CREATING A NEW BUSINESS OPPORTUNITY FOR SOGEXPRESS

Scaling the Delivery of Clean Energy in Haiti through Agent Sales

HAITI
ABOUT THE MULTILATERAL INVESTMENT FUND

With funding from 39 donor countries, the MIF, a member of the Inter-American Development Bank (IDB) Group, supports development led by the private sector to empower dynamic entrepreneurs and poor and vulnerable populations. Its aim is to give businesses, farms, and households the tools to boost their incomes: access to markets and the skills to compete in those markets, access to finance, and access to basic services and green technology.

A core MIF mission is to act as a development laboratory—experimenting, pioneering, and taking risks in order to build and support business models for successful micro, small, and medium enterprises. To use its resources effectively, the MIF is committed to results-based project measurement, impact evaluation, and active knowledge sharing so that the most promising solutions are widely known and can be scaled up.

The MIF uses technical assistance grants, equity investments, and loans, as well as combinations of these tools when both capacity building and risk-sharing finance are needed. It is the largest provider of technical assistance to the private sector in Latin America and the Caribbean, and always works with partners to help fund and carry out pilot projects. In the region, the MIF works with local, mostly private partners that contribute both a significant portion of the project costs and on-the-ground resources to implement operations. The MIF also works with global partners that share its goals, such as corporations, foundations, and other multilateral organizations. They pool their financial and other resources with those of the MIF to jointly solve development challenges.

In the 20 years since its creation, the MIF has evolved to serve the needs of the region while maintaining its core function as a development laboratory. The MIF intends to continue the promotion of innovative private-sector development that focuses on securing economic and social mobility—a goal central to achieving sustained growth, poverty reduction, and increased economic equality across Latin America and the Caribbean.
Sogexpress, Haiti’s largest money transfer organization, facilitates over US$500 million annually in remittance flows between members of the country’s diaspora population residing in the United States and their local dependents in Haiti. A significant share of Sogexpress’s customer base, who claim remittance transfers through the company’s national network of 60 retail locations, lack access to reliable electricity for lighting and other basic services. The company identified a powerful business opportunity in this critical unmet need, and in 2012 began to lay the groundwork for a new venture that would market high quality, locally manufactured solar lighting and charging devices to its growing retail customer base nationwide. In 2014, Sogexpress, working in partnership with Arc Finance, received financial support from the Multilateral Investment Fund (MIF) of the InterAmerican Development Bank (IDB) as well as the USAID-funded Renewable Energy Microfinance and Microenterprise Program (REMMP) that enabled it to plan, design, pilot and eventually scale its new energy operation. During the evolution from concept to mature business, Sogexpress has tested and deployed a number of innovative marketing, distribution and finance approaches to promote clean energy. These approaches have successfully increased the company’s reach while reducing costs and risks by leveraging its existing products, channels, and brand recognition in Haiti. Over the course of the project over 96,622 clean energy products were sold in Haiti, benefitting more than 483,110 people.
INTRODUCTION

Société Générale Haitienne de Transferts S.A. (Sogexpress) is the leading money transfer and payment service company in Haiti, and enables hundreds of thousands of Haitians living and earning abroad to conveniently and cost-effectively remit funds to family members and other dependents throughout the country. Sogexpress began operations in October 2002 with the goal of offering diversified payment services through strategic partnerships and an extensive national network of retail locations. The company provides money transfer services as an authorized agent of Western Union in Haiti. Money transfer is its core business, and Sogexpress has become an important retailer of phones, phone cards and electronic recharge (*pap padap*) sold by street agents throughout Haiti. Sogexpress has national coverage, with nearly 60 locations and a network of 1,000 street agents across Haiti.

Remittances represent nearly 25% of the Haitian GDP. The average remittance is USD$140, and over 58 percent of these transfers are sent to the capital, Port-au-Prince. Approximately 80 percent of remittances come from Sogexpress’ diaspora customers in the U.S., followed by the Dominican Republic, Brazil, Chile and France. Within the U.S., the highest concentrations of the Haitian diaspora are in New York City, followed by Miami and Fort Lauderdale. Sogexpress’ local customers are remittance recipients who regularly receive money from relatives living abroad. Most of these customers have either unreliable access to grid electricity, or are entirely off-grid, and use traditional fuels like candles or kerosene lamps to meet their lighting needs. Even in urban Port-au-Prince and its immediate surrounding areas where the majority (70 percent) of Sogexpress’s customers live, electricity service is not dependable. The other 30 percent of Sogexpress customers reside in rural areas with limited or no access to electricity.

In 2009, with grant support from the Multilateral Investment Fund (MIF)/InterAmerican Development Bank (IDB) and the Clinton Bush Haiti Fund, Arc Finance conducted research to assess the extent to which the affordability barriers that contribute to Haiti’s energy access gap could be overcome if a small share of remittance transfers entering Haiti from diaspora sources were used to finance retail energy products. Based on the promising findings of this research, Arc Finance engaged with Sogexpress to explore how remittance-based finance and distribution could be tested through integration with the latter’s existing services and operations. As a result of this engagement, in 2012 Sogexpress committed to piloting a new business model, with technical support from Arc Finance, that would activate the company’s core service, remittance transfer, as a financing mechanism for energy products, while leveraging its substantial physical retail network as a platform for marketing, cash sales and product distribution. The pilot was a success, with more than 10,000 solar lamps sold over 18 months. Unexpectedly, most of the sales occurred in Haiti.
BUSINESS MODEL ADAPTATION

BACKGROUND

In 2014, Sogexpress began the process of scaling its business from a small pilot to a completely integrated business model by increasing its sales and leveraging its distribution network, as well as partnering with new product manufacturers. This new phase was fueled by support from the Multilateral Investment Fund (MIF)/InterAmerican Development Bank (IDB) as well as the USAID-funded Renewable Energy Microfinance and Microenterprise Program (REMMP).

Recognizing enormous demand in a country where access to electricity is limited in both reach and reliability, Sogexpress looked beyond its stores to its existing network of *pap padap* agents as a potential channel to promote and sell energy products. Since these street agents already sold Digicel phone minutes - a high demand product among the segment being targeted for solar products - they had direct and regular access to the potential energy customers that Sogexpress was trying to reach. In 2013, the company tapped into this network of small agents for its initial pilot. However, due to the higher price point of solar products, compared to phone minutes, access to capital for inventory emerged as a critical constraint for participating agents.
To resolve this barrier, Sogexpress offered agents clean energy product inventory on a consignment basis. Once selected, agents were given a certain number of solar products to sell, and in exchange they had to pay for the solar products within a limited time frame. Success in this endeavor led Sogexpress to consider how it could strengthen this passive asset. The goal was to sell a larger quantity of products but also enable local entrepreneurs develop microbusinesses and gain additional income.

**CONSIGNMENT BUSINESS MODEL DEVELOPMENT**

The consignment model enabled agents working for Sogexpress to diversify their incomes without incurring the financial risk of paying for products upfront and being unable to sell them.

Sogexpress’s growing energy vertical gave agents the opportunity to sell new products, and to diversify and increase their incomes. This opportunity was especially attractive in light of recent economic difficulties that have dramatically affected Haiti’s economy. Haiti’s currency experienced a devaluation of more than 40 percent during the last half of 2016, and 40 percent of the working age population is unemployed.¹

Agents had to go through a selection process in order to receive a consignment and be officially registered in the program. Two different types of agents were considered for this program:

1. Street mobile credit (pap padap) agents (or small agents): Agents who sell on the street and are mobile, moving from place to place to attract customers.
2. Fixed street agents (or bigger agents): Agents who sell on the street but have a fixed location to store inventory, and retailers or shopkeepers who sell in a physical store.

Agents were selected based on experience, loyalty, sales history, relationship with the demarcheur (agent manager), willingness to receive ongoing training and provide information to Sogexpress, as well as a minimum degree of literacy.

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¹ [http://www.indexmundi.com/haiti/unemployment_rate.html](http://www.indexmundi.com/haiti/unemployment_rate.html)
Agents were given lamps on consignment (the amount would vary depending on type of agent), a branded membership/loyalty card that allows agents to accumulate points that can be converted to cash, and marketing materials including flyers, posters and brochures.

**Product Selection.** Agents had access to all the products available at the Sogexpress stores, including simple lanterns and lanterns with mobile charging capacity. Sogexpress worked with a local product supplier, Ekotek, with which it already had a strong relationship through mobile phone sales. Ekotek offered a wide range of products, from solar lanterns to mini solar home systems. Market research indicated that products with a range of features and priced less than USD$35 were the most attractive to meet the needs of a clientele that buys products on the street or in a small shop.

**Marketing Material.** To help agents succeed, Sogexpress developed marketing materials including flyers, posters and educational brochures. Sogexpress also put considerable resources into raising awareness on the streets of Haiti by conducting street promotions, using their branded sound trucks, and participating in large events such as Carnival.

**Training.** Sogexpress developed an ongoing training program to build the capacity of its store sales staff and demarcheurs to effectively market and sell the company’s energy products. A key focus of the training was on the products (technology, benefits, and after-sales service) and the sales and promotional techniques that helped Sogexpress store staff and demarcheurs generate leads and close sales. The training also helped to ensure an increased degree of standardization in the way that Sogexpress’ energy products were marketed and sold by staff, demarcheurs and agents. Providing product information, sales and service techniques in a Training of Trainers (ToT) workshop format enabled participants to increase their technical knowledge with the support and direction of an experienced trainer, while strengthening the participants’ own training skills. Participating in a ToT allowed the trainers in training to ask questions, observe other trainers, and, most importantly, practice their techniques.
Monitoring. The success of the business models relied heavily on technology. Sogexpress has 60 stores across the country, mostly in Port-au-Prince. The new agent model meant that stores act like inventory hubs where each store carries a specific number of solar products. Sogexpress needed the tools to track inventory at the flagship stores and to track agents’ activity and consignments. Initially, Sogexpress relied on manual reporting, but the importance of monitoring activities in order to scale and remain financially sustainable soon became clear. The Sogexpress IT system was upgraded, enabling Sogexpress to track sales automatically online through a barcode-based system and POS (for each of the flagship stores as well as sales by street agents), and create reporting on a regular basis for energy products and impact monitoring; manage stock with product bar codes; track agent enrollment; collect client impact data from each sale and store in the Sogexpress system for future analysis and develop a robust and flexible reporting system, enabling the Sogexpress team to easily create sales reports on-demand and on-schedule.

Now, every store’s computer is equipped with the new MIS, enabling store managers and sales agents to track sales and inventory. Each store manages its own local operations and reports daily to Sogexpress headquarters. Operations consist of managing inventory, selling solar products, promoting and demonstrating products, as well as managing agents - from enrollment to sales tracking and monitoring.

RESULTS

As a result of the project, more than 96,600 households have access to clean energy in Haiti. Not only do they now have access to reliable lighting but also families can now save money. In fact, households that purchased a solar lantern have saved on average 47% of their energy costs by replacing kerosene and candles with solar energy. As a result of these sales, more than 13,000 tons of CO2 was displaced.

The project also created a new business line for more than 970 agents across the country, enabling them to increase their incomes. Agents experienced on average a 36% annual sales growth. The project also created employment within Sogexpress, which hired 136 people to work on the development of the solar business.

In addition, over 1,150 agents and Sogexpress staff received training and improved business skills. More than 6 million Haitians were reached through direct and indirect awareness campaigns including street marketing event, radio and TV as well as special sales promotions.
LESSONS LEARNED

Capacity building was integrated into ongoing operations: The Sogexpress team recognized the need for ongoing staff capacity-building (in the form of ongoing trainings) to expand its business model and maintain high levels of customer satisfaction. Sogexpress integrated this training into its main business operations, demonstrating its commitment to the success and sustainability of the project.

IT roll out required prioritization: Developing and rolling out the new IT system was time-consuming and delays in the process had an impact on other key activities. The Sogexpress team realized that more time and priority needed to be allocated to the project by the IT team, and more flexibility needed to be built into the project design so that other key activities would not be held up.

Street marketing and special promotions have a direct impact on sales. One of the main lessons learned from Phase Two of the project was that sales increased during promotion times, such as back to school and Christmas. The affinity program launched by Sogexpress and EKOTEK in 2014, which consisted only of street promotion, resulted in the sale of more than 40,000 lamps in less than two months.

Interactive, client-friendly energy literacy materials such as brochures, 2D videos, and testimonials are effective for educating clients about solar energy. It is estimated that only 48 percent of the population in Haiti is literate, meaning that half the population will find it challenging to understand message communicated through an awareness campaign material that relies on the written word (e.g. flyers, posters, banners, etc.) and does not contain illustrations or images. The Sogexpress team understood this early on in the project and hired a professional local illustrator to design a cartoon to explain the uses and benefits of solar lights. This material was widely distributed and used by Sogexpress during street marketing events.

The warranty and after-sales process and procedures must be clearly defined. In order to maintain client satisfaction and brand reliability a robust warranty service is critical. Sogexpress also learned that it was an important selling point and differentiator, especially with rising competition over solar products in Haiti. Staff need to be able to explain to customers the services they can get, and be properly trained on how to handle the warranty service. The IT system should be designed to enable the staff to manage returns and inventory properly.
CONCLUSIONS

The success of the project was largely attributable to the commitment and problem-solving approach adopted by Sogexpress. Sogexpress has a large and influential presence in Haiti, and it seeks to serve all Haitians through its core remittances business, and through a series of other services. For its solar business, Sogexpress leveraged its entire existing distribution network to reach all of its clients in Haiti, and it ran an awareness campaign that stretched far beyond its customer base. Without this effort the project would have not been able to overcome the challenges faced along the way.

Sogexpress was constantly forced to adapt its strategies due to external (currency devaluation, political instability, economic uncertainty) and internal challenges. The adaptability of the company allowed the project to evolve, and to better fit the needs of clients while ensuring profitability. Changes to the program were possible due to the flexibility of the core team. This, coupled with the commitment of Sogexpress to fine-tuning monitoring and reporting, were crucial enablers of progress. In addition, the focus on monitoring and reporting enabled the management team to rapidly analyze challenges and capitalize on successes. Sogexpress implemented the agent consignment model on a small scale so that the program could be evaluated continuously and amended if needed. Initially smaller agents were enrolled, and then, realizing the potential of bigger agents, Sogexpress changed the consignment policy to include this category of agents, thereby increasing reach and sales. The focus on staff training and on measuring client satisfaction also had a direct impact on sales. The product warranty was a high priority for clients and a major selling point, especially in Port-au-Prince where competition has been increasing. The successes of Sogexpress, especially in the challenging Haitian context, pave the way for replication and adaptation in other countries and regions.
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