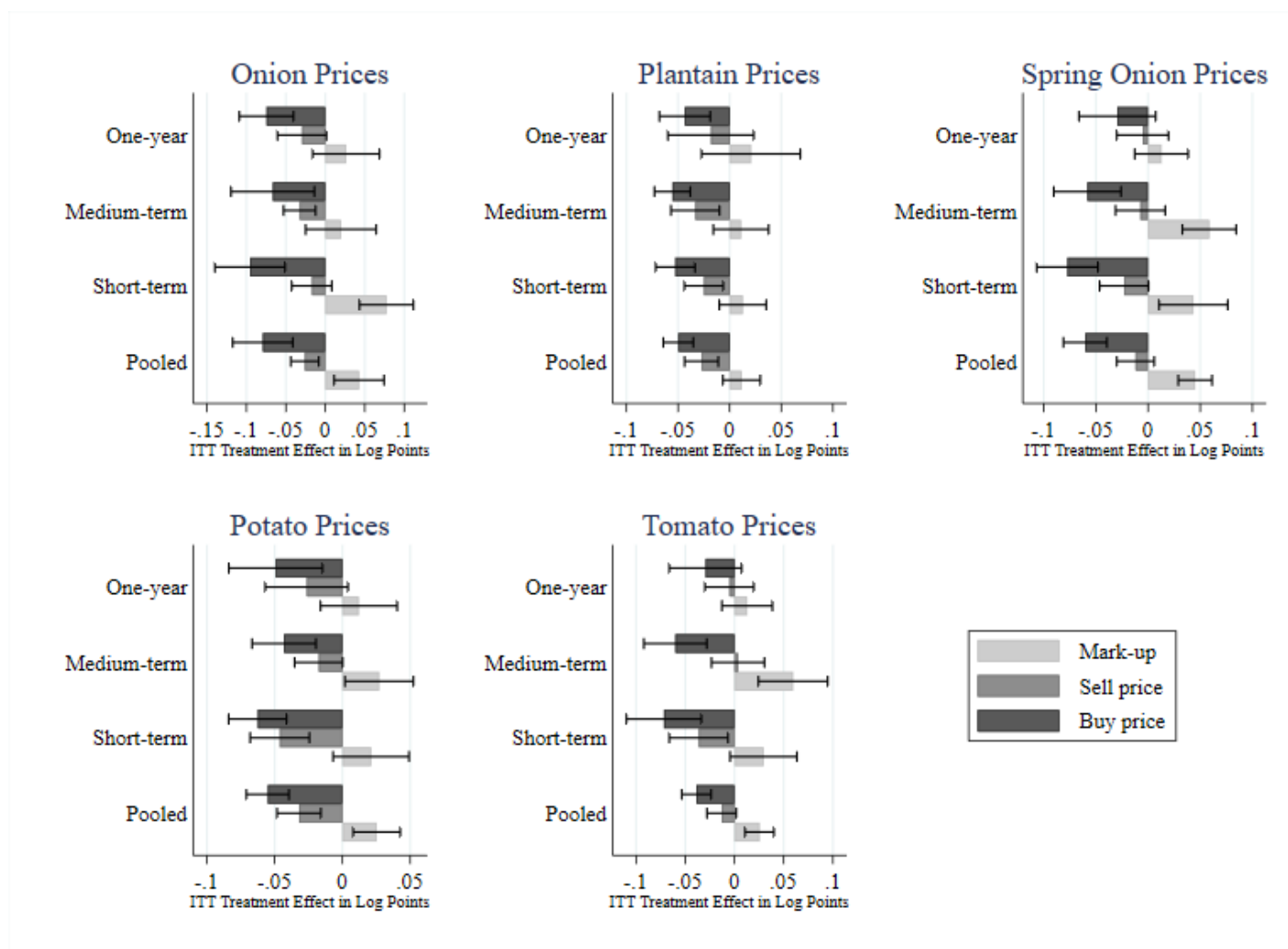
Notes: Data come from Agruppa administrative sales records. Ever purchased and purchased in last week are for the sample of firms who said they were interested in Agruppa at baseline. Agruppa only attempted to sell to these firms. Vertical lines indicate follow-up survey time periods of 2, 4, 6, 10, 14, 26 and 52 weeks after Agruppa is introduced in the block.

**Figure 2: Customer Churn Dynamics**



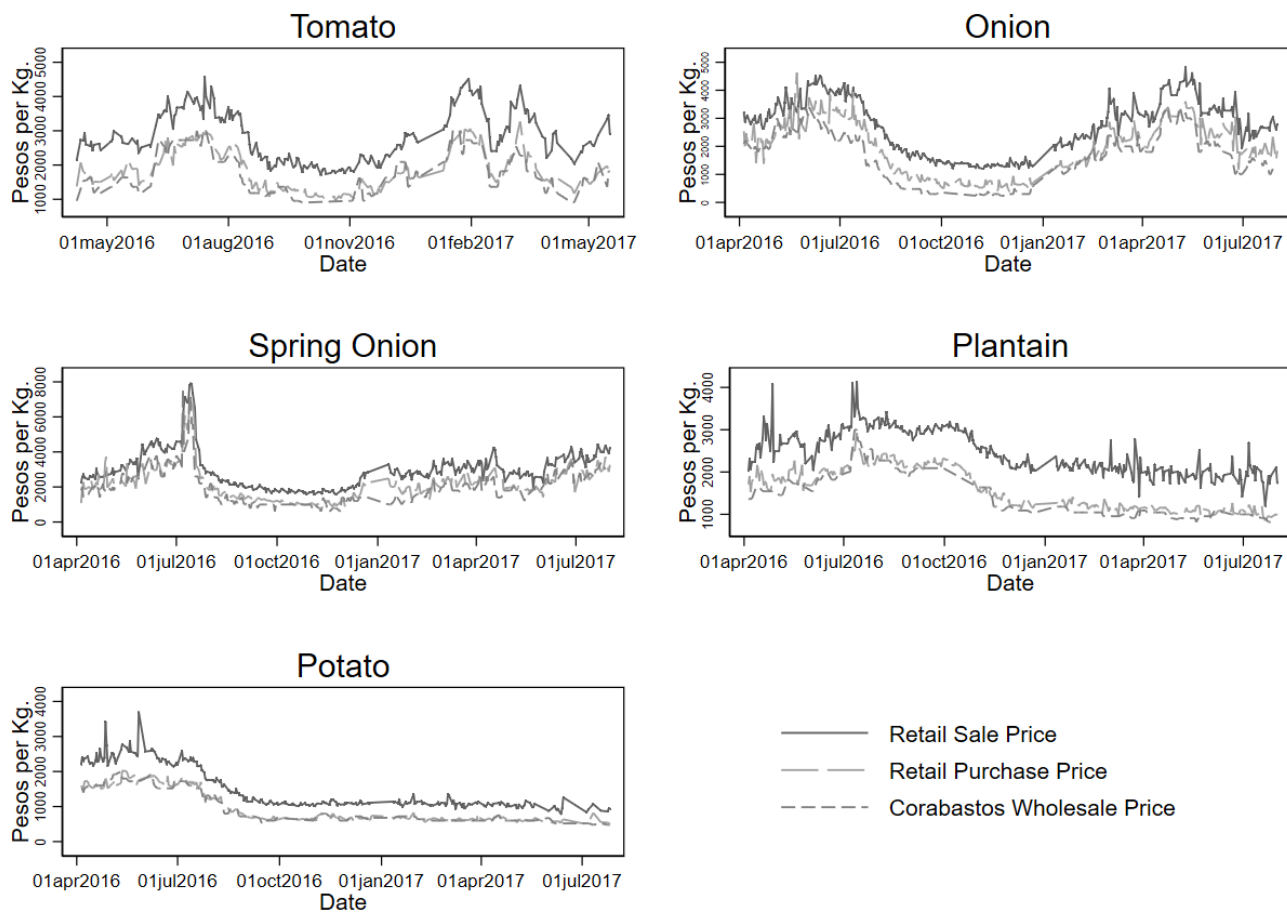
Notes: data are from Agruppa administrative sales records. Added new client indicates Agruppa started selling to a client they had not previously sold to, lost clients are those who purchased in the past week, and then not in the current week, and regained clients are those who had previously purchased from Agruppa, stopped for at least a week, and then purchased again in the current week.

**Figure 3: Estimated Intention-to-Treat Impacts on Purchase and Sale Prices, and Mark-ups of Core Agruppa Products**



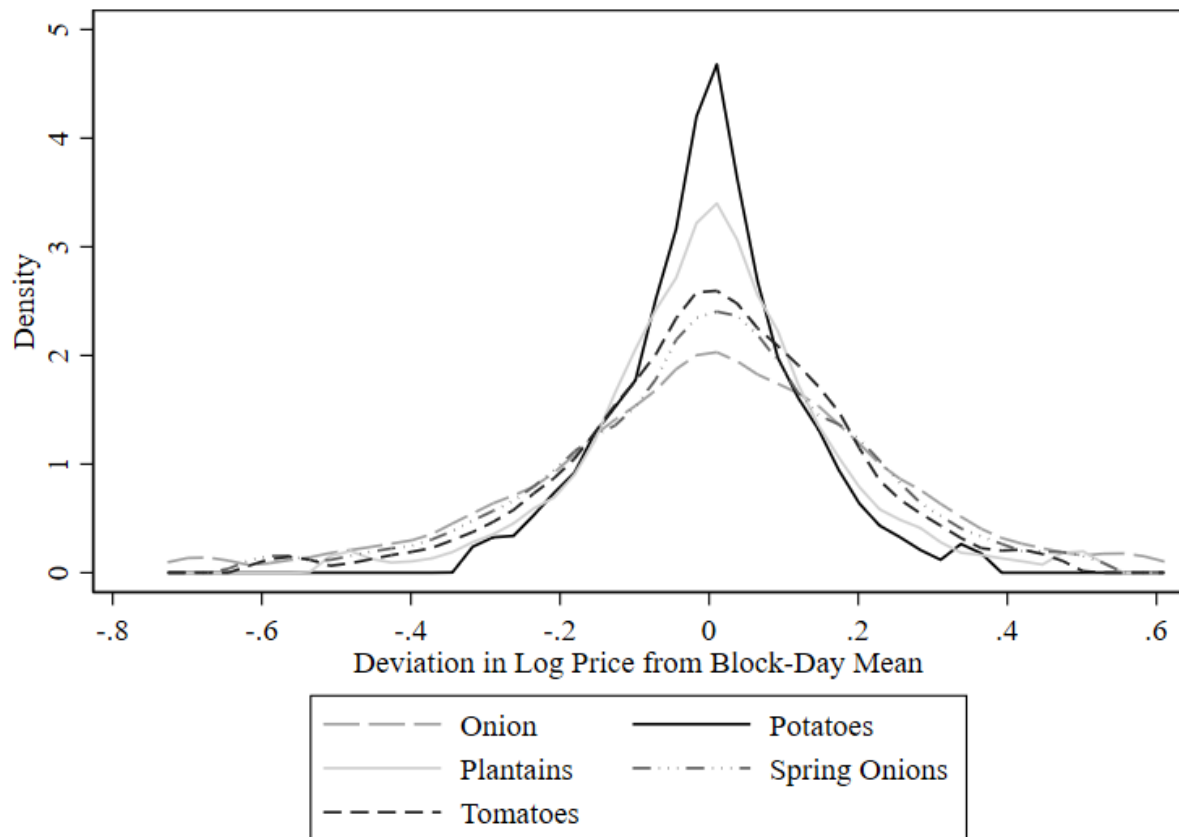
**Notes:** ITT estimates after controlling for baseline values, survey round, randomization pair, and daily fixed effects. 95% confidence intervals shown using robust standard errors clustered at the block level. Table A6 provides these results in numeric form and also provides LATE estimates. Tomato prices not collected in one-year survey. Short-term refers to weeks 2, 4 and 6; Medium-term to weeks 10, 14 and 26, and one-year to one-year follow-up. Pooled estimate averages over all seven rounds of follow-up surveys

**Figure 4: Firm Purchase and Sale Prices Closely Track Corabastos Prices**



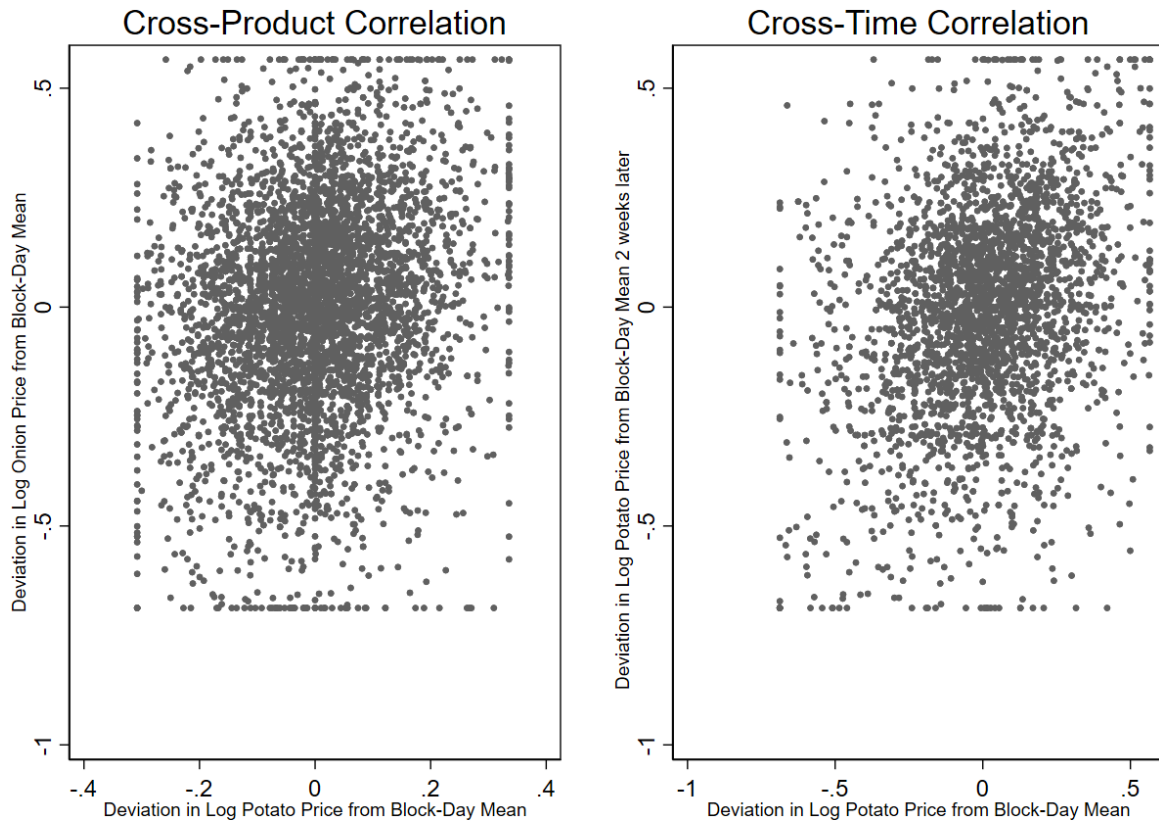
Notes: Retail sale and purchase prices are mean prices from firms in our sample interviewed on a given day, and are shown for days where at least five firms were interviewed. Corabastos prices are prices for standard quality produce reported by the Corabastos market. Tomato prices were not collected in our last few months of survey.

**Figure 5: Large Cross-Sectional Dispersion in Prices Within a Neighborhood Market**



Notes: Kernel density of distribution of differences in retail sale prices within the same block on the same day for a given product.

**Figure 6: The Cheapest Store in one Product is Not Much More Likely to be Cheaper for Another Product, or Cheaper in the Future**



Notes: Figure uses prices from for all retail stores in our sample. The left panel uses all rounds of data and plots winsorized (at the 1<sup>st</sup> and 99<sup>th</sup> percentiles) differences of log prices from the block-day mean for potatoes versus onions, and shows having lower than average potato prices is not strongly associated with having lower than average onion prices. The right panel uses only the baseline and first three follow-up rounds to examine prices two weeks apart for potatoes, showing a cheaper than average price today is not strongly associated with having a cheaper than average price 2 weeks later. Results are similar for the other core Agruppa products.

**Table 1: Summary Statistics by Treatment Status and Interest in Agruppa**

	Proportion	Treatment Blocks			Control Blocks			P-values testing equality			
	Missing	All	Interested	Uninterested	All	Interested	Uninterested	(1) vs	(2) vs	(3) vs	(2) & (5) vs
	Data	(1)	(2)	(3)	(4)	(5)	(6)	(4)	(5)	(6)	(3) & (6)
Owner Characteristics											
Owner is female	0.00	0.33	0.35	0.27	0.32	0.32	0.31	0.425	0.195	0.176	0.030
Age of Owner	0.21	43.3	42.3	45.8	43.3	41.6	47.6	0.902	0.611	0.188	0.000
Has primary education or less	0.11	0.52	0.49	0.59	0.46	0.42	0.55	0.013	0.033	0.536	0.000
Has high school education	0.11	0.41	0.43	0.37	0.45	0.47	0.42	0.109	0.328	0.489	0.060
Has post high school education	0.11	0.07	0.08	0.05	0.09	0.12	0.04	0.014	0.002	0.843	0.000
Household size	0.16	3.01	3.05	2.87	2.89	2.80	3.10	0.105	0.014	0.461	0.625
Has a child under 18 in household	0.16	0.53	0.54	0.50	0.53	0.54	0.50	0.398	0.468	0.254	0.217
Is the main income earner	0.12	0.89	0.89	0.90	0.88	0.88	0.88	0.558	0.522	0.417	0.869
Household monthly income (USD)	0.49	413	438	339	414	440	340	0.878	0.837	0.966	0.001
Below the Colombian poverty line	0.47	0.41	0.40	0.42	0.38	0.39	0.36	0.217	0.515	0.343	0.945
Firm Characteristics											
In business 5 years or less	0.00	0.33	0.33	0.34	0.33	0.33	0.32	0.218	0.288	0.144	0.888
Any paid employees	0.07	0.33	0.32	0.35	0.36	0.38	0.31	0.170	0.097	0.138	0.484
Number of core Agruppa products sold	0.00	4.28	4.33	4.18	4.32	4.32	4.32	0.519	0.455	0.177	0.173
Distance to Corabastos (km)	0.00	3.9	4.0	3.7	3.8	4.0	3.3	0.457	0.523	0.370	0.000
Days per week visiting Corabastos	0.04	4.44	4.33	4.68	4.70	4.69	4.74	0.177	0.044	0.597	0.089
Goes everyday to Corabastos	0.04	0.36	0.34	0.42	0.43	0.42	0.45	0.026	0.003	0.987	0.050
Travel time to Corabastos (minutes)	0.24	24.5	25.2	23.0	23.9	25.5	19.7	0.988	0.530	0.086	0.000
Weekly sales (USD)	0.55	1096	1252	719	977	1124	492	0.502	0.563	0.175	0.010
Weekly profits (USD)	0.60	133	137	123	117	135	71	0.370	0.738	0.015	0.034
Proportion of sales from core Agruppa	0.59	0.52	0.50	0.60	0.55	0.53	0.63	0.070	0.173	0.445	0.002
Sample Size		852	586	266	768	536	232				

Notes: firms were asked at baseline if they were interested or not in being a client of Agruppa should Agruppa offer the service in their neighborhood. They were then classified as interested or uninterested firms on this basis. Random assignment of Agruppa services was at the block level within matched pairs.

P-values for testing equality are from regression of variable on a treatment indicator, controlling for pair fixed effects and clustering at the block level.

Note that the relatively high item non-response for age is because respondents were asked for date of birth, not age directly.

**Table 2: Correlates of Interest, Take-up, and Usage Decisions**

	Interested in Agruppa (1)	Ever purchases from Agruppa (2)	Stops buying from Agruppa (3)	Still a customer after one year (4)
Owner is Female	0.076** (0.034)	-0.036 (0.040)	0.001 (0.044)	-0.010 (0.031)
Age of Owner	-0.004** (0.002)	-0.003 (0.002)	-0.002 (0.002)	0.001 (0.002)
Owner has primary education or less	-0.010 (0.033)	0.008 (0.040)	0.088** (0.044)	-0.053* (0.031)
Owner has child under 18	0.069** (0.032)	0.058 (0.040)	-0.068 (0.042)	0.058* (0.030)
Household income below poverty line	0.016 (0.046)	-0.074 (0.055)	-0.015 (0.056)	-0.009 (0.040)
In business 5 years or less	-0.036 (0.035)	-0.032 (0.043)	-0.000 (0.044)	-0.007 (0.032)
Firm is registered for taxes	0.029 (0.033)	0.024 (0.039)	0.019 (0.043)	-0.015 (0.030)
Number of core Agruppa products at baseline	0.021 (0.016)	0.032 (0.021)	-0.018 (0.026)	0.024 (0.018)
Distance to Corabastos in kilometers	0.013 (0.009)	-0.010 (0.010)	0.002 (0.011)	-0.005 (0.008)
Goes everyday to Corabastos at baseline	-0.059* (0.034)	-0.159*** (0.041)	0.165*** (0.048)	-0.141*** (0.034)
Always uses same supplier in Corabastos	0.044 (0.033)	0.008 (0.040)	-0.056 (0.042)	0.041 (0.030)
Has received credit at Corabastos in past month	-0.010 (0.046)	-0.037 (0.056)	-0.020 (0.060)	-0.002 (0.042)
Baseline profits (USD)	-0.000 (0.000)	0.000 (0.000)	-0.000 (0.000)	0.000 (0.000)
Baseline profit data missing	0.016 (0.042)	-0.072 (0.053)	-0.121** (0.053)	0.062* (0.037)
No. of products sold by Agruppa at launch	0.001 (0.005)	0.012 (0.010)	0.063*** (0.016)	-0.035*** (0.011)
Age is missing at baseline	-0.213*** (0.081)	-0.132 (0.102)	-0.156 (0.119)	0.043 (0.081)
Poverty status is missing at baseline	-0.106*** (0.040)	-0.023 (0.049)	0.017 (0.054)	-0.015 (0.038)
Weeks since Agruppa started in first block		-0.007 (0.004)	-0.006 (0.005)	0.002 (0.003)
Sample Size	852	586	387	586

Notes:

Coefficients shown are marginal effects from probit estimation. Sample for column 1 is all firms in treatment blocks, for columns 2 and 4 is interested firms in treatment blocks, and for column 3 is interested firms who ever purchase from Agruppa in the treatment blocks.

Robust standard errors in parentheses, \*, \*\*, \*\*\* denote significance at 10%, 5% and 1%.

**Table 3: Reasons Firms Continued to Use Agruppa, or Stopped Using Agruppa**

	All Firms		Everyday Shoppers		Non-everyday shoppers		p-value testing everyday=not	
	Main Reason	Any reason	Main Reason	Any reason	Main Reason	Any reason	Main reason	Any reason
<b>Panel A: Reasons for Continuing to Use Agruppa</b>								
Reduces the time spent going to Corabastos	0.62	0.92	0.60	0.93	0.62	0.92	0.897	0.874
Offers lower prices than other venders	0.15	0.31	0.13	0.13	0.16	0.33	0.816	0.119
Brings heavy products that I would otherwise pay to transport	0.13	0.60	0.13	0.53	0.13	0.61	0.950	0.586
Employees are trustworthy and friendly	0.09	0.51	0.13	0.60	0.08	0.50	0.482	0.474
Quality of products is very good	0.01	0.05	0.00	0.07	0.01	0.05	0.703	0.775
Offers products I cannot find elsewhere	0.01	0.02	0.00	0.00	0.01	0.02	0.703	0.588
Lets me pay at night, after I've sold products during the day	0.00	0.03	0.00	0.07	0.00	0.02	n.a.	0.286
Sample Size	117	117	15	15	102	102		
<b>Panel B: Reasons for No Longer Using Agruppa</b>								
Agruppa did not offer enough variety of products	0.23	0.42	0.22	0.43	0.23	0.42	0.868	0.864
Was not satisfied with customer service	0.23	0.35	0.25	0.42	0.21	0.31	0.575	0.151
Agruppa's prices were not competitive	0.18	0.31	0.22	0.33	0.15	0.30	0.194	0.652
Other	0.18	0.27	0.15	0.24	0.20	0.30	0.392	0.347
Not satisfied with product quality	0.09	0.14	0.08	0.13	0.10	0.16	0.758	0.575
Too difficult to communicate with Agruppa	0.05	0.10	0.03	0.08	0.07	0.11	0.239	0.608
Agruppa did not sell on credit, whereas other providers do	0.03	0.03	0.03	0.03	0.03	0.03	0.958	0.958
Agruppa person was not trustworthy or friendly	0.01	0.02	0.01	0.03	0.01	0.02	0.799	0.718
Sample Size	175	175	72	72	103	103		

Notes: Data are from the six-month follow-up survey. Panel A is for firms that were still using Agruppa, and Panel B for firms that had used Agruppa and stopped using it.

n.a. denotes not available (since zero people gave this reason as the main reason).

The main "other" reason for no longer using Agruppa was that Agruppa arrived at unexpected times when they did not need any product.

Everyday shopper denotes the firm owner shopped at Corabastos everyday at baseline.

**Table 4: Impact on Corabastos Travel Time among Interested Firms**

	Average impact over all 7 rounds	Short-term impact weeks 2,4,6	Medium-term impact weeks 10,14,26	One-year impact week 52
<b>PANEL A: IMPACT ON NOT GOING TO CORABASTOS AT ALL IN PAST WEEK</b>				
ITT: Assigned to Treatment	0.045*** (0.007)	0.043*** (0.007)	0.048*** (0.011)	0.047*** (0.015)
LATE: Used Agruppa in Last Week	0.131*** (0.022)	0.105*** (0.019)	0.145*** (0.035)	0.240*** (0.080)
Control Group Mean	0.036	0.022	0.047	0.046
Sample Size	5332	2338	2200	794
<b>PANEL B: IMPACT ON NUMBER OF DAYS PER WEEK GOING TO CORABASTOS</b>				
ITT: Assigned to Treatment	-0.091 (0.077)	-0.167** (0.079)	-0.023 (0.092)	-0.069 (0.119)
LATE: Used Agruppa in Last Week	-0.269 (0.224)	-0.414** (0.192)	-0.072 (0.283)	-0.369 (0.636)
Control Group Mean	4.5	4.7	4.3	4.2
Sample Size	5332	2338	2200	794
<b>PANEL C: TIME SPENT AT CORABASTOS PER VISIT CONDITIONAL ON GOING TO CORABASTOS</b>				
ITT: Assigned to Treatment	-5.2*** (1.6)	-5.8*** (1.9)	-2.8 (2.0)	-7.9** (3.7)
LATE: Used Agruppa in Last Week	-15.4*** (4.9)	-14.1*** (4.7)	-9.1 (6.3)	-47* (24.1)
Control Group Mean (minutes)	107	104	108	116
Sample Size	4705	2111	1901	693
<b>PANEL D: IMPACT ON TOTAL WEEKLY CORABASTOS TRAVEL TIME</b>				
ITT: Assigned to Treatment	-37*** (14)	-40** (16)	-23 (16)	-67* (34)
LATE: Used Agruppa in Last Week	-113*** (40.6)	-98** (38.4)	-75 (51.5)	-425* (225.9)
Control Group Mean (minutes)	729	727	716	769
Sample Size	4923	2185	2002	736
<b>PANEL E: IMPACT ON WORK-LIFE STRESS</b>				
ITT: Assigned to Treatment			-0.037*** (0.009)	-0.014 (0.017)
LATE: Used Agruppa in Last Week			-0.130*** (0.034)	-0.082 (0.096)
Control Group Mean of Index			0.263	0.269
Sample Size			851	831

Notes:

All regressions control for baseline value of the outcome variable, randomization pair, and survey round fixed effects. Robust standard errors in parentheses, clustered at the block level. \*, \*\*, \*\*\* denote significance at the 10, 5, and 1 percent levels respectively.

Work-life stress index is an average of 8 binary variables each coded so that 1 indicates more stress and less work-life balance. Only collected in weeks 26 and 52.

**Table 5: Impact on the Extensive Margin of Whether or Not They Sell a Product**

	Business is open	Core Five Agruppa Products					Products only introduced later				
		Onions	Plantains	Potatoes	Tomatoes	Spring Onions	Yuca	Carrot	Lemon	Banana	Pea
<b>Panel A: Pooled over all Rounds</b>											
Offered Agruppa	0.004 (0.006)	-0.005 (0.005)	-0.031 (0.020)	0.008 (0.027)	-0.001 (0.014)	-0.004 (0.006)	-0.074*** (0.022)	-0.068*** (0.018)	-0.180** (0.078)	-0.156** (0.072)	-0.201*** (0.049)
Mean	0.950	0.966	0.804	0.559	0.589	0.954	0.751	0.859	0.810	0.741	0.807
Sample Size	7461	6062	6051	6043	6034	6070	4353	4680	917	920	917
<b>Panel B: Short-term (weeks 2, 4, 6)</b>											
Offered Agruppa	0.014 (0.009)	0.004 (0.006)	-0.049 (0.036)	-0.002 (0.038)	0.019 (0.022)	0.008 (0.007)	-0.087** (0.036)	-0.070** (0.027)	-0.251* (0.123)	-0.260** (0.090)	-0.248*** (0.062)
Mean	0.941	0.956	0.786	0.582	0.551	0.939	0.701	0.841	0.734	0.685	0.764
Sample Size	3265	2749	2746	2739	2733	2754	1371	1559	330	329	329
<b>Panel C: Medium-term (weeks 10, 14, 26)</b>											
Offered Agruppa	-0.009 (0.008)	-0.013** (0.006)	-0.019 (0.018)	-0.005 (0.035)	-0.031* (0.018)	-0.007 (0.007)	-0.089*** (0.028)	-0.076*** (0.022)	-0.143* (0.081)	-0.102 (0.080)	-0.177*** (0.059)
Mean	0.950	0.979	0.817	0.597	0.616	0.969	0.761	0.862	0.846	0.767	0.828
Sample Size	3158	2513	2507	2506	2502	2516	2183	2322	586	590	587
<b>Panel D: One-year</b>											
Offered Agruppa	0.017** (0.008)	0.006 (0.009)	-0.034 (0.033)	0.023 (0.029)	0.033 (0.036)	-0.014 (0.014)	-0.018 (0.027)	-0.043* (0.022)	n.a.	n.a.	n.a.
Mean	0.978	0.962	0.828	0.359	0.635	0.960	0.807	0.885			
Sample Size	1034	790	788	788	789	790	790	790			

Notes:

All regressions control for baseline value of the outcome variable, randomization pair, survey round fixed effects, and daily fixed effects.

Robust standard errors in parentheses, clustered at the block level. \*, \*\*, and \*\*\* denote significance at the 10, 5, and 1 percent levels respectively.

Note that non-core Agruppa products were only asked about in a subset of surveys, and n.a. denotes they were not asked at all in this round.

**Table 6: ITT Impact on Sales and Profits**

	<b>Core Five Agruppa Products</b>		<b>From All Products</b>	
	Log Sales in past day (1)	Log mark-up profit in past day (2)	Log Sales in past week (3)	Log profits in past week (4)
<b>Panel A: Pooled over all Rounds</b>				
Offered Agruppa	-0.001 (0.048)	-0.000 (0.045)	-0.092** (0.044)	-0.075 (0.050)
Mean	12.404	11.250	14.670	12.726
Sample Size	4588	4234	3132	2836
<b>Panel B: Short-term (weeks 2, 4, 6)</b>				
Offered Agruppa	-0.008 (0.075)	0.030 (0.074)	-0.090* (0.051)	-0.137** (0.063)
Mean	13.132	11.961	14.638	12.669
Sample Size	1954	1768	1229	1204
<b>Panel C: Medium-term (weeks 10, 14, 26)</b>				
Offered Agruppa	0.027 (0.046)	0.003 (0.049)	-0.052 (0.057)	0.042 (0.053)
Mean	12.219	11.123	14.601	12.592
Sample Size	1878	1733	1171	1039
<b>Panel D: One-year</b>				
Offered Agruppa	-0.010 (0.067)	0.011 (0.067)	-0.190*** (0.064)	-0.191** (0.083)
Mean	10.972	9.793	14.833	13.082
Sample Size	747	723	732	593

Notes:

Regressions control for baseline value of outcome, randomization pair, and survey round fixed effects.

Regressions for daily sales and profits include daily fixed effects, regressions for weekly sales and profits include weekly fixed effects.

Robust standard errors in parentheses, clustered at the block level. \*, \*\*, and \*\*\* denote significance at the 10, 5, and 1 percent levels respectively.

Caution: item non-response is high for these outcomes.

**Table 7: Spillover impacts on Uninterested Firms**

	Sale Prices of Agruppa Products					Log Sales	Log Weekly Sales	Log Weekly Profits
	Onions	Plantains	Potatoes	Tomatoes	Spring Onion	Agruppa products		
<b>Panel A: Pooled over all Rounds</b>								
In block assigned to Agruppa	-0.044*** (0.016)	-0.019 (0.013)	-0.022** (0.009)	-0.026** (0.012)	-0.040*** (0.012)	0.078 (0.064)	0.007 (0.084)	-0.055 (0.081)
Mean	7.648	7.860	7.192	5.329	7.833	12.341	14.505	12.569
Sample Size	2221	1744	1366	1542	2182	1521	957	860
<b>Panel B: Short-term (weeks 2, 4, 6)</b>								
In block assigned to Agruppa	-0.070*** (0.017)	0.003 (0.020)	-0.041*** (0.013)	-0.036 (0.024)	-0.053** (0.020)	0.106 (0.082)	-0.057 (0.118)	-0.104 (0.097)
Mean	7.693	7.974	7.356	7.839	7.874	13.205	14.573	12.510
Sample Size	981	769	647	511	953	642	381	369
<b>Panel C: Medium-term (weeks 10, 14, 26)</b>								
In block assigned to Agruppa	-0.051** (0.023)	-0.044** (0.017)	-0.001 (0.013)	-0.040 (0.024)	-0.069*** (0.016)	0.122 (0.098)	-0.074 (0.155)	-0.069 (0.174)
Mean	7.495	7.841	7.080	7.834	7.707	12.074	14.448	12.565
Sample Size	942	744	594	527	931	595	315	283
<b>Panel D: One-year</b>								
In block assigned to Agruppa	-0.003 (0.037)	-0.059 (0.035)	-0.068*** (0.016)	n.a.	0.010 (0.026)	-0.077 (0.092)	0.037 (0.118)	-0.092 (0.162)
Mean	7.977	7.579	6.964		8.092	10.987	14.469	12.689
Sample Size	279	208	101		279	284	259	205

Notes:

Sample consists of firms that said they were not interested in Agruppa at baseline.

Regressions control for baseline outcome of interest, randomization pair, survey round, and daily (prices) or weekly (profits and sales) fixed effects. Robust standard errors clustered at the block level in parentheses. \*, \*\*, \*\*\* denote significance at the 10, 5, and 1 percent levels.

**Table 8: Pass-through of Daily Corabastos Prices into Daily Retail Sale Prices**

	Retail Price of:				
	Onion	Tomato	Spring Onion	Potato	Plantain
<b>Panel A: Block and Enumerator Fixed Effects</b>					
Corabastos Price	1.031*** (0.029)	1.032*** (0.046)	0.969*** (0.075)	1.158*** (0.026)	0.701*** (0.042)
Sample Size	3573	2049	3499	2283	2904
Test of 1:1 pass-through p-value	0.300	0.489	.676	0.000	0.000
<b>Panel B: Firm Fixed Effects</b>					
Corabastos Price	1.049*** (0.023)	1.071*** (0.039)	0.987*** (0.057)	1.236*** (0.021)	0.908*** (0.029)
Sample Size	5048	2299	4929	2805	4067
Test of 1:1 pass-through p-value	0.034	0.074	0.817	0.000	0.002

Notes: Sample of firms interested in Agruppa at baseline

Standard errors in parentheses, clustered at the block level. \*, \*\*, \*\*\* denote significance at the 10, 5, and 1 percent levels respectively.