

Searching for Growth: Demand Innovation

Few question that growth is important to seed industry firms. Shareholders of publicly traded firms demand growth. Publicly traded and privately held firms seek growth to capture scale economies, leverage research investment, achieve critical mass and “be a player” among a myriad of other reasons. Most people are well aware that growth must be profitable, but “let’s stay the same size” is the not the rallying cry of many seed firms. In markets like the U.S., where crop acres are not expanding, the question of “how to grow” comes up. Taking market share

from competitors is one way to do so. But taking share is a zero sum game and hard fought gains can be given back quickly. Can the proverbial pie be made bigger, even in flat or slow-growing markets?

This question was considered in the previous column on market busting. It is also considered in a recent book, How to Grow When Markets Don’t, by Adrian Slywotsky and Richard Wise. Their central concept is when growth through product innovation (better yield, processing traits, color, etc.) is increasingly difficult, managers must look beyond

the direct benefits of their products to find growth opportunities. Let’s explore this idea in the context of the seed industry.

It is not being suggested for a minute that product innovation is unimportant in the seed industry. Of course, it is and will remain so. There is little doubt that improved yields, breakthrough traits, enhanced functionality, etc. can drive growth. In fact, Slywotsky and Wise call these product characteristics “first order needs” or “product functionality” (Figure 1.) The latter is certainly one important way to create value for a grower or other buyer. Improve the stand,

drought tolerance, processing yield, maintenance requirements, nutritional content and so on relative to competitive products and you will likely grow market share. The point is that there are other paths to growth and some of them may lead to their own breakthroughs.

Beyond first order needs are those surrounding the economics of a product. These “second order needs” (improving activity economics) ask the question: What are all the ways that could make our product more useful to our customer? How can we improve the economics of our product for the buyer? These questions can be the foundation of some excellent brainstorming – thinking about every single touch/connection with your buyers from the time they learn about your product until it is in the ground, paid for and the packaging disposed. So what could your firm do to enhance the growers’ or buyers’ economics?

Obviously, some of this thinking has already been applied, resulting in value-added items and services like bulk packaging, seed treatments, financing, delivery/storage programs and many others. But push yourself further – what could you do to make the growers’ purchasing decision easier? What is their biggest frustration with your product and the way it is sold and what can you do about it? Maybe you can make the entire purchasing process simpler. Maybe your growers would benefit from having information provided in Spanish for employees. Maybe you could assist with their landlord relations through improved split-billing processes. Here, most seed companies would be in review and extend mode. You may already be doing things in this area, but what else could you do to create growth by enhancing the economics of your product?

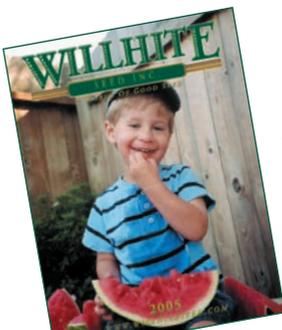
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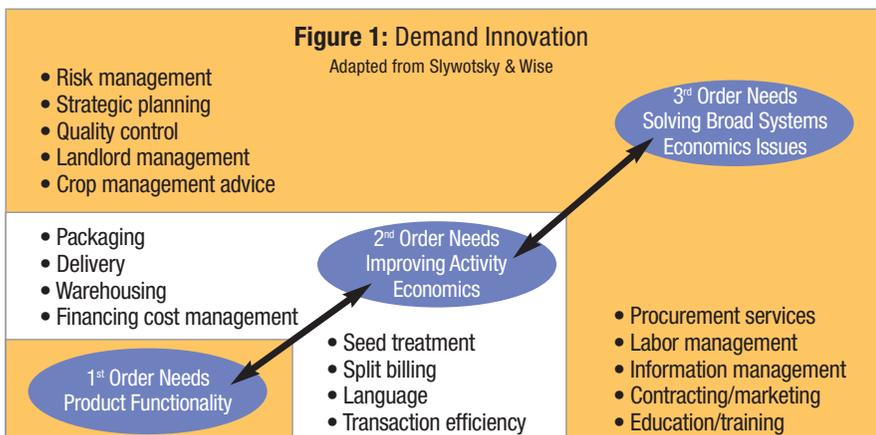
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Figure 1: Demand Innovation

Adapted from Slywotsky & Wise



solutions to broader systems issues. Such “third order needs” ask us to think about the grower’s full value chain as well as the value chains of those further down the marketing channel. Seed is a key purchase for growers, but certainly not the only one required to produce a crop. How does seed link to crop protection chemicals, fertilizer purchases, precision agriculture practices, record keeping, landowner relationship management, marketing decisions, equipment selection and purchasing? Is there anything to add to labor management, farm business planning or broader risk management on the farm?

Such third order needs may extend to

buyers of farm production like grain handlers and processors, grower/shippers, food firms and so on. Tracking and tracing, quality management, and procurement services would be the kinds of activities in this area. Here is a push into the area of business solutions and entirely new ways to create value and ultimately, growth.

Of course, any ideas generated will be screened. How much value is created? Can a fair proportion of the value be captured? But when you need a framework to jumpstart a discussion or a planning meeting, the demand innovation idea may be a useful one.

While the idea of demand innovation is

put forward in a more strategic sense, it can also be used as a tool in key account management/field selling situations. Thinking about buyer needs at these different levels may provide insights to salespeople as they consider how to create value with individual accounts. Such thinking may provide direction on which company resources to utilize with the account or what outside resources might develop a deeper relationship with the account. All of this would be driven by a deeper exploration of buyer needs.

Product innovation will remain central to the seed industry, but innovations around the economics of our products and the broader value chain through new business models, services and/or processes may provide very interesting growth opportunities. 

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