



THE POWER OF DEMOCRATIZING INNOVATIONS: LESSONS FROM AMAZON AND AGRO SECTORS

"Technologies and services do not 'democratize' themselves; intentions, structures, business models, and processes do".

Today, all leaders, including those of developing economies, know to sing the praises of innovation.

From their talks and actions, it appears they view innovation as if it were a uniform block. However, there are several types of innovations, with critical differences among them.

Prof. Clayton Christensen, to whom the IBMA 2024 honor, mentioned those types of innovations (other researchers count more/different types) –

- 1) **New Product Innovation** - Answers consumers' needs and demands.
- 2) **Disruptive Innovation** (Market-creating) - It turns products available only to the wealthy into products for 'ordinary' people.
- 3) **Sustaining Innovation** - Performance-Improving.
- 4) **Efficiency Innovation** - Allows us to do more with less.

There is no Right or Wrong innovation; each has its role in a healthy economy. However, depending on their economic development stage, countries need a different mix of innovation types.

Based on how each innovation impacts the economy, let's have a brief view of why it is critical to know and understand the differences between the types of innovations.

For example, developing countries are looking to create jobs; hence, it would be a mistake on their part to copy from developed countries one of the two most common innovations: *Sustaining*, which does not add jobs, or *Efficiency*, which reduces the number of jobs.

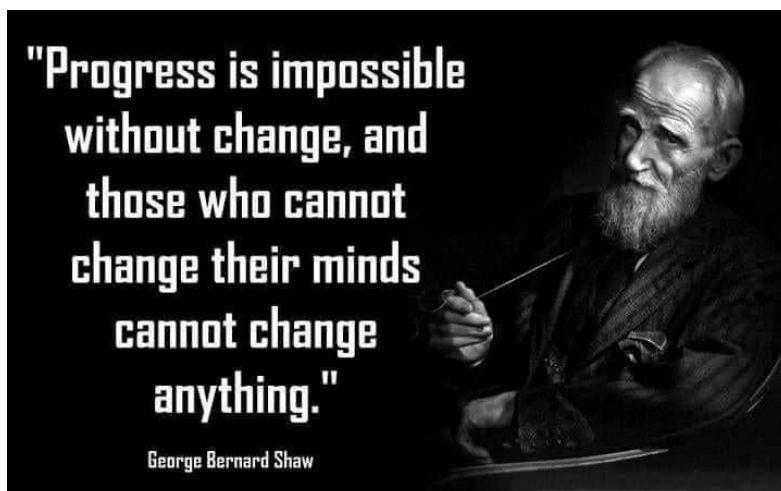
However, by understanding the impact of each type of innovation, we gain the precious insight that *Disruptive innovation* is the only innovation that adds jobs!

Furthermore, we know that Disruptive Innovation wins over Sustaining and Efficiency innovations and eventually captures their markets over time.

So, if you were asked to advise developing economies on economic development, which innovation type would you recommend investing in, developing, or importing?

Knowing what type of innovation causes what, we can harness the innovation we need to achieve our goals.

Which type of innovation do you think developing countries import the most?



NOT ALL DISRUPTIVE INNOVATIONS ARE THE SAME

In recent columns, we discussed *Market Creation Innovations* and *Democratizing innovations*. These two types of innovation belong to the same archetype, i.e., *Disruptive Innovation*.

* **Market-creating innovations** transform complicated and expensive products or services into simple and more affordable products, making them accessible to a whole new segment with the need but not the adequate solution.

* **Democratizing innovations** is the process by which technologies and services are made more accessible and available to broader and more diverse markets without affecting premium markets.

Democratization of innovation is a private case of market creation innovation, but from the market's point of view, not the company's.

In the case of Democratizing Innovations, we introduce the innovation to the masses, which makes it a critical innovation in the history of humankind.

Think of the global impact of the Ford Model T versus the SpaceX rockets of Elon Musk.

Therefore, I think of Democratizing innovation solutions as a Market-Creation Innovation on steroids.

WHAT ARE THE INDICATORS FOR A DEMOCRATIZING INNOVATIVE SOLUTION?

Like gold seekers who have methods to identify the exact place for mining, people interested in creating prosperity in developing countries must know how to identify democratizing innovation in its early stages.

Identifying this type of innovation is the first step to getting the best out of it.

Here are critical indicators of characteristics and outcomes that align with the democratization theory:

1. **Affordability:** Lower prices or models that allow access to broader populations.
2. **Quality:** Maintain or enhance quality standards while lowering costs.

3. **Market Expansion:** Entering new or underserved market segments.
4. **Availability:** Expanding distribution channels for wider access.
5. **Accessibility:** Overcoming previous limitations to reach broader and diverse populations.
6. **Adoption:** Extensive usage and acceptance across diverse demographics and regions.
7. **Complexity:** Simplifying user experience.
8. **Inclusivity:** Ensuring all can benefit from the product/service regardless of background.
9. **Empowerment:** Providing the tools to enhance economic capabilities.
10. **Positive Impact:** Beneficial societal outcomes, e.g., improved living standards or equality.

Note. Not all Democratizing Products and Services solutions (DPS) show themselves similarly. However, the indicators will appear soon after the DPS is launched and can serve to measure its impact.

CAN WE COPY-PASTE DEMOCRATIZING INNOVATIONS ACROSS SECTORS?

In the previous column (link at the end), we discussed Amazon's novel commerce approach and how democratizing specific services impacted millions of Chinese SMEs (producers!) and China's economy.

Attention. We tend to think of how Amazon services us, its consumers, but in the China example, we discussed how it services its producers. This gave its producers a competitive advantage, which benefited Amazon handsomely.

Amazon turned a complex and costly service, i.e., export goods from China, into a simple-to-use, quality, and cost-efficient service available and open to the many.

Can we use the same platform concept (with necessary adjustments) to get the same transformation and impact on the agro sector in developing economies?

I am not the first to ask that question.

Numerous agro-entrepreneurs believe the answer is yes and did just that: created Amazon-like platforms dedicated to small-hold farmers (SHF), where farmers can buy inputs online and, in some cases, sell their produce on the same platform.

If you haven't heard of those platforms, it is not because smallholders' problems are solved or there is a lack of investment in such companies but because they don't do as well as Amazon.

I asked myself, why?

Then, not long ago, I had the opportunity to meet the management of an Amazon-like Indian platform dedicated to agriculture.

I asked them about **the farmers' financial results**; they were unsure but **estimated (!)** that farmers save on input costs from 10% to 20% thanks to their platform.

Think of the Chinese SMEs working with Amazon; they increased their income by hundreds of percent, and some even became millionaires.

In contrast, the agro-oriented Amazon-like platform didn't report on the farmers' significant and continuous economic growth, not their income or profits.

But why?

To understand the impact of agro-Amazon-like platforms, we will dive into the smallholders' economic world and have a small simulation.

Assume a smallholder owns one hectare, investing \$ 200 worth of inputs to earn \$500. By saving 10% on his inputs, i.e., \$ 20\$, his profits grow from \$ 300\$ to \$ 320\$.

No farmer reaches prosperity by saving \$ 20. Furthermore, even if this farmer saves 100% of his input investment, he would remain impoverished!

Chinese SMEs working with Amazon may also save on inputs, but the most notable economic impact was their ability to increase their income by selling more, much more.

If Amazon's business model were about saving money for Chinese SME owners whose daily income at the time was \$ 2, they would maybe ease the suffering of poverty but wouldn't create prosperity.

In conclusion, the above agro-Amazon-like platforms -

- 1) **Offer farmers** a method to purchase agro-solutions for a discount.
- 2) **Didn't create** new markets or suppliers, i.e., no Disruptive or Market-creation Innovation.
- 3) **There is no** Democratizing Innovation (a conclusion from #2).
- 4) **Most importantly**, the agro-Amazon-like platforms seem to get things the wrong way: where in the Amazon equation, producers were poor (Chinese SMEs), and buyers were wealthy (you, me, the middle-class public), in the agro-Amazon-like platforms, the producers are wealthy (agrochemical and agrotech companies), and buyers are poor (small-hold farmers).
- 5) **This is a striking fact**: small-hold farmers didn't significantly increase their income and are still impoverished.

LESSON FROM THE AGRO-AMAZON-LIKE PLATFORMS

We learn from the above example that copying the structure of a successful business is insufficient to ensure its successful application in another sector where the value/supply chains and barriers are different.

We can learn the importance of a dedicated business model from the agro-Amazon-like platforms.

Yet, let us remember that though agro-Amazon-like platforms didn't bring the expected result, they created value through Efficiency Innovation.

This is an opportunity to address entrepreneurs and say don't aim for DPS innovation, as few humans have completed that road. Instead, focus on doing your best to benefit others.

Above all, always start by setting the end result you wish to see.

WHAT A DPS SOLUTION FOR THE AGRO SECTOR SHOULD LOOK LIKE?

There is no answer to the question in the above title, for if we had known, we would have already done it.

However, suppose you want to know what to expect. In that case, I ask you to close your eyes and imagine the impact of Amazon on the Chinese industry or cell phones and smartphones on communication in the rural parts of developing economies.

Don't disappear; there is a lot we already know.

- **We know** we want small-hold farmers to increase their income rapidly by tens, maybe hundreds of percent.
- **We know** that saving on expenses is not the same as increasing income.
- **We know** that to reach prosperity, small-hold farmers must significantly increase their income and profits.
- **We know** we want this to apply to all small-hold farmers, regardless of their background.
- **We know**, based on history in other sectors and the agro-industry, that this is doable.
- **We know** that only disruptive innovation can produce such an impact from all types of innovations.
- **We know** that the disruptive innovation type that will bring the change is the innovative democratizing solution, a sub-sector in Market-creation Innovations.

Prosperity is not achieved by patient, painful waiting, hoping for good things to happen to you miraculously.

Here are two activities you can take to craft your future, and if you are a leader or a decision maker, to impact others' lives.

Participate in the International Conference On Business Models In Agriculture (IBMA) 2024. This is the only conference where, whether you are a business-oriented company or a governmental decision-maker, no one will try to sell you any product to buy but instead models to increase your income and create prosperity.

If you want immediate results in line with democratizing innovation with an emphasis on increasing income and profits nationally, then the Dream Valley program is for you.

Are you happy with the current development trajectory of the rural community in your country?

Are you satisfied with the results of running rural projects?

Do you want to change?

Share your thoughts for action with me.

TAKEAWAY MESSAGES

- **DIFFERENT ECONOMIES** require different innovation types at various developing stages; innovation is not one-size-fits-all.
- **IDENTIFYING DEMOCRATIZING** innovations early will help for faster and broader impact.
- **A SUCCESSFUL CONCEPT IN ONE SECTOR** doesn't guarantee success in another.
- **INNOVATIVE DEMOCRATIZING** solutions hold the potential to significantly boost small-hold farmers' income and profits and, hence, change their lives.

Contact me if you want to impact the agro sector in a developing economy.
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***** *Mental and Economic Freedom Are Interconnected* *****

See you soon,

Nimrod



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P.S.

If you missed it, here is a link to last week's blog, "[What Makes 'Democratizing Innovations' The Key To Smallholders' And Nations' Prosperity?](#)"

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***