Case Study: Business Associate Model
Case Study number: 28
Initiated in: 2001
Key terms: part time, commission, local, champion, business model

**Business Associate Model**

Business Associates (BAs) are commission based employment opportunities provided to an individual or partner organization to increase outreach and efficiency of an enterprise particularly in rural areas. The services taken up by a BA can be in the form of needs assessment, sales and marketing, facilitation of end user financing and so on. The case study explores how BAs are leveraged in the organization thereby demonstrating the possibilities of replicating such a channel to suit similar needs.

The concept of a part time commission agent is not new and has been used by various types of organizations to offer a host of services that would be cost effective for the parent organization rather than using full time resources. SELCO borrowed this concept as a means to reach deeper within communities through local champions who were better embedded within communities to convince them about the benefits of the solution. Since trust and credibility were paramount in convincing customers, engaging a local champion was seen as an effective approach.

The role of the BA was outlined to closely complement the activities of the branch thereby ensuring that the core mission and operations of the organization were not disconnected through independent resources.

The role of a BA in SELCO typically spanned:
- Identification of the need/end user that requires a solar energy solution (solar home lighting system, solar water heater, solar pump, solar fencing etc.)
- Translating interest to an order
- Coordinate and arrange for the installation of the solar system
- Facilitation of end user financing such as identification of an FI, convincing bank managers of repayment capacity of end users, convincing end users of benefits of using credit to purchase energy systems, assisting with paper work to release loan etc.
- Complete the sale process, documentation of bank/financial loan and invoice valuation of the system
- Monitoring and coordinating after sales service provided to end users through SELCO Branches

BAs maintain an interpersonal relation between, SELCO (Branch, Office Admin, Sales Executive and Customer support Executives), Financial Institution (Banks, MFIs etc) and customers.

**Identification**

- Word of mouth: the individual approaches SELCO and follows an application process (attached)
- He / She are more often employed as small business owners, LIC agents, NGOs, or rural farmers or part time business correspondent of banks

**Problem Statement**

Exploring multiple distributed outreach approaches in order to identify and adequately serve remote, rural or hard to access urban communities.

**Business Model:**

The commission is based on the kind of activities and types of projects undertaken within a certain time period. Typically after sales service remains with the branch whereas all other tasks can be delegated to a BA depending on their capabilities and agreed commission slab.

**Commission Slab***:

<table>
<thead>
<tr>
<th>Collection of Advance Payment for the Solar System from customer</th>
<th>Before installation</th>
<th>12%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collection of Advance Payment for the Solar System from customer</td>
<td>Within 10 days of installation</td>
<td>10%</td>
</tr>
<tr>
<td>Collection of Advance Payment for the Solar System from customer</td>
<td>Post 10 days</td>
<td>5%</td>
</tr>
</tbody>
</table>

*The commission is calculated based on total project/system cost*
Category and incentives for BAs (per quarter)

<table>
<thead>
<tr>
<th>Category of BA</th>
<th>Business slab per quarter</th>
<th>Associated incentive per slab</th>
</tr>
</thead>
<tbody>
<tr>
<td>Silver BA</td>
<td>INR 3,00,000 or 16 households with INR 2,50,000</td>
<td>1%</td>
</tr>
<tr>
<td>Gold BA</td>
<td>INR 4,50,000 or 24 households with INR 3,50,000</td>
<td>1.5%</td>
</tr>
<tr>
<td>Diamond BA</td>
<td>INR 6,00,000 or 32 households with INR 5,00,000</td>
<td>2%</td>
</tr>
</tbody>
</table>

Apart from the quarterly incentive, each type of BA receives additional “marketing support” such as complementary bags, files, stationary and in some cases a free mobile recharge (ranging from Rs 200 to 2000, the amount varies on the type of BA).

Ensuring Social Mission
- One of the selection criteria for a BA is based on their commitment to social causes
- Regular trainings to inculcate philosophy of organization
- Incentives for challenging projects such as remote areas, unbanked customers, vulnerable communities and so on to persuade BAs to take on such cases with equal vigour.
- Differing commission structure for solar home lighting systems (9-10%) vs projects (2-3%) in part to incentivize BAs to look at compact system customers but also because the project cost is higher.

SELCO’s Complementary Role
- Portfolio of products with warranties depending on need
- Installation and post sales service support
- Marketing support in the form demonstrations or brochures and other strategies as a follow up to enquiry generation and so on.
- Training, skill development support for BA
- Mentorship from seasoned staff at a SELCO Branch accessible for any queries and additional support required from the BA
- Linkages to financial institution and coordinated support as needed in facilitating end user financing

Types of Business Associates:
There are two types of BAs based on the level of activities undertaken:
- **Dependent Business Associate**: Those that are involved in identification of end user and follow the entire SELCO sale process post enquiry generation, order booking, confirmation of payment upon sale/delivery of the system.
- **Independent Business Associate**: In addition to the activities of a dependent associate, such BAs also facilitate end user financing i.e. identify appropriate financial institutions and gauge affordability of end user, invoicing the system value and ultimately handing over to the respective SELCO Branch.

Additional notes:
- A typical SELCO branch in-house an average of 5-6 BAs
- The numbers of BAs depend on the segmentation and geography the concerned SELCO branch is located. A branch that is remotely located with widely dispersed potential end users that requires more outreach will have more number of BAs as opposed to a branch with easy accessibility to potential end users.
- The type of BA will depend with respect to specific projects and end user accessibility. For ex. A solar house lighting system (SHLS) with a one time payment can be performed by a Dependent BA, whereas an end user that requires the same SHLS through financial assistance will be performed by an Independent BA, usually serving the lower income segments with extended processes involved.

Key Aspects for Replication
- It is vital that the BA is identified and goes through an induction program to understand SELCO’s purpose, mission and vision rather than BAs focusing on sales activities
- As part time agents, motivations are driven by monetary compensation so this has to be carefully calibrated against the organization social mission to ensure that types of customers and solutions remain core to the mission of the organization. Tight reporting and monitoring structures by local branches is important in this regard.
- Success rates have been higher with BAs who are local to specific areas of operation as they understand the dynamics and other related factors which contribute to a more sustained impact.
- Tying the BAs targets closely with the branches ensures that the latter is motivated to constantly monitor the associate and provide additional support where needed. Splitting tasks that make one dependent on the other is also effective in ensuring there isn’t a disconnect.

Impact
- Extended resource for the organization thus increasing efficiencies
- Targeted attention on specific regions which are harder to reach by the branch
- Increased communication and awareness of sustainable energy solutions
- Business opportunity for any small entrepreneur from local areas
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