

Inclusive Business CHECKLIST



Developing a successful solar lighting enterprise

Off-grid solar lighting systems are emerging as a growing area of business opportunity.



There is a growing multitude of businesses moving into the design, manufacture and distribution of power systems that do not rely on a traditional electricity grid. Many of these are solar powered. Results are mixed: a few enterprises have grown fast and are already emerging as successes. Others are poorly conceived; entrepreneurs' enthusiasm does not compensate for weaknesses in the business model, so they never take off.

This Checklist highlights the key questions that a solar lighting entrepreneur should address to develop a robust model and a compelling case to prospective funders or investors. It accompanies the *Spotlight on Developing a successful solar lighting enterprise* available at www.inclusivebusinesshub.org.

Technology

Choice of technology is a key factor affecting capital costs, return on investment and operational plans. Some combine technologies, such as using diesel with solar to smooth fluctuations, or using dynamos to charge a battery.

- What technology will be used?
- Are you relying solely on solar power or developing a hybrid model?

Product quality and durability

- How long will the product last?
- Will you offer a guarantee?
- How will you provide after sales service?
- Will old batteries become a waste hazard and how will that be addressed?
- Will the design meet recognised international standards?
- Where will products be manufactured?
- How will quality be controlled?

Inclusive Business Checklists provide a quick and simple way to determine how effective an idea, tool or model might be for your inclusive business project. They can be used by inclusive business practitioners, to develop and scale up business strategies. They are based on the real-world experiences of companies actively expanding opportunities for people at the base of the economic pyramid through their core business activities.

Additional Resources:

The four-page *Spotlight: Developing a successful solar lighting enterprise* outlines more on the solar market and issues raised in this checklist, including where to find help. See <http://bit.ly/12UjV5k>

The UN Framework Convention on Climate Change publishes range of methodologies and guidance notes for carbon credits which may be helpful <http://cdm.unfccc.int>

Global Village Energy Projects (GVEP) working with Ashden Trust has published *Carbon finance: a guide for sustainable energy enterprises and NGOs* <http://goo.gl/79XpE> and *Investment: a guide for sustainable energy enterprises and NGOs* <http://goo.gl/f1t7S>

The Lighting Africa initiative and website www.lightingafrica.org provides a host of information and support including market research, business advice, access to financing, minimum quality standards and recommended performance targets, testing and assessment of new products, partnerships with micro-finance institutions and other information.

The Practitioner Hub for Inclusive Business provides a range of information for companies and entrepreneurs wishing to start or scale-up initiatives in the energy sector, including examples of other projects and advice on how to overcome common challenges in design, manufacturing and distribution. Visit www.inclusivebusinesshub.org

Market and marketing

- How big is the market at which you are aiming?
- Are there already competitors in the market?
- Have you done market research?
- Are there competitive products in the market?
- How will your products be marketed and distributed?
- Will there be a need for training of distributors and retailers and, if so, how will they be trained?
- Will distributors be given additional support? Barefoot Power, for example, has a 'Business in a Bag' programme that, in addition to upfront training, provides distributors with supplier credit, sample products, marketing materials, a business plan and ongoing business support.

Finance for the business and for the customer

- How much investment will be required? Where will it come from? Refer to the *Checklist: Are You Investment-Ready?* at <http://businessinnovationfacility.org/forum/topics/inclusive-business-checklist-are-you-investment-ready>
- How much working capital will be required? Will you need to pay the manufacturer in advance?
- Will you be relying on carbon credits? If so, how will you demonstrate products are in use to satisfy the carbon credit requirements?
- Will customers be able to pay the full cost or will they need credit? If they need credit, how will that be provided? Can you, for example, secure an arrangement with a micro-finance institution (MFI)? This may not only reduce your own working capital requirement but also transfer the risk of non-payment to the MFI.
- At what price will you sell lamps and systems? How many will you need to sell to break-even and to provide an adequate return on investment? Is this affordable and competitive to your customers?
- Will you subsidise the cost of lamps? If so, how will you afford that?

The most successful businesses are the ones that cover at least their operating costs through sales revenue, but use carbon credits to cover research and development and perhaps dividends to shareholders. However, carbon credits are becoming harder to access and may not be a reliable income stream.

Expertise and partnerships

- If you are new to this sector, would it make sense to forge a partnership with an existing player? This may allow you to gain experience and knowledge of the market whilst still allowing for future innovation.
- Are you making best use of the external support that may be available? The Practitioner Hub for Inclusive Business www.inclusivebusinesshub.org provides a database of financial and advisory support that may be useful for companies and entrepreneurs in this area.



For further information and to view other Checklists, go to:
Practitioner Hub on Inclusive Business: www.inclusivebusinesshub.org

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