



“The value with funders is particularly in de-risking the market.”

A Conversation with Joshua McFarland of [VITALITE Malawi](#)

Sanne Breimer
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Sanne Breimer: Please introduce yourself and tell us about your work.

Joshua McFarland: My name is Josh McFarland, co-founder and CEO for VITALITE in Malawi. We've been operating since September 2019, focusing on bringing renewable energy asset financing for the last mile distribution of solar systems in rural areas.

Recently, we've gotten into larger assets, including refrigerators, freezers, pumps, rooftop solars and AC equipment. For the last six years, we've been laser-focused on DC solar systems, which are two-bulb, three-bulb or four-bulb systems that come with a panel and a battery and can charge cell phones. We're focused on improving lighting access and energy access within households across rural districts in Malawi. We've had a small team since inception focused on optimal delivery to rural areas and installed close to 80,000 systems so far.

Definitely, Rippleworks has been a part of that in the last two years before we doubled in size. We use a backend customer relationship management (CRM) system to push out as much digital content as possible. Our agents are resellers. We have a series of brick-and-mortar distribution hubs. Tied to that is our full-time staff from VITALITE, so by a factor of two, three or four times, we have a reseller network. These certified agents are trained to sell through a mobile sales app, and everything goes to the cloud, including digital payments. We do 100% on money collections, and have done so for the last six years since inception. We've proven profitability and the ability to scale.

Right now, we're in about 80% of the country. We still have a bit left to go, but I believe by the end of this year, we'll be fully able to reach all aspects of distribution networks in

Malawi. In this financial year, we'll also bring to market new products and serve different portions of the population. Right now, we're just focused on rural areas, but I believe we'll be able to serve urban populations with backup solar since there's been a big energy crisis in the last year. We expect that to continue this next year with elections in the country. There's still a lot of opportunity for VITALITE to grow, and a massively underserved market in Malawi for competitors and a few others like VITALITE. That's our focus and strategy for the next year plus.

Sanne Breimer: What is distinctive about your approach, something that others might find surprising?

Joshua McFarland: We put a big emphasis on after-sales service and pioneered that concept. For the last five years, we've offered a toll-free call center to our customers, a value-added incentive for buying VITALITE products. They can call whenever they want, and our call center is staffed 80 hours a week.

Our back office is doing data handling, that is, "KYC" or "know your customer." This is our unique creditworthiness approach. The way we go into villages to identify resellers is positioning us well in the marketplace. Beyond this, we have a three-year warranty, one year over what our competitors offer which is usually two years. We have the most flexible repayment terms, and we're doing a study on that right now. We're working with PEGO Labs with a boot camp, another part of how we position ourselves. We spend a lot of time looking at our business analytics, and our risk and loan portfolio assessment. I believe we have the best KPIs in the sector in Malawi, with over 80% collection rates, 10% default. All of these are variable depending on the season.

We focus a lot on after-sales service which is very important. It's a new technology, and oftentimes there's a learning curve with our customer base. If there are any issues, we consume the cost of getting a product back from the customer to fix it. For example, if they cut a cable or damage the battery box or even factory fault, we will take it back, assess it, fix it and send it back to customers so they can continue paying as quickly as possible. You will not find this with our competitors. That's a big value add for how we position ourselves.

Sanne Breimer: How do you define the communities you serve now, and possibly more rural areas and urban customers in the future?

Joshua McFarland: Currently, we focus on low income rural areas, primarily farmers and income-based agriculture. We're looking at unelectrified areas, but only a small portion there are able to afford our product. The average household income in Malawi is around \$700 per annum, one of the poorest countries on the continent. Even so, we're still able to offer our products to a large percentage of the population. The baseline for a

lot of companies is kerosene and paraffin, non-renewables like this, but a lot of people in the region aren't using this anymore. If they're not using our solar home systems, what are they using? A lot of people are still using candles or very cheap torches with batteries. We use that as a baseline for pricing. Our candles cost around ZK400 to ZK600 in the village for one candle, and so we base our pricing per day on that cost.

Even so, you're experiencing immediate savings [with our products] because the candle's only going to last so many hours, maybe six hours at best. Our lights last 24 hours, so you can see the savings. We change prices quite frequently, given various macroeconomic constraints. We're looking at \$6 a month for our system. If 50% of the population is able to afford, this is at least 11 to 12 million people. 12 million divided by 5 is 2.4 million households. That's the market we're looking at for 80% of the whole population.

Sanne Breimer: Can you share an example to illustrate the impact of your work? How did you know what's working, and what about your approach led to that success?

Joshua McFarland: I just visited an installation with a shop owner who purchased one of our 160 liters freezer that you can set and comes with bulbs. It's a great system for off-grid. They currently don't have any electricity in that area. He said customers usually say they can't get cold drinks unless they go to town, and thanked the shop owner for bringing town to the village. That's just one example but there are many more. Savings is a big one. We work with 60 Decibels a lot to do consumer reports and feedback.

In rural areas, they're able to save quite a bit. On the flip side, the average income in Malawi is \$700 per annum. We can triple that for our resellers, which is huge if you're living in the village. If you're a certified VITALITE agent, you can triple your income.

Sanne Breimer: How many agents on the ground help customers in rural areas?

Joshua McFarland: It fluctuates. Right now, we have 300 active agents. Over the last five years, we've probably trained around 800 people scattered all over the country.

Sanne Breimer: Regarding the support you've received from Rippleworks and maybe others, what's something that's surprised you and turned out to be really helpful to scale your business?

Joshua McFarland: Sensitivity to emerging markets is one thing I learned from our Rippleworks support. We did a project around our agent ecosystem, how we look at scoring agents based on sales, because 99% of our sales are loans. We're operating as a bank, which is pretty risky for us. We want to capture the creditworthiness of a

customer and other things beyond that, such as physically capturing identification and loan agreements, things of that nature.

The expertise that Rippleworks provided on sensitivity [to emerging markets] helped us very much to scale. When we did the agent ecosystem project, we were just about to receive 40,000 units. We were able to sell those within 12 months, a huge record for us, since [previously] we sold 40,000 units in four years. We could not have done that without Rippleworks.

Sanne Breimer: Specifically how did Rippleworks help you do that?

Joshua McFarland: Working with our agents, clearly identifying how to scale up, disseminating knowledge to our agents, tracking our agents' sales, understanding what makes a good sale so we can refine those bits of information, help identify new resellers, and make a good environment for existing resellers to promote more sales. They were also able to help us identify or improve our sales stack.

Sanne Breimer: What role does trust play in your relationship with funders? How can a funder cultivate trust?

Joshua McFarland: For me, what I'm looking for is a genuine curiosity about what's going on, and then good guidance, but not trying to change minute details or micromanaging, just simply guiding the process. When funders are generally engaged and curious about what's going on, that makes a big difference. It's something I look for in funders or partners in general because I'm also curious about what's going on in our company.

Sanne Breimer: Are shifts needed in how funders support you to truly center the voices closest to the problem?

Joshua McFarland: This is highly relevant with USAID shutting down. Working in the development world for the last 10 years, I think it needed to change but probably not as drastically as this. The value with funders is particularly in de-risking the market. If you look at Malawi specifically, banks are lending at a base rate of 26%. This is almost hyperinflation so there's zero incentive for people to be entrepreneurial or take on risk to change the private sector. These are some of the most profitable banks in the region, if not the world, because they're making money on interest and through the government.

These are the markets to prioritize for donor grant funding. There's definitely knowledge, appetite, and problems to solve. In the private sector, there's not a lot of will to do that. Funders should recognize that and try to cultivate these types of environments, because venture capitalists certainly wouldn't be interested.

Sanne Breimer: You're saying that banks won't or can't take on that role, and venture capitalists won't either. Is your venture mostly grant-funded?

Joshua McFarland: Some of it is. Other grants are foreign direct investment through social impact investors or lenders. We do a lot of debt financing through social impact investors, but a small portion are grants. We use a lot of our retained earnings to fund certain initiatives as well, such as studies behind solar maize milling to make flour and solar ice making. That's the VITALITE approach. We place a lot of emphasis on innovative technology to position ourselves in the market.

Sanne Breimer: What type of support did you receive from Rippleworks, such capacity building or anything else?

Joshua McFarland: Yes, we had capacity building for the team, specifically the sales team and also the business risk analytics and operations department joined as well.

Sanne Breimer: How does the Rippleworks' process of deciding what capacity-building support to provide differ from what you've experienced previously, and how does that impact your work?

Joshua McFarland: I occasionally get check-in emails from Rippleworks, like "Is this a good time to start a Rippleworks project?" which waterfalls into "How can we assist?" It's a lot of questions like, "How can we support you at this time?" From my perspective as the CEO managing director, that's where capacity building begins. We now have a team of around 50 full-time staff. We're always looking to improve hard and soft leadership skills, one of our biggest hurdles. We're not really architecting or building anything. A lot of things we use are third-party, for example, our enterprise resource planning (ERP) and our customer relationship management (CRM) systems.

I'd like to get to the stage where we're building these systems ourselves. We're making big strides this year to do that. For example, we'll probably hire a software developer or coder to start cracking away at things we want to customize ourselves. Otherwise, we're just using third-party resources and having to pay for that. Right now, we're just Frankensteining things. We'll take Google sheets, plug in Power BI software and make our own formula. It works, but it's all over the place.

Sanne Breimer: Is Rippleworks good in identifying your needs and guiding you through a process to build certain skills or knowledge? If so, are there gaps in this model of capacity building?

Joshua McFarland: Earlier I was on a call with potential investors in which we closed a deal for \$250,000. I'm all over the place, so it's helpful to have a sounding board of experts, and Rippleworks provides that.

Our biggest challenge, apart from things we can't change, might be just in outlining a situation. Sometimes I just need a sounding board, and then have someone who can suggest what they've seen in other companies that might be worth a try.

Sanne Breimer: Is there anything that funders don't understand about capacity building that might be useful to pass along?

Joshua McFarland: We're super saturated with donors here in Malawi—name any one of them, they're here. What we're trying to avoid, especially because we're in the private sector, is not to be reliant on grant funding, even though it certainly helps, especially for de-risking markets.

We're trying to avoid scenarios where the leadership team is going through another capacity-building session out of office. We're all super busy running around in and out of the warehouse or in the field. It's hard for us to set aside time, so we want to be 100% sure it's a good use of our time and not just doing something for the fun of it, like a retreat with session after session in a conference room. I'm very aware of that pitfall.

Being able to connect through Rippleworks programs to Google execs or others is important. We want to link to people who are involved with tech startups, or startups in general, and people who are trying to make a profit, even if it's for social impact like we're doing. I've done a lot of consulting in the past and that's very much a standard approach. Right now, we're doing a maize study. Every day someone weighs maize to test the moisture. We'll do this for a few weeks and then the data analytics team will periodically log all these little bits of information. What was the purchase price? What is the market doing at this time? We review information as far back as two years.

Sanne Breimer: How does the maize study fit into your company goals?

Joshua McFarland: We've identified a piece of technology and imported it into the country. We want to make a business case of it as a point of sale, to make it super easy for our sales staff to understand, i.e. "You're expecting to save this amount in this amount of time if you purchase this product from us." We want to make sure there's a business case for it, i.e. how much a product costs upfront for the company. Then, if we apply this markup with this interest rate and we're offering it on loan, we can apply these metrics to how much maize costs, what we're going to charge to thresh it, and what we're going to charge to mill it. Then as a shop operator, you can make back the cost of the system in six months if you're buying it on a 12-month loan. It's a no-brainer. Right

now we have to baseline these things ourselves when we bring these products to market.

Sanne Breimer: Do you invest a lot on new technology people can use? Do you need to understand different professions to know what is needed?

Joshua McFarland: Exactly right. We've expanded our product offerings so our portfolio is much bigger. In the past five years, we've proven we can manage loans effectively, [even though] they are pretty small, the equivalent of \$150 [thousand]. But how do we transfer that to different products at different values?

Then there are other variables, for example with water pumps, there's a borehole and other components, such as the dragline and the rope. Is it an open well or a dam? What type of irrigation scheme is it? What are you trying to grow? There's so many barriers, and not just for one product. Those things really matter. We're looking for partnerships with people who know these things really well so we can upstream them. We just finalized an agreement with FINCA in Malawi. They're huge across East Africa going back maybe 20 years. We'll sell them our products wholesale, and then they can take the risk and do their own thing. That's ideal for us.

We're looking at partnerships with commercial lenders as well on larger assets like solar ACs for backups to small businesses and households, and different sales channels across different products. We pride ourselves that, apart from myself, we have a 100% local team. We understand our markets and our customers.

Sanne Breimer: What are the top three things you need in the near future to scale and sustain?

Joshua McFarland: Right now, Malawi is experiencing an acute shortage of foreign exchange which the banks just don't have for net importers. We don't have access to US dollars, for example, which we need. We've developed a way to access that, but it's been our biggest challenge for scaling in the past three years. Luckily, the World Bank has developed a structure for lending which allows us access to foreign exchange so we can then repay in local currency, but we still need more of it. This is a big problem that plagues us constantly, even if it's \$2,000 to pay suppliers outside [the country].

Then there's building our own customer relationship management system (CRM) which is more of a strategy for us than anything else which ties into what we want to achieve in scaling. We recognize there are a lot of things we want to customize, for example, with some partnerships such as logistics handling. That's a big challenge for us in scaling. For example, if we send a large fridge, 160 liters, the size of a big desk, which is very costly to send into the field, we want to be very efficient with our logistics. If it's

moving products around the country, how do we factor that? We have unit economics and margins that we use to price products. What we don't factor in, to some extent, is if that large asset breaks and then we have to make another transfer to pick it up and fix it, or send a technician there to repair it with this constant back and forth. If it's the rainy season, the infrastructure's really bad here in Malawi, and it is a big risk to send those products into the field. On the flip side, it's where these products are needed most.

Then lastly, capacity. There are 22 million people in Malawi. The education system is pretty bad and needs a lot of improvement. We search far and wide, but maybe one area for growth for us is identifying and retaining talent, and investing in HR to grow that talent.

Sanne Breimer: Is there anything you'd like to share that we didn't touch on?

Joshua McFarland: Once we've identified people, we value their commitment and attitudes. Right now, we have a great team of 50 people, very committed, very young, fresh out of university. That's also a challenge internally, because people are extremely willing but they may not have the necessary experience. We want to keep our team lean and not grow it too much, but we hope to double the agent reseller side from 300 active agents now to hopefully 600. We started around COVID, so we had a lot of supply chain issues. We've had a lot of growth issues with funders and some of that's persistent, especially with USAID. For example, recently there was a van in our fleet that needed new tires. The operation lead said, "We need to buy new tires," but an experienced person would have swapped them with newer tires from a van we're trying to dispose of. Little things like that could save us money. I also get a lot of questions around how we can incorporate AI. To be honest, we're really just focused on baseline items. We're blocking and tackling on a day-to-day basis. Maybe funders could help us incorporate things like AI into our daily workflow.

Sanne Breimer: Thank you so much for your time, and good luck with your work.

Sanne Breimer (she/her) is a freelance journalism trainer, project manager and adviser for international media organizations including SembraMedia, Thomson Reuters Foundation (TRF), European Journalism Centre, Thibi, and the Asia-Pacific Broadcasting Union (ABU). She founded Inclusive Journalism, aiming to educate (primarily) Western journalists about media representation and decolonisation through a weekly newsletter, online courses and retreats. Sanne works remotely and divides her time between Europe and South East Asia. Before moving into training, Sanne worked at a managerial level in national public broadcasting in the Netherlands for almost 13 years, focusing on radio, digital media and innovation. She is Dutch with Frisian roots.

** This interview has been edited and condensed.*