

## SolarNow: Affordable Solar Home Systems



### Initiative Description

In 2011, SolarNow joined the Business Call to Action with a commitment to scale up access to the solar energy systems, lowering energy costs while cutting carbon dioxide emissions and creating employment opportunities for low-income communities.

#### SolarNow's goals:

- Scale up access to the solar systems for more than 200,000 people by 2015

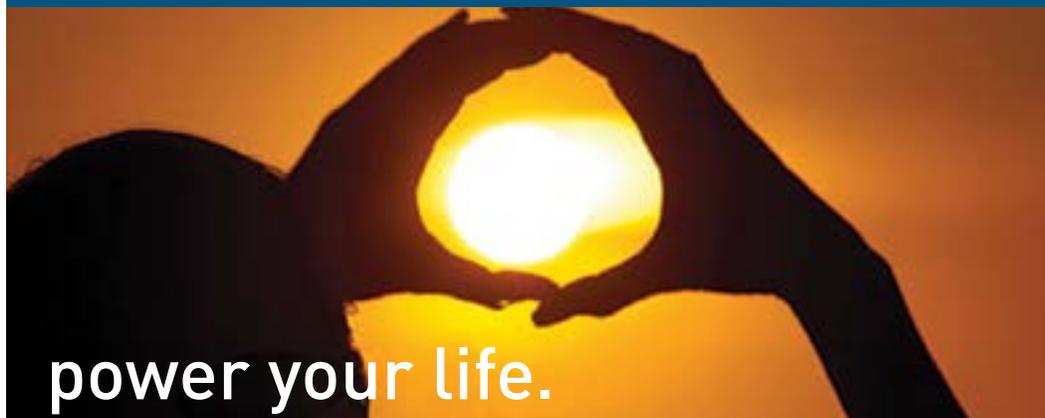


### Business Model

More than 70 per cent of sub-Saharan Africa has no access to electricity. In rural areas, this often exceeds 95 per cent. Millions of people on the continent rely on harmful fuels like kerosene to light their homes and power their shops when night falls. Although modern alternatives, such as solar energy, exist, most households in rural areas lack the cash to buy home systems and often the technical skills to install them.

SolarNow, a Netherlands-based social enterprise operating in Uganda, was launched in 2011 to answer the pressing demand for affordable high quality solar home systems among 4 million off-grid households and entrepreneurs in Uganda and eventually in other countries.

*Since its inception in 2011, SolarNow has reached 20,000 people through the sale of over 2,700 solar home systems in Uganda.*



power your life.

SolarNow aims to overcome the lack of access to electricity in rural sub-Saharan Africa by providing households with low-cost solar systems together with an in-house hire-purchase finance scheme.

SolarNow brings together all the elements needed to provide affordable solar home systems to base of the pyramid (BoP) customers through an innovative, modular product range that is distributed through a franchise network in rural areas. The product comes with a 12-month credit facility. The operations follow a simple, highly standardized and low-cost design.

Phase one saw SolarNow working with local Ugandan importers, assembling its systems and distributing them throughout the country. In phase two, SolarNow reached a point where it could order directly from manufacturers, benefiting from a lower unit cost, avoiding the importers' charges and reducing costs by more than 20 per cent. This phase continued with a "three container model", where one has arrived, one is in transit and one is at the manufacturers. Currently in phase three, SolarNow is working to be in a position to offer sufficient scale to funding partners with suppliers preparing full installation-ready systems for shipping to any location. At this level of purchasing, SolarNow hopes to achieve both upfront cost reductions and annual targets for further reductions.



## How it Works

SolarNow's Business Call to Action commitment is focused on providing low-income households with renewable energy suited to client needs to replace non-renewable energy sources. SolarNow sells modular, upgradeable solar home systems in the range of 50 to 500Wp. All components are selected for performance, longevity, guarantee and price and systems are tailored to client needs. Contracted franchises are responsible for marketing, sales, installation and after-sales service. SolarNow employs credit officers who assess and monitor clients. Clients pay SolarNow directly through the bank or mobile money.

SolarNow systems range from USD 330 to 3,000 that provide power for 10 to 20 years, depending on usage. At the 50W level, customers typically want clean solar lights to replace smoky kerosene and be able to charge their mobile phones at home. This level enables customers to achieve this and also power a radio. The next most desired appliance is a DC television, which can be used for up to four hours with a 100W system. By the time a client reaches 200W, the power available can also easily support a small DC fridge in addition to television, lighting and radio

The solar systems are distributed and installed by a local network of 35 exclusive franchises. Systems are sold in a 12-month hire purchase arrangement after a credit assessment has been conducted. A 25 per cent down payment is made and then systems are dispatched and installed within 14 days. On-site inspections are made within 30 days and again within three months. The hire purchase comes with a 12-month guarantee. In an environment of pervasive distrust of solar systems due to poor quality and fraud, the guarantee and the credit act to reassure customers of their investment.

To qualify for the entry-level 50W system, a household needs to have an free disposable income of USD 70 per month (four times the monthly instalment cost) or USD 2 per day, per adult. Typical customers constitute an estimated 25 per cent of Uganda's rural population, or 1.2 million households, including rural professionals, institutions and small businesses and households whose main income is from farming, supplemented by additional forms of income, such as micro-enterprise activities or remittances.

**Innovations**

**that improve lives**

## Results Achieved

Since its inception in 2011, SolarNow has reached 20,000 people through the sale of over 2,700 systems in Uganda. As of September 2013, SolarNow is operating 35 shops in Uganda selling solar energy products with a credit facility.

### Business Impact

The solar market in Uganda has been severely damaged by a combination of poor quality product components and bad installation. SolarNow has been able to overcome this substantial barrier through a combination of product guarantees, installment payments and quality. A full service guarantee for 12 months is a new and appreciated development in the marketplace. Customers have a negative association with anything from China so sourcing the main components from certified and proven companies is a selling advantage.

Using the combination of tactics builds trust in the brand, resulting in a loyal customer base and an increase in referral sales.

SolarNow created an in-house credit facility, which led to an almost 100 per cent repayment rate. Offering such a financing option in combination with various means for marketing, such as local radio campaigns, good quality brochures, and door-to-door visits, have produced positive results in sales. The organization is growing and on the verge of reaching breaking even.

### Development Impact

SolarNow's Business Call to Action commitments responds to Millennium Development Goal 7 to ensure environmental sustainability.

Renewable energy solar home systems are now being used by 20,000 people in with the aim to reach 200,000 by 2015.

SolarNow is providing solar panels that will cut down on energy costs as well as carbon dioxide emissions by an estimated 5,000 tonnes per annum. It will also create additional income opportunities for households who can rent out electricity to the surrounding neighbourhood for various purposes.

To reach the millions of rural customers with limited financial resources, substantial price reductions will be needed. In order to reduce the price, SolarNow is continually streamlining its importation process, which lowers costs.



## Key Success Factors

### Public Partnerships

In August 2011 SolarNow was approved by the Ugandan Rural Electrification Agency (REA) to become a partner for the distribution of the World Bank-funded solar home system subsidy of up to USD 250 per household unit. SolarNow quickly became the principal delivery channel for this subsidy, accounting for 800 out of 1,000 subsidies delivered by June 2012. The success of the programme led to a further partnership with the Ugandan Energy Credit Capitalisation Company (UECCC), a government agency that encourages supply chain financing in renewables in order to reduce the gap between installation and payment of the subsidy so as to overcome cash flow issues.

### Achieving Scale

Achieving large scale has been at the centre of the SolarNow enterprise since it was first conceived. In Uganda alone, to significantly reduce the number of more than 4 million households without electricity, a large-scale renewable sector will be needed, within which there will be several large companies. It is the goal of SolarNow to be one of these large scale renewable energy companies nationally and regionally. For scale to be achieved, the company must be able to deliver on three key factors: price reduction, commercial markets and brand.

### Affordability

Because ownership of the solar home system is key to reducing credit risk and ensuring proper usage and maintenance by the customer, SolarNow employs hire purchase, a mechanism in which customers make regular payments until they have covered the full price of the system. Once this happens, the ownership title is transferred to the customer. This installment payment approach greatly improves the affordability of the system. Another advantage of the payment plan, combined with the modular approach to the system, is that it makes upgrading to additional power easy for all parties.



### Next Steps and Spin Off Effects

To meet its Business Call to Action commitments, SolarNow plans to reach 200,000 people by 2015, working towards making solar home systems more affordable and developing commercial markets and branding.

*SolarNow is a Netherlands-based social enterprise operating in Uganda that aims to bring affordable, high-quality and reliable renewable energy to underserved areas in sub-Saharan Africa.*



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