



The Recipe For Economic Prosperity From Selling To "Non-Existent Consumers"

"The biggest challenges and opportunities are where no one else is looking".

SHOES TO THE BAREFOOT

There is a story of a father and son, owners of a shoe factory, who came to a village.

After a short tour, the son tells the father, "*Dad, let's move on; everyone here is barefoot*". The father looks at his son and replies, "*Son, everyone is barefoot; this is the best place to be*".

This story demonstrates how our perspective on the market affects our business decisions, creating different market values.



Every market is made from those already consuming the product or service and those who are not. In a developed market, the Consumers part is greater than the Non-Consumers.

In this story, the son brings the familiar way we look at markets, where we communicate with “Consumers” and then try to sell them new or improved products/services.

These approaches represent two types of innovations –

- * *Efficiency Innovation*, i.e., lower price.
- * *Sustaining Innovation*, i.e., improved product or service.

On the other hand, the father’s thoughts are dedicated to turning the vast majority of the villagers from "Non-Consumers" (of footwear) to "New-Consumers".

The process we engage in getting (new) Consumers from a Non-Consumer market is called - ***Market-creating Innovation***.

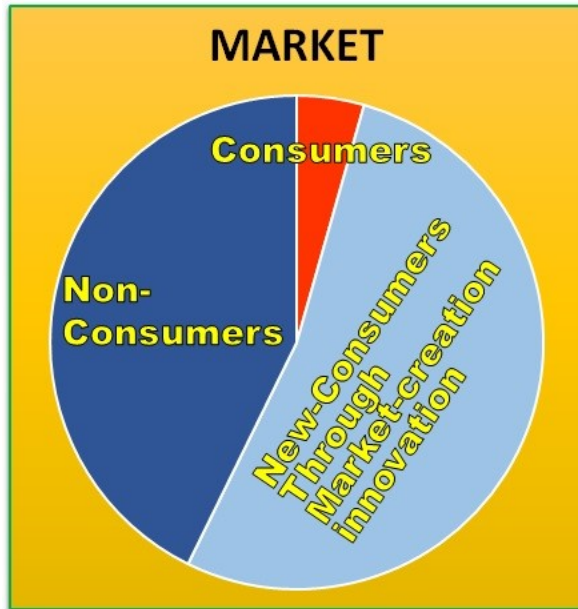
Market-creating Innovation happens whenever we are presented with a novel product or service and decide to “pull” it into our lives.

For example, Cars (Model T), the first PC (Computers), the first Cell Phones, Smartphones, Social networks, Google, etc.

Without those innovations, which enter our lives and create new markets, we can’t imagine the 21st century.

However, Market creation never comes easy, and the experts always dismiss and reject the potential of such endeavors.

Note. While all types of innovations are important, they are also different in their economic impact. Market Creating Innovation is a job-creating engine critical for developing countries' economies.



A Market-Creation Innovation turns a "Non-Consumers" into a "New-Consumers" (i.e., Consumers) market. Competition is low in the early stages of a "New-Consumers" market. As the market develops, completion grows.

Definitions (by Clayton Christensen)

Innovation – a change in the processes by which an organization transforms labor, capital, materials, and information into products and services of greater value.

Market Creating Innovations - transform complex and expensive products and services into simple and more affordable products, making them accessible to a whole new segment of buyers in a society, whom we call "non-consumers".

Market Creating Innovations (1) create jobs – to make, market, distribute, and sell; (2) they create profits and tax payments – that go back to fund required public services; and (3) they hold the potential to change the culture of societies.

CELL PHONES TO THE IMPOVERISHED

In 1998, Mo Ibrahim, a Sudanese-British businessman, considered to establish a telecommunications network in sub-Saharan Africa.

At the time, mobile phones were big, heavy, and considered a luxury that only wealthy people purchased, mainly as a status symbol.

There were about 4 million cell phone owners in Africa, representing approximately 0.6% of the population, while in the US, there were 86 million users, representing about 32% of the population.

The experts looked at Africa, and all they could see was poverty, people who don't have money to buy food, and in many places, lack of roads, logistics, electricity, banking/payment methods, corruption, instability of governments, and more.

Those are reasons to avoid the market, not to engage with it, and invest \$ millions.

The experts laughed at Mo, giving him all the reasons why he would fail. They said, *“Not only that those poor people can't afford a cell phone, but more importantly, they don't need one.”*

But Mo saw the need of the villagers to communicate with relatives, friends, and business partners in other villages, where today it takes several walking days to reach.

Mo didn't consider the cell phones instead of food or clothing, but as a fundamental human communication job they had to perform.

Instead of seeing only poverty and hardship, Mo saw opportunities, happy people, and a flourishing business.

To get the telecommunication network working, Mo had to get electricity, build roads, get healthcare to his staff, educate and train thousands of workers, and much more.

Mo considered when designing his business model the payment ability of his consumers. He then made phone cards available for as little as 25 cents.

Six years later, in 2005, Mo sold Celtel for \$3.4 billion. At that time, Celtel had 24 million subscribers (growth of 600% !) in 14 African countries.

In times when everyone saw the cellphone's "Consumer market" only in wealthy Western countries or in the 1% richest Africans, Mo saw the 99%, viewed by others as "Non-Consumers" as "Consumers".

Using Market Creation innovation, Mo created a \$ multi-billion vibrant Consumer market.

Today, the \$ multi-billion African telecommunication and peripheral industries provide over 1 billion mobile phone lines, millions of jobs, and \$ billions in tax payments for African countries.

No one could see this as Mo took his first steps in African telecommunication. Still, as happened in other places with the "democratization" of cars, computers, and cell phones that created markets, the impact was immense.

Thanks to investing in a Market-creating type innovation, Mo introduced wealth, education, health, infrastructure, prosperity, and happiness to millions sustainably since it was based on business foundations.

Research shows that prosperity starts not by channeling resources to "fix" poverty, e.g., NGOs and philanthropy, but by investing in Market Creating Innovation like Mo did with Celtel, where people pay for a product or service they need.

In my travels in Africa and India, I see more farmers holding cell phones than farmers with electricity or running water at home.

Do you see in Africa or Asia a non-consumer market that investors and technological companies overlook?

Can you think of another sector with an immense Non-Consumer Market treasure?

AGRO-TECH TO SMALL-HOLD FARMERS

In Israel, there are hundreds of agrotech companies.

How many of those see smallholders as their priority business target and "Consumer market"?

Probably none.

How many of those view smallholders in developing economies as a Non-Consumer market?

Probably all.

Israeli agrotech industry is not alone but rather represents the general mindset that views the professional industrial-business-oriented farmers in the global north as its Consumer market. At the same time, the rest of the world is automatically related as a Non-Consumer market.

Therefore, the first flights of an agrotech CEO and marketing personnel would be to the EU or the US market.

When those managers reach their destination, they will compete against other companies that try to sell their best clients products and services that will cost them less (Efficiency innovation) or do the same job in a better way (Sustaining Innovation).

Globally, professional industrial-business-oriented farmers are about 3% of the total number of farmers.

Agrotech companies see those 3% as the Consumer market and fiercely compete to win their attention and money. Such a market, with many competitors, is called **Red Ocean**.

Meanwhile, agrotech companies view the subsistence non-professional small-hold farmers, which comprise 97% of global farmers, as Non-Consumers. Accordingly, they don't take action or invest to enter such markets. A market with little or no competition is called **Blue Ocean**.

Blue Oceans are often found in "Non-Consumer markets" and require Market Creation innovation to turn them into gold minds.

Small-hold farmers in developing economies are undoubtedly underserved and viewed by most stakeholders as Non-Consumers.

That is precisely why the markets where those farmers are active are prominent Blue Oceans, e.g., free of "sharks" and fierce competition.



For most agrotech companies, the "Consumer market" is the professional farmers (3%), and the "Non-consumer market" is the non-professional farmers (97%), i.e., subsistence/ smallholders.

When I studied the business case of Mo and Celtel, I wasn't surprised by his stories of how his expert colleagues thought he had lost it, explained he had no chance of succeeding, etc.

I wasn't surprised; I experienced the same regarding the agro sector when discussing working with smallholders in developing economies.

There are always the shoemakers who will see the barefoot villagers and say, "There is no work for us here", and those few will see the same and say, "We are blessed for this untouched market and zero competition".

Which shoemaker are you when it comes to smallholders in developing economies?

To make your life easier, targeting Market Creating Innovations, here is a frame of reference of five attributes entrepreneurs and managers should look for as they consider creating new markets (as suggested by Clayton Christensen).

The five attributes to market creating (print and keep) –

- 1) **Business models that target Non-Consumption**, as opposed to targeting the more affluent population.
- 2) **An enabling technology** – provides an improved level of performance at a progressively lower cost. "A technology" is any process within an organization that converts lower-value inputs to outputs at a greater value.
- 3) **A new value network** - defines a new operational cost structure.
- 4) **An emergent/flexible strategy** – We must own mental and operational flexibility in a new, undefined market, which we learn "on the fly".
- 5) **Executive support** – Going after a "Non-Consumer market" that you create is unpopular. To initiate, it also requires more resources than sustaining and efficient Innovation. It requires continuous executive trust and support.

You can do it yourself and create a market in a Non-Consumers agro sector of developing economies. Or you can contact me to find out if we can cooperate under the Dream Valley model.

Want to change the rural community's development trajectory in your country or elsewhere? Are you unsatisfied with a running rural project or want to plan a new one? Message me +972-54-2523425

Whether you agree or not, I invite you to share your thoughts with me.

TAKEAWAY MESSAGES

- **CHANGE PERSPECTIVE** – Look for untapped markets as opportunities, not obstacles.
- **MARKET CREATION INNOVATION** - Transform non-consumers into consumers.
- **TARGET NON-CONSUMPTION** - Focus on underserved markets for growth and impact.
- **FOR MAXIMUM IMPACT** - Invest in market creation innovations in developing economies to drive job creation and societal change.

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**** Mental and Economic Freedom Are Interconnected ****

See you soon,

Nimrod



Dr. Nimrod Israely is the CEO and Founder of [Dream Valley](#) and [Biofeed](#) companies and the Chairman and Co-founder of the [IBMA conference](#). +972-54-2523425 (WhatsApp), or [email nisraely@biofeed.co.il](mailto:nisraely@biofeed.co.il)

P.S.

If you missed it, here is a link to last week's blog, "[From Poverty To Wealth - How Farmers In Diverse Rural Communities Doubled Their Income In Just Three Months](#)".

P.P.S.

[Dream Valley](#) is a field-proven disruptive business model based on the successful Israeli model.

To learn more and become a Dream Valley partner, contact me at nisraely@biofeed.co.il, +972-542523425 (WhatsApp/Text)

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***Change Begins With A Decision
That The Existing Reality Is A Choice
and Not A Decree of Fate***