How Unbundling of the PAYGo Business Model is Driving Market Expansion

Webinar, 20 November 2018

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Launch – Technology & Business Innovation Showcase Series

Aim – Showcase cutting-edge innovation in the off-grid solar market
Off-grid solar PAYGo market in 2018

- 35+ countries
- 100+ companies
- More than 2.5m PAYG customers
Panel discussion

Hugh Whalan
Group CEO, PEG Africa

Lesley Marincola
CEO & Co-Founder, Angaza

Jacob Winiecki
Senior Associate, BFA
Which feature of technology unbundling will be the most important driver of PAYGo market expansion?

1. New types of business models.
2. New types of companies taking on distribution.
3. Increased profitability of companies in the PAYGo value chain.
4. Increased tech innovation from specialised tech companies.
5. Something completely different.
Design your own PAYGo

Taxonomy for Off-Grid Energy Companies

- Taxonomy
- Consumer Financing Type
  - Immediate Sale/Upfront Payment/“Cash” Sale
  - Rental: short term no long term obligation
  - Lease-to-own
  - Perpetual Lease/Fee-for-Service/Subscription
    - Lease Period (if continuously paid): <12 months
    - Lease Period (if continuously paid): 12 to <24 months
    - Lease Period (if continuously paid): <24 to 36 months
    - Lease Period (if continuously paid): 36 months and greater
Share your innovation

Get in touch: d.corbyn@gogla.org
Wrap-Up

- Recording on GOGLA website (& YouTube)
- Follow goglao.org for upcoming webinars or sign up for newsletter
- Complete the webinar evaluation
Thank you!
Agenda:

• Intro to BFA and FIBR Project
• Overview of Technology Unbundling
• Unbundling in the PAYGo Sector
• FIBR’s PAYGo 2.0 Learnings

Jacob Winiecki
Senior Associate, BFA
• Consulting firm specializing in financial services for low-income people
• Offices in Boston, Medellín, New Delhi, Nairobi, New York
• Areas of expertise: customer insights, business insights, policy & ecosystem, inclusive fintech, finance for life
• Our clients are financial institutions, technology companies, donors, investors and policymakers

• **FIBR** (Financial Inclusion on Business Runways) is a BFA and Mastercard Foundation R&D project
• Seeks to demonstrate how smartphones and data can accelerate financial inclusion
• Focused on PAYGo and Small Merchant sectors
• Projects in Kenya, Tanzania, Uganda, Ghana
• Technical assistance to co-develop solutions with PAYGo operators and financial institutions over 6-8 month projects
FIBR’s focus in PAYGo Solar

Digitization
- Digitized field operations + smarter agent network management
- New agent models to solve last-mile customer payment frictions

Credit Operations
- Data-driven credit operations – KYC, portfolio analytics, churn prediction
- Product design and behavioral interventions to drive improved repayment

Partnerships
- PAYGo partnerships with financial service providers (FSPs)
- Design and pilot testing of PAYGo-to-FSP graduation products
What is Technology Unbundling?

Unbundling is the disaggregation of a product or service into stand-alone offerings that were not previously viable to sell separately.

Technology unbundling makes it possible to decouple the PAYGo value chain, leading to business model innovation.
PAYGo Value Chain

**Solar Hardware**
- Design/Manufacturing
- Shipping/Logistics
- Appliances
- Warranty

**Sales & Distribution**
- Marketing
- Customer acquisition
- Delivery & installation
- Inventory & logistics

**Consumer Finance**
- Origination
- Underwriting
- Collections
- Portfolio management

**Customer Support**
- After-sales service/maintenance
- Warranty fulfilment
- Customer communication

**VALUE CHAIN POINTS**

**DIGITAL TOOLS**
- Remote lockout hardware
- PAYGo token system
- Usage/Performance
- Inventory management
- Smartphone apps
- Credit scoring
- Mobile money
- Accounting/Finance
- Loan/Lease management
- Customer care ticketing
- CRM & Call Center
- SMS integration
Vertically Integrated Example

- Technology IP across the value chain
- Digital tools designed 100% for own needs
- Strong control over execution

- Significant investment in tech development
- High ongoing tech maintenance costs
What tech is unbundling in PAYGo?

- Solar hardware
- Remote lockout
- PAYGo platform
- Smartphone apps
- CRM & Call Center
- Data analytics / Business intelligence
- Inventory Management
- Portfolio Management
Unbundled PAYGo 2.0 Example

- Faster to market with modular applications
- Lower ongoing tech management costs
- Integrations, workflow, data management requirements
- More partnerships = potential execution risk?
How do we integrate these tools, and extract and make use of data?
Managing Complexity

- Tailor an ecosystem of modular digital tools for your unique market constraints
- Connectivity is a challenge, design for offline first
- Keep in mind that it’s not yet plug and play, and somewhat tough to switch
- Need to build a software / data / insights team (minimal coding required to apply!)
- It’s important to gather robust data across all your digital tools, and centralize
- Diversity of business models = diversity of digital technology needs
- Seek support from specialized solution / service providers when needed
- Connect with other PAYGo 2.0 players to share challenges, advice, lessons learned
## PAYGo-focused business models

<table>
<thead>
<tr>
<th>Category</th>
<th>Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solar hardware focused</td>
<td><a href="#">Omnivoltaic</a> <a href="#">renewit</a></td>
</tr>
<tr>
<td>PAYGo software platform and/or remote lockout</td>
<td><a href="#">angaza</a> <a href="#">Paygee</a></td>
</tr>
<tr>
<td>PAYGo solution for distributors and own B2C</td>
<td><a href="#">d.light</a> <a href="#">greenlight</a></td>
</tr>
<tr>
<td>Distribution + Consumer Financing focused</td>
<td><a href="#">OOLU</a> <a href="#">PEG</a></td>
</tr>
<tr>
<td>Vertically Integrated</td>
<td><a href="#">ZOLA</a> <a href="#">fenix intl</a></td>
</tr>
<tr>
<td>Value Added Data Solutions</td>
<td><a href="#">fraym</a> <a href="#">Arifu</a></td>
</tr>
<tr>
<td>Specialist solution / service providers</td>
<td><a href="#">Catalyst</a> <a href="#">OPEN CAPITAL ADVISORS</a></td>
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Impact on Market Expansion

- Increased number / range of PAYGo-ready products
- Reduced overall capital the sector has to spend on core tech
- Enables specialization -- Laser focus on a few things
- Gives on-the-ground operators technology flexibility
- Significant digital payment integration savings
- Faster to launch PAYGo distribution, lower funding required, faster to breakeven
- Diversity of businesses able to launch PAYGo offerings
- Brought PAYGo to markets vertically integrated players might not consider in near term

Photo Credit: BrightLife, Dawn Leeks
BFA

bfaglobal.com
medium.com/f4life

FIBR Project
fibrproject.org/paygo

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