

KEY FACTORS DETERMINING RELATIONSHIP MARKETING IN THE FOOD E-COMMERCE NETWORK: A BUSINESS-TO-BUSINESS SERVICE PERSPECTIVE

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Abstrak

Diskusi mengenai paradigma bisnis dan pemasaran telah diteliti dengan mengubah fokus dari fokus terhadap produk menjadi fokus terhadap pelanggan dengan mengacu pada orientasi logika dominasi layanan. Perkembangan teknologi digital seperti internet dan media sosial telah mempengaruhi praktek bisnis dan pemasaran dalam melakukan praktek bisnis online, seperti contohnya *e-commerce*, termasuk di dalamnya bisnis makanan. Studi ini mengeksplorasi mengenai faktor – faktor yang menentukan hubungan pemasaran di dalam jaringan bisnis *e-commerce* makanan. Metode penelitian induktif digunakan dalam studi ini, dan data dianalisis dengan menggunakan analisis data tematik berdasarkan hasil wawancara mendalam yang dilakukan dengan berbagai pelaku bisnis yang terlibat di dalam rantai *e-commerce* makanan. Hasil penelitian menunjukkan tujuh elemen kritis yang akan menentukan kesuksesan hubungan pemasaran di dalam jaringan bisnis *e-commerce* makanan: komitmen, komunikasi, kepercayaan, koordinasi, reputasi, profesionalisme, dan risiko di dalam hubungan. Hasil analisis memberikan dasar lebih lanjut untuk pengembangan hubungan pemasaran di dalam bisnis makanan di dalam menggunakan *e-commerce* dengan dilandasi logika dominasi layanan sebagai prinsip dasar yang digunakan oleh petani produsen, pedagang, dan pelaku ritel atau pengecer.

Kata kunci: hubungan pemasaran, nilai hubungan, logika dominasi layanan, *e-commerce* makanan, perdagangan antar usaha (perusahaan)

Abstract

Discussion about the business and marketing paradigm is observed by shifting the focus from product-focused to customer-focused with service-dominant logic orientation. Digital technology advancement, such as the Internet and social media, has influenced business and marketing practices into online business, such as e-commerce, including food businesses. This study explored the factors determining marketing relationships in the food e-commerce network. An inductive research method was applied, and data were analysed using thematic analysis based on in-depth interviews with various business actors involved in the food e-commerce chain. The results reveal seven critical elements that determine a success relationship marketing in the food e-commerce network: commitment, communication, trust, coordination, reputation, professionalism, and relationship risk. The analysis provides a foundation for further development of relationship marketing in the food businesses on using e-commerce and service-dominant logic as the underlying principle for farmer producers, traders or suppliers, and retailers.

Keywords: relationship marketing, relationship value, service-dominant logic, agri-foode-commerce, business-to-business

Introduction

The Internet has influenced almost all human activities, including the business environment. Digital technology advancement provides new ways for businesses to offer, sell, and buy products and services through digital platforms. Online business activities, such the e-commerce, has enabled new opportunities for creating digital markets as a new economy mechanism (Bodini & Zanolli, 2011). The food businesses are also affected by the applications of e-commerce by offering a new food business paradigm, such as short food supply chain (Lee et al., 2015), cost reduction (Lu & Reardon, 2018) and demand enhancement (Zeng et al., 2017). Food e-commerce is expected to facilitate the wicked problems in the agri-food system, such as the fragmented business processes starting from production to product delivery (Leroux et al., 2001) and the complexity of the business system (Cucagna & Goldsmith, 2018).

With the shift that occurred in the food system by following food digitalisation, the interaction between buyers and sellers are also changed (Raheem et al., 2019), which leads to customer-centric and digital-centric. Food e-commerce provides products and services to fulfil customer demand, such as B2B logistic services (Ferreira & Menezes, 2015) and end-user delivery services (Utami et al., 2021). Services provision in food businesses aligns with the Service-Dominant (S-D) logic underpins service innovations to actively involve customers in creating values (Eggert et al., 2018; Vyt et al., 2017), which is relevant for Business-to-Business (B2B), Business-to-Customer (B2C), including Customer-to-Customer (C2C). Relationship marketing is a strategic intangible asset to manage the relationship with business partners or customers (Payne & Frow, 2005), such as in the B2B context (Lages et al., 2008). The conception is defined as all relational interaction, which could also be specified as business relationships in the B2B context (Pels et al., 2009). The relationship marketing between the buyer and the seller in food e-commerce is different from the traditional food system with transactional relationships and only focuses on profit generation (Utami et al., 2019).

However, little is known about the factors determining relational marketing in the food industry following the digital business, such as e-commerce. The commitment-trust theory broadly used for relationship marketing only focuses on commitment and trust as the critical factors for successful relationship marketing (Morgan & Hunt, 1994). Therefore, this study tries to raise the question about ‘what factors determine relationship marketing in the food e-commerce from the business market perspective?’. After this introduction, the following sections continued by methodology, results, conclusions, and implications for managerial and theoretical purposes.

Methodology

The study employed an inductive research method using in-depth interviews for data collection. This study explored the factors determining relationship marketing in the agri-food channel that use digital technology for business and marketing, primarily e-commerce. The agri-food business actors that sold fresh produce, such as vegetables, and involved the e-commerce chain were chosen for this study. Data was gathered through a semi-structured interview by employing the purposive sampling method. The sampling method offers the anticipated information by focusing the targeted research participants to identifiable target groups (Sekaran & Bougie, 2016). Nine interviews of farmer producers, local traders, suppliers, and retailers were carried out for data collection (see Table 1). The interviewees were located at two potential locations, namely Jakarta and Bandung, where food e-commerce mainly operated. Multiple business perspectives were considered appropriate for this study to gain a deeper understanding of relationship marketing within Indonesia's food e-commerce network that began to develop in the past few years was performed.

Table 1

Participants' profile

No.	Label	Position in the organisation	E-commerce business organisation
1	Interviewee 1	Chief executive officer	Supplier and retailer
2	Interviewee 2	Initiator and farmer producer	Producer and retailer
3	Interviewee 3	Chief financial officer	Supplier and retailer
4	Interviewee 4	Business owner and founder	Retailer
5	Interviewee 5	Business manager and co-founder	Supplier
6	Interviewee 6	Organiser and trader	Supplier and retailer
7	Interviewee 7	Buyer expert	Supplier and retailer
8	Interviewee 8	Business manager and co-founder	Retailer
9	Interviewee 9	Initiator and farmer producer	Supplier and retailer

The study was utilised NVivo 12 to facilitate the data analysis. The software was used to produce coding from the interview transcripts' data. Thematic analysis was employed to classify, explore, define, and discover the themes by following the six stages analysis proposed by Braun and Clarke (2006). These six stages of thematic analysis comprise (1) data familiarising; (2) creating codes; (3) deciding themes; (4) themes evaluation; (5) defining the themes' label; and (6) results writing. The advantages of selecting thematic analysis are its flexibility and enable analysing of various perspectives of research participants (Braun & Clarke, 2006), which is appropriate for this study.

Results

Factor Determining Marketing Relationship in The Food E-Commerce Channel

The analysis reveals the transformation and emergence of relational marketing practices between the agribusiness actors involved in the e-commerce channel. The relationship marketing orientation in the agri-food e-commerce channel is crucial to support a favourable and good relationship with the business partners and within the business network. The relational marketing presented by the agribusiness actors within the e-commerce network differed from the conventional marketing relationship commonly used in the traditional agricultural marketing channel, which is usually transactional. For example, selling agricultural products to the traditional market usually only consider product sales and profitability. Based on the analysis, the business actors need to have a good attitude to maintain the relationship and develop professionalism and emotional connection. As an inclusive business approach indicator, relational marketing could enhance inclusive development by growing together and receiving mutual benefits. Based on the data analysis, the key factors determining relationship marketing suggested by the business market actors in the food e-commerce channel are commitment, communication, trust, coordination, business partner reputation, and risk toward relationship. The explanation for these factors is presented as follow.

Commitment

Commitment is the most frequent answer of all the interviewees addressing the most critical factor determining marketing relationships when joining the e-commerce channel. This means that commitment is one of the essential keys in developing a good partnership with other business actors within the e-commerce chain that require product transactions and services relationships. More importantly, commitment is required in relationship marketing in the business-to-business (B2B) cooperation process. The term commitment is critical to the farmer

producers, traders, suppliers, and retailers that expect committed business partners (buyer and seller) to succeed with the business relationship in e-commerce. The business buyer, such as suppliers or retailers, needs to show commitment and business buyer who expects the same thing from the farmer producers or suppliers. The buyer commitment perceived by suppliers (e.g., farmer producers, farmer group, farmer union, supplier, trader) is the ability to guarantee the market, price, and partnership continuity. The commitment from the business buyer, such as e-commerce suppliers or retailers, is used to verify the business agreement, such as regarding the agreed price, order quantity and quality specification. Business buyer commitment considers as an essential key for business sustainability due to the challenges and difficulties of finding a committed and cooperative buyer, as stated by an e-commerce owner:

'I realise that sometimes we made mistakes in successfully performing marketing relationships with the suppliers, especially farmers. A supplier refused to supply to the company because of the delayed payment, and they needed to wait for almost three months to receive the payment. They cannot accept it. But I need to take the consequences and be responsible.' (Interviewee 4)

Similarly, business seller commitment, such as farmer producers or traders, is also essential to the business buyer to support the service value in the B2B relationship. The data shows that collaborating with farmer producers, especially smallholders, is challenging, including more effort is necessary to change farmer mindset when linking in the e-commerce channel. The most common issue on fulfilling business buyer requirements is related to the service level capability of the farmer producers as the product supplier. The e-commerce retailer has a different perspective than the conservative modern retailers such as supermarkets toward farmer producers regarding service level due to varying quality specifications required by this type of retailer. For example, e-commerce expects a lower product quality standard than the supermarket because some offer more value for the customer than the product utility value. The e-commerce was willing to collaborate with the farmers to improve business capability and conduct personal interaction and communication. By this, both parties enable to achieve business expectations.

Communication

Communication is considered an essential determining relationship marketing to collaborate with various business partners in the food e-commerce channel. Conducting regular meetings, discussions and interactions between the parties involved will ensure that the collaboration process goes well. The data shows that less communication with the business partner could create misunderstandings that break the relationships. Communication is also related to attitude and negotiation skills shown by the business partner. The capability of developing good communication will influence the relationship sustainability. Communication technology that recently flourished can support the business-to-business (B2B) and business-to-customer (B2C) intensive communication and make it possible to conduct, as explained by an e-commerce initiator that also a farmer producer:

'To manage the production activity, we discuss and communicate to gather the information from farmers regarding the timetable of the production plan.' (Interviewee 9)

Trust

The data analysis also revealed the theme of trust as the critical factor contributing to relationship marketing within the agri-food e-commerce channel. The interviewees' mentioned that trust is related to business customer trust toward the farmer or supplier, and both parties

should also obtain mutual trust. Each business party need to trust each other and feel convenience in the business relationship. Mutual trust also leads to the role understanding of each party in the relationship and will always try to fulfil the agreement or collaboration. By having mutual trust, each party can be more open and transparent about all the business activities. Trust is also considered the determinant of relationship comfort valued by both business partners, as indicated by an e-commerce initiator that also farmer producer:

'Further support is necessary to provide the product provision capability for the market and gain higher customer trust to the local products [*vegetables*].' (Interviewee 2)

Coordination

In conducting collaboration and working together to benefit the marketing relationship in the food e-commerce channel, coordination is considered the next critical factor in maintaining the business relationship within the business actors. The data analysis indicated that developing continuous coordination can support fulfilling all agreements made by the parties. Coordination can be presented in many ways, such as coordinating the business agreement regarding the supplied products, logistics and distribution. These components are crucial considering fresh produce characteristics that need specific product handling during the production to consumption. Each party should understand and agree to the delivery process, schedule coordination, and production planning to fulfil customer requirements. The data also revealed the importance of coordination to strengthen the business relationship and avoid problems due to lack of coordination between the involved parties (e.g., farmer producer and supplier, supplier, and retailer). Coordination as the essential factor determining relationship marketing in the food e-commerce was stated by an e-commerce owner that also a farmer:

'Although the buyer has the standard that we need to fulfil, we could not override the tolerance of the capability of our farming land. Thus, we need to develop further communication and coordination with the buyer regarding the product quality to negotiate our supply and ensure that the market can tolerate and receive more product.' (Interviewee 2)

Reputation

Business partner reputation is another factor revealed by the interviewees regarding relationship marketing. Reputation becomes a consideration for business relations conducted in the food e-commerce network. A trusted farmer or supplier with a good reputation gives a higher value for the business buyer to be partnered and conduct a business collaboration. The business buyers, such as supplier companies, e-commerce suppliers and retailers, will continue looking for a prospective farmer to be partnered with because they understand the critical role of this business actor in the business. Some retailers, such as supermarkets, prefer to only provide the purchase order to the supplier that can fulfil their standard by showing trustworthiness and being professional. It was different from e-commerce, which is more lenient in deciding product standardisation and willing to adjust with the farmers or suppliers' business capability. However, it tried to keep a good quality product to offer. Knowing the farmer partner's reputation is also essential for the retailer to expand the business network, as mentioned by an e-commerce owner:

'We need to know who the supplier will be and develop a broad business network. It is essential to know the business partners and expand the network.'
(Interviewee 4)

Professionalism

Professionalism reveals as another factor determining relationship marketing in the food e-commerce channel, primarily within the B2B context. They were providing professional work when collaborating with the e-commerce as a business partner becomes a crucial indication that the farmer, trader, or supplier can fulfil customer needs. Professionalism can affect business and marketing efficiency, such as cost-efficient production, product handling costs reduction, and increased product fulfilment. Similarly, because the business partners of e-commerce are mainly smallholder farmers or local traders, it is also essential that e-commerce recognise the importance of professionalism to build a capable business system. A CEO of food e-commerce shared a thought about the need for professionalism to involve in the e-commerce chain:

'I had an experience with the farmer supplier who made us disappointed. This farmer supplied a poor vegetable quality and could not meet the quality standard as agreed. The farmers provided poor product quality. It was unprofessional.' (Interviewee 1)

Relationship Risk

Relationship risk was revealed as the last factor determining successful relationship marketing in food e-commerce. The data shows that risk in the marketing relationship could influence the collaboration amongst business partners. The e-commerce agreed to collaborate and partnered with the farmer producers who rarely used written contracts in business dealing, which causes risks to both parties. Some farmers refuse to make a letter agreement with the business buyer. The condition is causing the risks that possibly occur during the partnership and can jeopardise the collaboration. For example, the risk likely occurs regarding the agreed payment system and the form of business collaboration agreed to be conducted. Although not all the food e-commerce secured the partnership using the agreement letter, legalising the partnership is considered essential to mitigate any risks. Different type of collaboration comprises a different degree of relationship risk. The data shows the e-commerce (as the supplier or retailer) consideration toward the risk of the business partner (e.g., farmers, suppliers) to break the commitment that makes the e-commerce as the business buyer should bear all the risks that occur. This also makes the e-commerce not fully confide the business seller as a trusted seller. Relationship risks could reduce the value of the B2B marketing relationship, such as indicated by an e-commerce business manager:

'Because the company is in the developing stage for branding, it means if we need to cooperate with others, such as suppliers; we need have a suitable criterion to select business partners, such as ensuring the supplier has good quality of products. This could influence the company goodwill to gain customer trust. I cannot select the business partners only based on cost-efficient.' (Interviewee 8)

Conclusion

This research argues that digital technology influences business and marketing has transformed how these activities are conducted, including agriculture and food businesses. The findings support previous studies that food e-commerce channels changed relationship marketing amongst the involved parties in the chain (Raheem et al., 2019; Utami et al., 2019). The interaction between business actors across the chain and network has shifted and required more tasks for successful relational marketing. The interaction amongst business actors in the marketing chain showed the importance of services and collaboration rather than competition. The research supports the conception that marketing needs to comprehensively discover the

suitable value of relationships amongst business parties in applying the marketing process by considering procedures, activities, responsibilities, and interaction (Vargo & Lusch, 2004). By providing such endeavours, business and marketing actors could gain new ideas or insights from the relationship built between intermediaries and customers (Payne & Frow, 2006), which could be explained in the business-to-business (B2B) or business-to-customer (B2C) context. This research also follows previous research about customer relationships from the business market perspective, such as the B2B, which has become essential to activate the fundamentals of cross-functional in customer relationship management processes (Payne & Frow, 2005). Hence, unveiling the components that determine relationship marketing amongst marketing actors across the chain could further understand the development and exploration of relationship marketing as a strategic solution for understanding customer needs and what is essential for them. In the present time, this is now possibly has emerged into a multichannel business context, such as the online channel. Consequently, the utilisation of digital technology in the food retail network, such as e-commerce, could increase values (Utami et al., 2021; Vyt et al., 2017) by adding more benefits for all parties involved in the e-commerce channel.

This study provides theoretical implications for exploring the factors determining relationship marketing in food e-commerce, primarily among the marketing actors involved in this channel. This study tries to contribute to the service-dominant logic conception that is currently considered one of the prominent paradigms used in the marketing discipline. This study also explores the disciplinary roots of relationship marketing thinking regarding the determining factors influencing the success of relationship marketing applied in the online business platforms, primarily the food business. The study also proposes practical implications to understand the critical factors in successful relational marketing in the food e-commerce industry, which differs from transactional marketing usually employed in the traditional food and agricultural marketing channel. Realising the components influencing relationship marketing in the food e-commerce business is critical to involve, perform, and manage a long-term relationship with the business partners in the digital retailing channel and gain more benefits from a more relational marketing approach.

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