

## Questions from Webinar 1: Entering the next frontier markets - Overcoming challenges for solar success beyond peri-urban areas of East Africa and India

To view the recording and download the presentation visit the [webinar event page here](#).

### **Panellists:**

François Lepicard- Hystra

Maurice Kent- USAID

### **Outsource logistics:**

**Rebecca:** What models can be used to compensate 'local, outsourced' customer care? e.g. commission based, salaried, etc.?

François: if the model is to be shared, it has to be commission based. Customer care however cannot be fully outsourced. The processing of the customer claim has to be backed up by a call center for validation.

### **Customer feedback:**

**WanderM:** *Voice of the Customer: Do you systematically collect after-sales feedback, conduct customer satisfaction surveys? If yes, how do you do this and can you share results?*

Maurice/USAID: Our partners definitely maintain relationships with customers post-sales, and many of them make this a key component of their business model. Collection and sharing of data is case-by-case; methods range from mobile surveys to in-person follow up from agents, to pro-active calls from the customer service call center.

*Hub:* For more on customer feedback view the Hub series on [Customer intelligence revolutionising business at the Base of the Pyramid](#).

### **Reach**

**What are the realistic projections for solar proportional contributions to national energy systems in different countries and what factors explain the differences between these projections?**

François: A difficult one. At given insolation levels, the contribution of solar and its reliability is more or less competitive with other sources of power. Penetration levels will follow the number of hours of insolation. There are numerous mitigation factors to that cost rule:

Stranded assets are the main explanatory factor: once the lines have been laid, the marginal cost of supply becomes very low, and the cost of removing them very high. Over time, in high insolation countries, grid tariff structures and regulation will play a big role (how much is folded into the flat subscription fee and what is the marginal cost of power for the customer).

The rise of a cheaper storage solution may change perspectives dramatically.

On dynamics, at current financing levels, the actual build up of capacity will be relatively slow, leaving solar PV a small marginal proportion of energy consumption for the foreseeable future (as in lower than 5% globally for the next twenty years).

A long way to say that I will not risk a prediction other than something above the International Energy Agency's (they have been consistently underestimating the increase in PV share)

## Distribution

***How in particular, can we as an industry overcome the costs of servicing the very rural population who are far dispersed and often in inaccessible areas?***

François: The industry has not tried to reach those areas yet bar a few pilots. In some areas it will require external (donor or government) help. In others, a concerted effort to mutualize resources could be the solution, but I don't see it happening without some external catalyst, given the relative fragility of most players.

***What is the best distribution strategy for solar energy panels?***

Maurice: There is no best model/strategy. I think there is value to be gained in looking at finding 3rd parties to help reduce the cost of logistics in rural areas however.

François: The most successful model is agent based. Agents being specialised. The way you help your agents leverage third parties makes a big difference. Word of mouth is a key differentiator. Within that dominant model, there are lots of variations on how it should be done based on your specific value proposition. What Hystra has developed is a systematic process for the discovery of what model is suitable for a given value proposition.

***Francesca Sinha: Have you looked at approaches at the household level - marketing and differences between men and women?***

Maurice: Companies put significant resources into understanding social dynamics of the markets they're entering, and look not only at purchasing preferences of men/women, but also at the roles

they play in the household (in terms of purchasing authority), and the ways in which men/women can succeed as sales agents engaging different populaces.

**Valeria: Can you name some companies, which tried pioneering in these frontier markets?**

François: Greenlight planet has tried various schemes. Some work but are difficult to scale. Nano grids players such as Mera Gao. Some new players that have not yet found balance are doing interesting things (a couple of swarm players).

## Ease of payment

**How do you ensure your solar energy business is financially sustainable, if it's PAYG system of repayment?**

François: Make sure your customers are happy. Don't provide long term credit (at least for the less affluent). Keep your sales force. These are three strongly differentiating factors. Some companies have broken even on year two, while still growing.

**Leo Blythe: Unit cost profitable sales is becoming increasingly important. An important point is made by HYSTRA on the fact that product pricing is typically flat across all country sales. Would Ron or Francois be able to summarize if the practitioners interviewed generally felt that differential pricing (charging more where cost of sales is 'more') would be a viable pricing strategy and one accepted by BOP customers?**

François: Mini grid players are the proof that you can very strongly differentiate pricing.

## Challenges to solar

**The PAYG SHS business model appears beset by skepticism amongst the first wave of investors in the space, particularly around logistics and distribution challenges. What are the specific challenges that have been the most difficult to overcome/solve in the existing markets, and to the extent they have not been solved, what makes us confident that they will be addressed in the frontier markets?**

Maurice: The [blog by CeniARTH mentioned here](#) and all of the various responses talks about this at length.

François: Indeed the CeniARTH blog is worth reading. The industry is still very young, and constantly improving. The number one issue is sales.

## Gogla report / Quality Control:

**Frances Sinha:** Is there a clear process to test products for practical rural use, and what is the appropriate time frame?

- o *Leo Blyth @ Frances Sinha:* The Lighting Global quality standards are the most universally accepted means to test and set a minimum bar to determine off-grid product quality. These have been developed by the World Bank Group over 10 years in constant consultation of private and public sector actors. These are being increasingly adopted by a variety of country governments and sector enablers as a minimum indicator of quality.
- o *Tom Adamson:* Gogla's report only tracks non-LG approved lamps being distributed by their members. Do you have any numbers for the total non-LG approved lamps being sold?
- o *Thomas Rieger (Solarkiosk):* Gogla is not looking at the non LG certified products yet, the LG certified companies are reporting on their sales, so this is the accurate number we can get from Gogla. Bloomberg tried to estimate this market based on market research and internet research (Alibaba, etc..). The market of low quality and non verified as well as copied products is estimated to be high but reliable numbers cannot be easily obtained.

François: Gogla is the best hope for the industry, in terms of process and resources. My guess is that they will try to raise the bar to make at least some certified products suitable for remote areas (e.g. through a “field ready” super certification). In the short term, find a local distributor, and learn with them. Time required depends on your product turnaround capability.

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