

Chapter 3

Collaborative Consumption as a Tool for Agricultural Expansion in Developing Countries: Enriching Farmers by Delivering Value to Consumers

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ABSTRACT

Collaborative consumption is a broader term encompassing emerging areas, such as crowdfunding and the sharing economy, which enhance consumer enablement through direct interaction. This chapter addresses opportunities and challenges of how to support small- and medium-scale farmers in developing countries. Traditional agriculture, as well as urban agriculture, is rising with the significant urbanization that is occurring in developing economies. There is currently limited research on the value of collaborative consumption as a catalyst for agricultural development. Consequently, the aim of this chapter is to provide an overview of how collaborative consumption in agriculture can be supported. The study is conducted based on the review of literature and case studies related to both agriculture and collaborative consumption. A few key observations are provided in order to assist with the formulation of strategies that increase producer and customer satisfaction, value addition, and engagement.

INTRODUCTION AND BACKGROUND

Collaborative consumption has rapidly grown since its introduction as a concept by Rachel Botsman and Roo Rogers in 2010 (Botsman & Rogers, 2010). The impact that cohesive relationships have on the management and growth of collaborative consumption based businesses is important in all contexts especially within the agricultural sector. The chapter aims to determine which aspects of interaction have the highest impact in agriculture within developing economies through the analysis of recent and historical trends. The particular relationship between crowdfunding and collaborative consumptions

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impact on agriculture in the developing world is our primary focus. Collaborative consumption has been gaining popularity globally with new companies disrupting various sectors e.g. Uber and transportation; Airbnb and the hotel industry.

Collaborative consumption in the new sharing economy currently accounts for \$15 billion in global revenues and is projected to increase to around \$335 billion by 2025 (Vaughan & Hawksworth, 2014). These Peer to Peer businesses aim to streamline interactions between buyers and sellers by providing value addition through the removal of intermediaries. Collaborative consumption is divided into three distinct actors, namely the platforms which are the peer to peer facilitators of a marketplace for exchanging goods or services. The entrepreneurs are the suppliers of these goods and services and the consumers are purchasers who demand to buy or rent from the entrepreneur by means of a platform (Sundararajan, 2014).

The framework presented will examine agricultural produce that traditionally undergo the least amount of value addition along the supply chain from producer to consumer. Produce such as livestock and food staples are ideal candidates for collaborative consumption as there are efficiencies that could be gained by providing consumers a structured direct access to producers.

Farmers are considered entrepreneurs due to the inherent nature of farming as a business activity. A key problem of entrepreneurship in agricultural production and also in agribusiness is the lack of financial resources (Njegomir, Tepavac, & Ivanišević, 2017). In developing countries the major sources of financing are through government assistance and micro-credit, provided by microfinance institutions. Field research on microfinance in the rural farming communities in Remo Division of Ogun State, Nigeria, Nosiru (2010) found that micro-credits could have prospect in improving the productivity of farmers and contributing to uplifting the livelihoods of disadvantaged rural farming communities (Njegomir, Tepavac, & Ivanišević, 2017). Our study aims to review the application of collaborative consumption in ways that can improve on the achievements and shortcomings of what microfinance has done for rural agricultural expansion in developing countries.

Traditional supply chains in agriculture have posed challenges in food waste, distribution and rising costs due to multiple actors' involvement in the value chain. The aim of crowdfunding is to create a direct link between producers and consumers in an effort to reduce costs and risks to both parties.

We will explore the trends in the agricultural industry; in particular, how consumption and production is reflecting the major shifts in consumer demography and economics. This section will demonstrate how digital technology can increase the involvement of local consumers and producers as well as investors with financial resources to assist in creating sustainable value for all three parties.

The overall aim of this research is to investigate the impact of various forms of collaborative consumption factors on agricultural development. In order to achieve this, the research will explore current literature and gain insight into relevant academic theories. Additionally; a review of pre-existent, but related business models, will be conducted to aid in the understanding of the underlying principles that influence agricultural development. A comparison of these models with established microfinancing models that are prevalent in developing countries will assist in establishing a framework to provide a more suitable solution

The adoption of the sharing economy as an economic driver and a means of resource maximization has mainly occurred in the developed world. Recent evidence is showing the significant success and potential in emerging markets, with some developmental organizations seeing its potential to drive economic development and income generation (Cheney, 2017). Agriculture has been one of the sectors to lag behind in collaborative consumption technologies and initiatives, however it is the baseline of

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