



Economic relationships and B2B communication in selected European agri-food chains – first empirical evidence

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Sustainable B2B relationships have become more and more important

Context

- Agribusinesses increasingly compete as chains/networks against other chains/networks.
- Consequently, intra-chain/network relationships have become more important.
- What determines the sustainability of B2B relationships?

Definition of sustainable relationships

- Longer-term, stable and mutually beneficial interactions and transactions between chain stakeholders.
- Based on joint economic interests, such as price stability, profitability of interactions and security of supply, as well as on trust, satisfaction and commitment.
- Contribute to achieving the joint goal of producing, processing and distributing food effectively, efficiently and consistently with market needs.

Hypotheses

What determines relationship goodness (RG)?

Chain-internal determinants

- H1: Good communication positively affects RG.
- H2: The existence of personal bonds positively affects RG.
- H3: The higher the degree of embeddedness in the local economy in which an agribusiness operates, the higher RG.
- H4: The more equally power is distributed between a supplier and a buyer, the better RG.

Chain-external determinants

- H5: The higher the degree of competition in the market in which an agribusiness operates, the lower RG.
- H6: The higher the degree of uncertainty in the market of an agribusiness, the lower RG.
- H7: The higher the traceability requirements are, the higher RG.

Data collection

EU cross-country, multi-commodity survey of farmers, processors and retailers

Survey details

- Six countries, 2-3 different value chains per country.
- Period: Nov 2006 to Apr 2007.
- Wide promotional support from private and public-sector stakeholders.
- Mixture of mail, telephone, face-to-face and online interviews.

Sample quality

- 1,026 observations at the time of paper production.
- Country samples in most cases by and large representative in terms of geographic location and firm sizes.
- No major problems with non-response bias or non-randomness of sample as shown by statistical tests.

Empirical findings: goodness of relationships* in selected chains

No large differences, but in general better in the downstream relationship

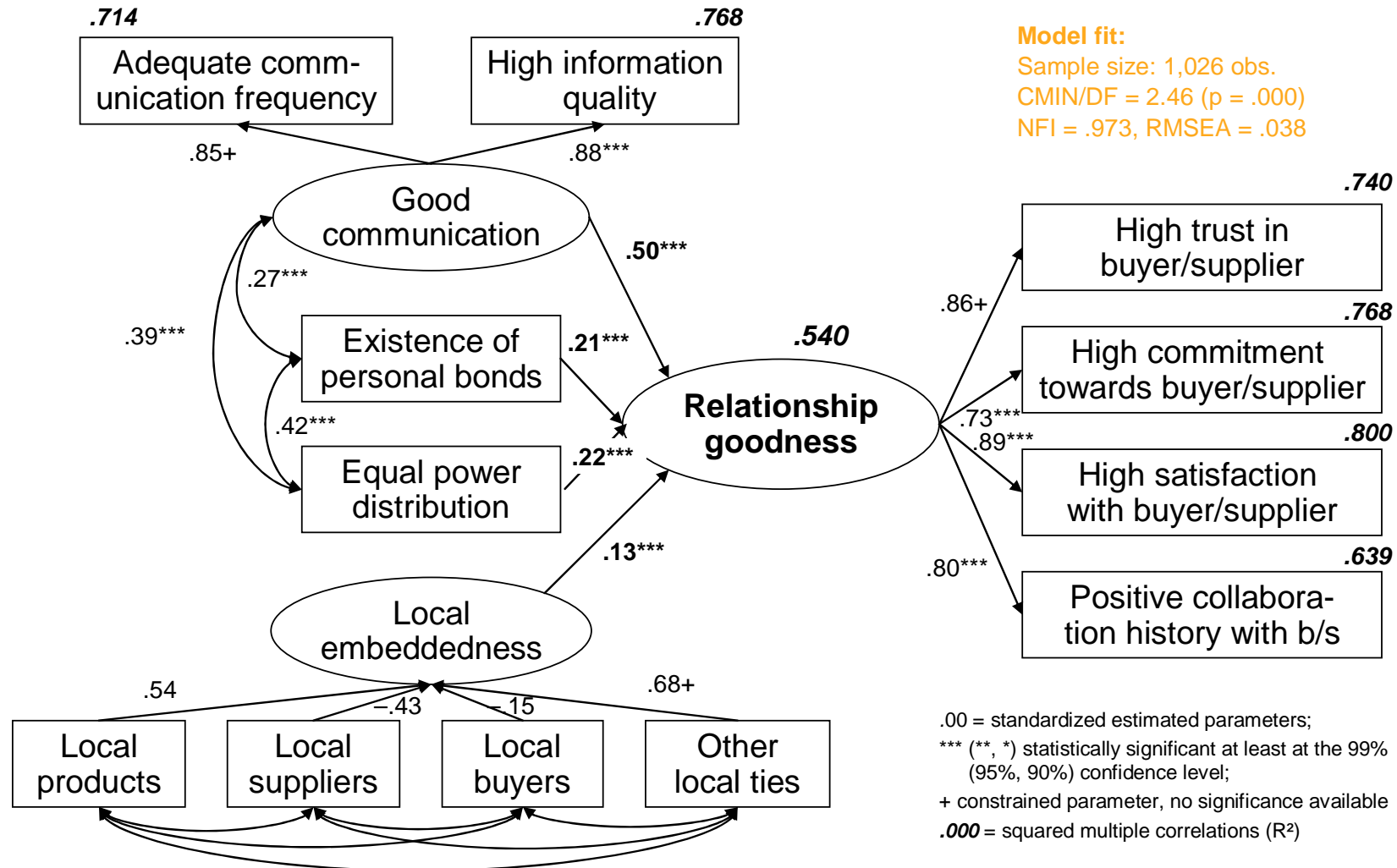
Meat (beef, pig)			
	Farmer ↔ Processor	Processor ↔ Retailer	
Germany	5.0 (23)	5.2 (11)	
UK	5.5 (142)	5.9 (4)	
Ireland	5.2 (83)	5.8 (20)	
Finland	4.9 (81)	5.5 (17)	
Poland	5.0 (223)	5.7 (105)	
Total	5.1 (552)	5.7 (157)	

Cereals (wheat, rye, barley)			
	Farmer ↔ Processor	Processor ↔ Retailer	
Germany	5.3 (55)	5.2 (25)	
UK	5.8 (59)	5.3 (2)	
Ireland	–	–	
Finland	4.8 (87)	5.5 (34)	
Poland	–	–	
Total	5.2 (201)	5.4 (61)	

* Measured as an index with 6 components, each one on a rating scale (1=very poor; 7=very good).
In parentheses, no. of obtained observations.

Empirical findings: determinants of good relationships

Good communication is most important



Conclusions

How to enhance agribusiness relationships?

- Improve communication. Both the quality and the frequency of the transmitted information are important.
- Build personal relationships where possible.
- Be aware that unequal power distribution between business partners can negatively impact on the goodness of B2B relationships.
- Be also aware that, in some cases at least, relationships may be better with geographically, socially and/or culturally closer business partners.

