Rent-to-Own Business Models in Developing Economies

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Abstract

The diffusion of technological innovations in developing economies has been facilitated by the use of rent-to-own business models, which give flexibility to customers by allowing them to make incremental payments over time. Understanding the implications of this flexibility is a fundamental problem for an increasing number of firms. In this talk, I will present some recent results as well as some ongoing extensions and research opportunities in this domain, based on an empirical analysis of an application of rent-to-own to the distribution of solar lamps in developing countries. By exploiting the longitudinal variation in the data—and hence accounting for intrinsic differences between customers—the analysis highlights the importance for firms of jointly tracking and analyzing payment and usage behavior by customers, particularly in initial stages of the adoption process. The analysis also illustrates how business analytics tools can be used in combination with granular consumer behavior data to generate insights relevant for firms operating in these markets.