

Going Digital: SMEs Based Food E-commerce Engaging Customer through Customer Needs-Driven

(Work in Progress)

Hesty Nurul Utami*, Newcastle University Business School, United Kingdom,
h.n.utami2@newcastle.ac.uk

Eleftherios Alamanos, Newcastle University Business School, United Kingdom,
eleftherios.alamanos@newcastle.ac.uk

Sharron Kuznesof, School of Natural and Environmental Sciences, Newcastle University,
United Kingdom, sharron.kuznesof@newcastle.ac.uk

ABSTRACT

This study explores food e-commerce engages customer to their needs, wants and lifestyle towards food purchase in the transition of retail revolution era. The focus is given to the customer engagement for co-creation process from the seller's perspective. The study was carried in Indonesia by applying an inductive research approach using in-depth interviews with multiple food e-commerce company's management (n=8). A six-stage of thematic analysis was applied using NVivo 12 software. The study showed that customer curiosity, customer buying behaviour change, customer food lifestyle changes and more demanding consumers underlying customer-needs driven. The SMEs proactively respond to consumer needs by communicating the expected benefits of food purchase via online channels. It activates the role of customer as value co-creator through familiarising food shopping based-online channel and experiencing the food online channel usage. The process of B2C value co-creation of food e-commerce is described as a process of gaining customer attention, role understanding, interaction, learning, intervention and making consumers discover. The transition stage of retail revolution of SME-based food e-commerce in developing countries demonstrates a conceptual process of value co-creation while exploring the customer needs-driven to this specific context. Both scholars and practitioners could learn from consumer behaviour changes displayed on online food purchase by managing each role and resources accordingly.

Keywords: value co-creation, customer engagement, customer needs-driven, SMEs, food e-commerce

*Corresponding author

INTRODUCTION

The worldwide penetration of internet utilisation has impressively increased the number of technology-savvy consumers including modify consumer shopping behaviour. The emergence of e-commerce is evidence of a shopping revolution in a problem-solving process that changes the way buyer-seller interaction and transaction (Saba, Rolandi, & Pilloni, 2017). Electronic commerce has also influenced food retail evolution by continuously change the brick and mortar stores to virtual stores as alternative food networks (Bryła, 2018; Lee, Jeong, Cho, Jeong, & Moon, 2015). The conventional food distribution and retails with long fragmented business process have driven a prospect for food e-commerce (Leroux, Wortman, & Mathias, 2001). The penetration of e-commerce to compete in the retail markets offer the advantages on cost of travel and shopping time with supply chains efficiency (Liang Lu & Reardon, 2018).

However, different features show on the adoption of e-commerce applies for agri-food industry between developing or emerging economics countries and developed countries concerning the company size. Small scales enterprises (SMEs) are dominated the online commerce in developing countries (Zhang, 2017), whereas global corporation dominating the e-commerce in developed countries (Henderson, Dooley, Akridge, & Carerre, 2005). Consumer and producer characteristics in developing countries request for synchronising profit, well-being and sustainability in an inclusive community (Nahi, 2016). Fostering the SMEs based agri-food e-commerce, collaborative interaction becomes essential by engaging customers for mutual benefits in the long run (Saba et al., 2017).

Engaging customers by encouraging customers to contribute more resources in the purchasing process to provide with a better fit for their needs may deliver a broader services system (Jaakkola & Alexander, 2014). Customer needs-driven is a concept of managing and improving cooperative relationships with customers (Arnett & Badrinarayanan, 2005). The idea indicates as customer relationship management by engaging customers through with various ways customer behaviour including utilising customer experience and customer online dynamic behaviour (Pagani & Malacarne, 2016). The role of customer engagement by adopting customer behaviour beyond transactions may affect the company's ability to serve customers with multiple benefits to fit their needs (Jaakkola & Alexander, 2014). Accommodating customer needs in an inclusive or collectivist market along with social lifestyle changes and ICT adoption serve as other challenges. This study explores food e-commerce engages customer to their needs, wants and lifestyle towards food purchase in the transition of retail revolution era. The focus is given to the customer engagement for co-creation process from the seller's perspective. Less attentions are given to marketing

transformation of food commerce through electronic channels provided by SMEs by understanding their way to engage customers with unique value proposition. Specifically, it observes the implementation of customer relationship development to accommodate customer food buying changes through e-commerce and exploring the value generating process. Two research questions proposed in this study:

RQ1: How SME based food e-commerce engages the customer through customer needs-driven?

RQ2: How is customer value co-creation process adopted to introduce new food shopping channel with online stores?

METHODOLOGY

The study was applied inductive reasoning through in-depth interviews. The aim was to explore the understanding of the changes in consumer buying behaviour from physical stores to online stores by engaging customers and enables them to be the value co-creator. The focus is given on food e-commerce that operates by small-medium enterprises (SMEs) that sold fresh produce such as fruits and vegetables in Indonesia. By understanding customer needs-driven adopted by the informants could discover how SMEs based food e-commerce approach the urban community as the targeted market. Two potential locations of metropolitan cities in Indonesia namely Bandung and Jakarta were selected to trace the food e-commerce operation. As a result, eight interviews were carried out to facilitate the data collection (see table 1). The study gathers data through a semi-structured interview using purposive sampling. The sampling can provide the anticipated information by narrowing the targeted respondents to specific target groups (Sekaran & Bougie, 2016).

Table 1: Interviewees' Profile

Name	Business operations	Gender	Role in the company	Legal structure of the business
Interviewee 1	E-commerce supplier company and retailer	Female	CEO	Start-up company
Interviewee 2	Farmer producer and e-commerce retailer	Male	Founder	Sole proprietorship
Interviewee 3	E-commerce supplier company and retailer	Female	CFO	Start-up company
Interviewee 4	E-commerce retailer	Female	Founder	Sole proprietorship
Interviewee 5	E-commerce supplier company	Male	Co-founder	Partnership
Interviewee 6	E-commerce supplier company and retailer	Male	Buyer specialist	Start-up company
Interviewee 7	E-commerce retailer	Male	Operational manager	Partnership
Interviewee 8	E-commerce supplier company and retailer	Male	Founder	Sole proprietorship

The data analysis was facilitated by NVivo 12 QSR software for coding the data from interview transcripts. Six phases of thematic analysis were applied for classifying, analysing, defining and reporting the discovered themes (Braun & Clarke, 2006). The steps proposed by Braun and Clarke (2006) for thematic analysis consist of: (1) familiarising the data; (2) producing codes; (3) determining themes, (4) evaluating themes, (5) defining the names for the themes, and (6) writing the results. Thematic analysis was selected based on the offered flexibility of analysis and an advantageous method to examine the viewpoints of diverse research participants (Braun & Clarke, 2006). These advantages of thematic analysis were suitable for facilities the study objectives.

RESULTS

Customer-Needs Driven on Discovering the Online Food Purchase

The analysis shows the food e-commerce in Indonesia mostly operated in the urban area but dominated by small-medium enterprises (SMEs). The companies are ranging from start-up companies, partnership, family business or sole proprietorship. The online retailers attempt to accommodate consumer behaviour change towards food using the internet. The virtual food stores facilitated by instant messaging apps, social media apps, websites, mobile apps, or the combinations of electronic channel application. Although social media and instant messenger are the most common platform used to adjust customer lifestyle. The urban consumer lifestyle is considered to have higher preferences for online shopping. The two online platforms are recognised for its capability to make personal interaction and interactive communication with the targeted market.

The study showed that customer curiosity, customer buying behaviour change, customer food lifestyle changes and more demanding consumers underlying customer-needs driven. Customer curiosity on using online platforms to fulfil their needs drive as a source developing different relationships with customers compared to the conventional way with face-to-face interaction. The emerging virtual market has changed customer shopping habit and customer food lifestyle. Higher demand for food preferences become the drivers for SMEs based food e-commerce to discover more consumer needs and wants. The awareness of knowing customer characteristics and their readiness to conduct food buying via online channels are essential for marketing strategy and gain more potential customers.

The SMEs proactively respond to consumer needs by communicating the expected benefits of food purchase via online channels. It activates the role of customer as value co-creator through familiarising food shopping based-online channel and experiencing the food online channel usage. Developing customer engagement aims to propose distinctive food shopping experiences, such as more meaningful information shared in real-time, personal services offering, effectiveness and accessibility. The interview data reveal information regarding the benefits of food e-commerce existence in the food chains.

For this specific context of agri-food industry in Indonesia that dominated by SMEs along the supply chains, the electronic channels may provide benefits as well solutions for both business market and customers. Specifically, for customers, they may realise more benefits offered by food e-commerce to fulfil their needs and serve as competitive offerings. For example, it is providing one-stop-food store, shopping simplicity and social acquirement amongst urban society.

Customer Value Co-Creation Process through SMEs Based Food E-Commerce

The analysis reveals the process of engaging customers as part of value co-creation of food e-commerce. The process consists of (1) gaining customer attention; (2) role understanding; (3) interaction; (4) customer learning; (5) intervention; and (6) making consumers discover (see figure 1). The first stage of gaining customer attention is the initial phase of introducing the new food shopping platforms via online stores that significant to renew customer shopping habit. Promotions and provocations become essential at this stage to initiate customer awareness of food purchase via online channels. It conducted either via online promotions (e.g. social media, instant message broadcast) or conventional promotions (e.g. exhibitions, farmers market). The social interactions with the targeted market offer significant effects on customer engagement. The second stage of role understanding to make customer as co-creator in exploring the benefits of the channel may determine customer willingness to participate in the channels. Hence, the sellers perceived interaction development as an essential component to distribute messages to customers. Thus, the next stage of engaging customers is through interaction by providing access to the used online platforms, continues persuasion with customers, build interactive communication to avoid boredom and offered openness and transparency.

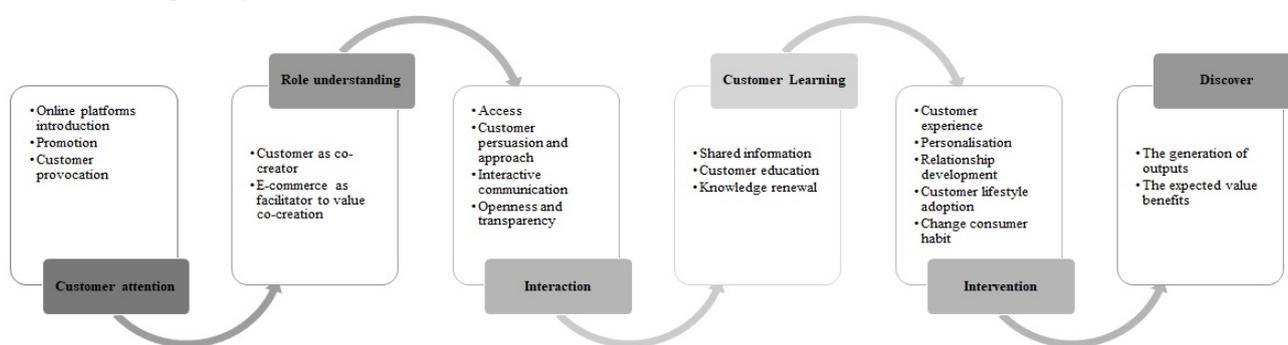


Figure 1. Customer engagement in the value co-creation process of SMEs based food e-commerce

Hereafter, the attachment with customers may lead them to have more access to learning what offered by food e-commerce. Customer learning facilitates customers to enhance the knowledge and at the same time to educate them on how to choose, to purchase and to consume foods advantageously. The learning process becomes crucial to renew customer knowledge on various food issues including food lifestyle. More meaningful insights provided by the sellers through the learning process may retain customers motivation to participate in the co-creation process. The next process on activating customer role in the co-creation is by sellers' intervention on optimising the benefits of using the online channels through online experiences, personalisation, relationship development, adoption to customer food lifestyle and generating a new food-related habit. The entire process end with making customer discover the co-creation benefits and outcomes. It may indicate as the success factor of keeping customer continue to develop long-term relationship with the business.

DISCUSSION

In this context, food issues (e.g. food safety, customer adjust food lifestyle, more information received by consumers) may change customer behaviour to buy food. Customer engagement can be considered as the pull factor to retain customers. By engaging customers, online retailers can explore a psychological journey that experiencing by consumers. Although the benefits experiencing by customers may vary depending on the roles taken by customers in the joint activities (Nambisan & Baron, 2009). Understanding how consumer experience with the buying process, the seller can identify and recognise how consumer developing relationships with the business. In this stage, the seller can interfere in the relationship development by connecting physically, cognitively and emotionally with customers. The sellers may offer problem solutions to customer's needs and wants in various ways including shaping the product and service experience. SME food e-commerce personalised customer experience by engaging customers throughout the value co-creation process to discover the overall benefits of utilising the online channels for food shopping.

The absence of awareness and understanding of customer engagement can be disadvantages for the company's ability to survive in the market. Specifically, when the customers are highly attached to the particular culture and lifestyle that may influence customer habits and attitude. Online customer experience, level of personalisation and relationship development become vital to engage with customers and activate their role to co-create more value by benefiting the online channel.

IMPLICATIONS

The transition stage of the retail revolution of SME-based food e-commerce in developing countries demonstrates a conceptual process of value co-creation while exploring the customer needs-driven to this specific context. Both scholars and practitioners

could learn from consumer behaviour changes displayed on online food purchase by managing each role and resources accordingly.

This study proposes theoretical implications to explore customer needs-driven to understand customer engagement in the value co-creation process on the employment of the online platforms for SMEs in the food industry. The study also tries to contribute to social exchange theory on the exchange relationships between customers and retailers in the online channels. As each actor relies on the responsibility realisation to receive the reciprocate benefits (Preikschas, Cabanelas, Rüdiger, & Lampón, 2017).

This study also proposes for practical contribution to discover and understand the role of customer needs-driven and customer engagement by using the online channels to buy foods beyond the traditional way. Knowing customer needs, wants and understanding their interaction with the food e-commerce and go online to purchase foods is critical to applies modes of engagement initiatives. It can also be a source of opportunities to collaborate with customers. Thru this pattern, the online retailer engages customers by communicating and selling various benefits instead of selling only the product features. By involving customers into business and asked them to participate in enhancing the expected benefits from the electronic business channel may turn this as a critical differentiator of SMEs food-based e-commerce.

REFERENCES

- Arnett, D. B., & Badrinarayanan, V. (2005). Enhancing Customer-Needs-Driven CRM Strategies: Core Selling Teams, Knowledge Management Competence, and Relationship Marketing Competence. *Journal of Personal Selling & Sales Management*, 25(4), 329–343. <https://doi.org/10.1080/08853134.2005.10749068>
- Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology*, 3(2), 77–101. <https://doi.org/10.1191/1478088706qp063oa>
- Bryła, P. (2018). Organic food online shopping in Poland. *British Food Journal*, 120(5), 1015–1027. <https://doi.org/10.1108/BFJ-09-2017-0517>
- Henderson, J., Dooley, F., Akridge, J., & Carerre, A. (2005). Adoption of Internet Strategies by Agribusiness Firms. *International Food and Agribusiness Management Review*, 8(4), 42–61. Retrieved from <https://ageconsearch.umn.edu/record/8135/files/0804he01.pdf>
- Jaakkola, E., & Alexander, M. (2014). The Role of Customer Engagement Behavior in Value Co-Creation: A Service System Perspective. *Journal of Service Research*, 17(3), 247–261. <https://doi.org/10.1177/1094670514529187>
- Lee, D., Jeong, H., Cho, J., Jeong, J., & Moon, J. (2015). Grocery Shopping via T-Commerce in Korea: New Shopping Channel Adoption Behavior Based on Prior E-Commerce Experience. *International Food and Agribusiness Management Review*, 18(2), 1–16. Retrieved from <https://ageconsearch.umn.edu/record/204133/files/201401211.pdf>
- Leroux, N., Wortman, M. S., & Mathias, E. D. (2001). Dominant factors impacting the development of business-to-business (B2B) e-commerce in agriculture. *International Food and Agribusiness Management Review*, 4, 205–218. Retrieved from <https://ageconsearch.umn.edu/record/34473/files/04020205.pdf>
- Liang Lu, & Reardon, T. (2018). An Economic Model of The Evolution Of Food Retail and Supply Chains From Traditional Shops to Supermarkets to E-Commerce. *American Journal Agricultural Economic*, 100(5), 1320–1335. <https://doi.org/10.1093/ajae/aay056>
- Nahi, T. (2016). Cocreation at the Base of the Pyramid: Reviewing and Organizing the Diverse Conceptualizations. *Organization & Environment*, 29(4), 416–437. <https://doi.org/10.1177/1086026616652666>
- Nambisan, S., & Baron, R. A. (2009). Virtual Customer Environments: Testing a Model of Voluntary Participation. *Journal of Product Innovation Management*, 26, 388–406. <https://doi.org/10.1093/nq/s6-V.119.268-b>
- Pagani, M., & Malacarne, G. (2016). Experiential Engagement and Active vs. Passive Behavior in Mobile Location-based Social Networks: The Moderating Role of Privacy. *Journal of Interactive Marketing*, 37, 133–148. <https://doi.org/10.1016/j.intmar.2016.10.001>
- Preikschas, M. W., Cabanelas, P., Rüdiger, K., & Lampón, J. F. (2017). Value co-creation, dynamic capabilities and customer retention in industrial markets. *Journal of Business and Industrial Marketing*, 32(3), 409–420. <https://doi.org/10.1108/JBIM-10-2014-0215>
- Saba, A., Rolandi, S., & Pilloni, M. (2017). Small and medium sized wine producers dealing with business to business e-commerce: Towards a relational model for enhancing value (co-) creation. *BIO Web of Conferences*, 9, 1–6. <https://doi.org/10.1051/bioconf/20170903017>
- Sekaran, U., & Bougie, R. (2016). *Research Methods for Business Seventh Edition*. John Wiley & Sons Ltd (Seventh Ed). West Sussex: John Wiley & Sons Ltd.
- Zhang, T. (2017). Paths for upgrade and transformation of e-commerce of China's fresh agricultural products based on the whole industry supply chain. *Asian Agricultural Research*, 9(8), 1–4. <https://doi.org/10.19601/j.cnki.issn1943-9903.2017.08.001>