

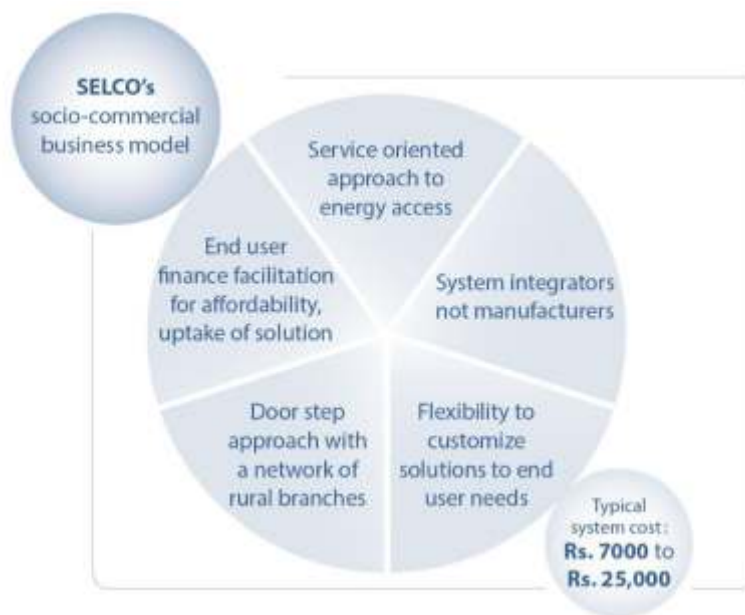


# CASE STUDY

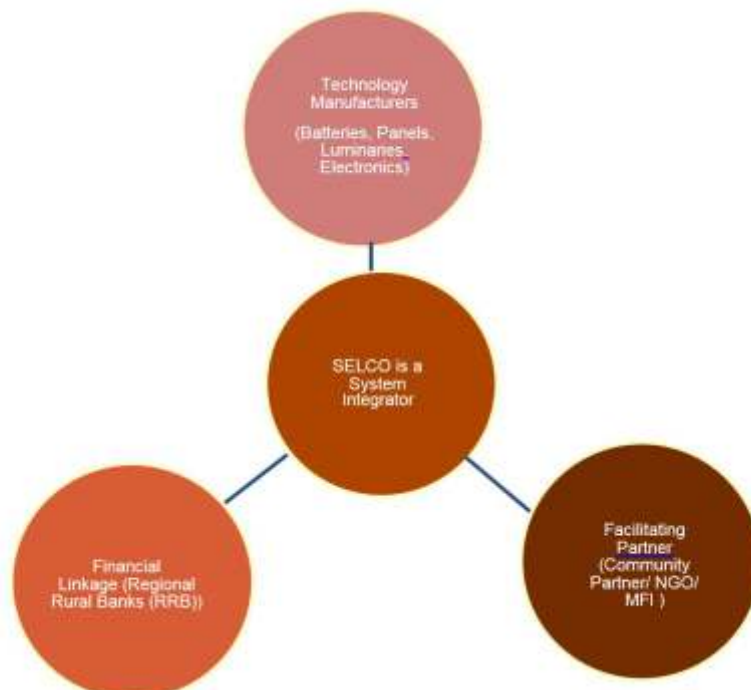
SPJIMR - MUMBAI • SELCO

**Company Overview:**

SELCO India is a social enterprise established in 1995 and provides sustainable energy solutions and services to unserved and under-served households and businesses. It is known for its customised product, doorstep financing and service, and has installed solar home lighting systems in over 2,10,000 households across Karnataka, Kerala, Maharashtra, Bihar, Tamil Nadu and Gujarat. In partnership with regional rural banks, cooperative banks and microfinance institutions, and community based organisations (CBOs), SELCO continues to innovate on appropriate financial mechanisms to bridge the gap between energy needs and affordability. SELCO has 50-plus service centres across the six states and a dedicated workforce of 450 people working round the clock to ensure that clean and reliable energy removes darkness and despair in poor households.



SELCO is a system integrator, not a manufacturer.





Two of SELCO's core beliefs are:

**Make the poor asset-creators**

SELCO India team believes that its business should not dip into the non-expendable incomes of its target segment, most of whom are at the bottom of the pyramid. This means, providing high quality clean energy solutions that will last for long and enabling the uptake of it by making long-term and flexible financing available. Thus any solution, be it solar powered lighting, water pumping or even a solar powered sewing machine, directly or indirectly adds to income generation by increasing the number of productive hours available and by giving flexibility of pursuing supplementary livelihood activities. For most in these segments, SELCO's clean energy offering is often the next most expensive thing they own/rent after their house. In that case clean energy solutions are not consumables (use it- throw it goods) by assets.

The SELCO business started with lighting, moved on to other needs such as water heating, pumping and today largely focuses on livelihood applications of financial institutions (FIs) who made decentralised renewable energy financing

**Non-Donation based model**

In order to ensure continuity in operations beyond dependency on pure grants SELCO India is structured as a business (non-donation). And sustainability of a business is looked at three levels- technical, financial and social.

**SELCO India is owned by three not-for-profit organisations:**

- Good Energies, The Lemelson Foundation and DOEN
- All profits are re-invested to reach out to more poor households

**Key aspects of SELCO India business model:**

- Developing solutions based on end-user needs: going beyond just being a technology supplier and customising products based on individual needs
- Installation and after-sales service for long term sustainability
- Facilitating end-user financing: creating channels for end-users to pay for systems based on their cash flow

**Case Context:**

Over the years, SELCO India has worked towards busting the myths that

- Poor people cannot afford sustainable technologies;
- Poor people cannot maintain sustainable technologies;
- Social ventures cannot be run as commercial entities.

The primary idea/concept of SELCO is to use sustainable energy as a catalyst to solve the issue of energy access and linking it to poverty reduction. The team believed that decentralised energy was inclusive and democratised the whole process of putting the power in the hands of the poor by creating a level playing field for them to be decision makers, entrepreneurs and asset owners.

SELCO's approach for addressing the energy inequities consists of

- Providing a solution based on the need of the customer
- Finance facilitation + solution + service + maintenance + warranty - a packaged solution
- Making the solution affordable to the customer
- Decentralised solution and operational structure - accessible to community

Today SELCO has around 230,000 installations across 6 states (Karnataka, Kerala, Tamil Nadu, Maharashtra, Bihar and Gujarat) through 50 branches and 450 employees. But this success came after overcoming initial challenges.

The first challenge was finding technicians who could do the installations. SELCO overcame this challenge by recruiting people from existing TV shops. The second challenge was getting financial institutions to start lending for solar and this was the biggest code to crack.

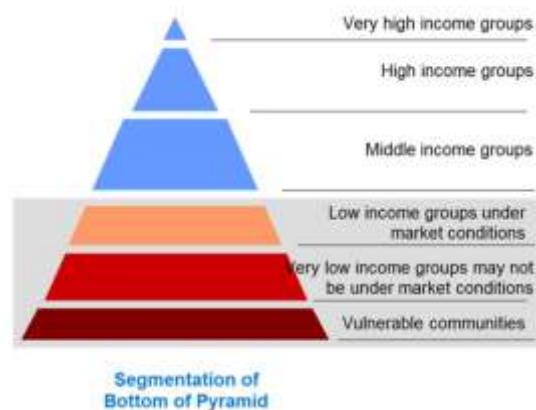
Malaprabha Grameen Bank was the first one to start financing. They financed 100 systems and SELCO took a letter stating the same to other banks, and also asked them to participate.

And the third challenge was moving from solar lighting to solar power - to connect solar power to income generation and to create essential market linkages.

**Current marketing strategies:**

- Organising service camps (<https://www.youtube.com/watch?v=P440bm1GSgU>)
- Participating and putting up stalls and demonstrations in farmer fairs, village fairs during major festivals etc
- Conducting demonstrations in potential end-users' homes, leaving demo home systems for a week for the end-user to experience it
- By building rapport and educating members of the financing institutions such as banks
- Through other community based organisations
- By working alongside schools and hostel facilities
- Used to have a demonstration van that included multiple solar systems such as solar powered lighting, water heating, fans etc
- By regularly publishing articles in media, each time a milestone is reached
- Through distributing printed informational material such as pamphlets on various services provided by SELCO in English and Kannada

**Target Group:**



SELCO India works with end-users at the bottom of the pyramid segment (highlighted in grey box above.)

*(Market conditions- presence of a bank account, ability to buy, sell services/ products)*

This group comprises largely of small farmers/individual working households/home based workers/street hawkers. It also includes rural institutions such as schools, hostels, health centers, banks, religious places, refugee camps.

For this case, we will need to look at vulnerable communities which are the lowest within this segment.

**Challenge/Opportunity:**

SELCO India is not a 'product seller' in a traditional sense of the term. SELCO works in the community to understand the customer's energy needs and facilitates the satisfaction of that need by working with all stakeholders involved.

The main challenge or opportunity is how energy access and usage over time can be used to benefit the poor asset owners (solar powered home systems and livelihood applications). The conventional paradigm of creating 'cheaper' products will not work as they erode into the non-expendable incomes of the poor and vulnerable communities making them poorer.

In relation to this, we need to ensure that the increased productivity is also matched with appropriate market linkages and access to patient, long term financing.



Furthermore, lack of access to vulnerable communities is a challenge for SELCO, as is raising awareness among them of SELCO's offerings and the possible advantages that it can give them. Hence, a clear positioning strategy for the vulnerable communities can be very beneficial.

#### **Expected Outcome/ Deliverables:**

Develop a needs based marketing strategy for vulnerable communities in abject poverty.

To see community profiles:

[https://drive.google.com/folderview?id=0B4vN8onzleZIZkhyRFE0ZXdkcDQ&usp=drive\\_web](https://drive.google.com/folderview?id=0B4vN8onzleZIZkhyRFE0ZXdkcDQ&usp=drive_web)

#### **Recommended Methodology:**

We recommend that the following is covered:

- Needs assessment
- Understand the triggers and barriers w.r.t. SELCO among the vulnerable community
- Awareness creation regarding alternative energy solutions
- Facilitating end-user financing
- Managing installations & after sales service
- Training of bank managers & workforce skills within local areas
- Community building through partnerships

#### **Useful References for Facts and Industry Insights:**

Article 1: <http://www.nytimes.com/2016/01/03/business/energy-environment/electrifying-india-with-the-sun-and-small-loans.html>

Article 2: <http://forbesindia.com/article/work-in-progress/selcos-harish-hande-wants-to-spread-the-light/32048/1>

Article 3: <http://knowledge.wharton.upenn.edu/article/harish-hande-of-selco-india-shedding-light-on-indias-underserved-markets/>  
SELCO India case study by Yale School of Management: <http://nexus.som.yale.edu/design-selco/>

#### **Mentor Details:**

**Mr. Sudipto Ghosh:** [sudip@selco-india.com](mailto:sudip@selco-india.com)

**Disclaimer:** The data, views or any other information provided herein as part of the Case Study have been provided by the respective Brand and Company. HUL and its partner CNBC-TV18 do not provide this information and are not responsible for the same.