



Business to Business Marketing in Bhutan: A Case Study from Balam Gewog under Mongar Dzongkhag

Kinley Pema¹, Tashi Dendup² and Rekha Chhetri²

Abstract

The Commercial Agriculture and Resilient Livelihoods Enhancement Programme (CARLEP) and the Regional Agricultural and Marketing Cooperative (RAMCO) piloted the business to business (B2B) marketing model in 2018 to address smallholder farmers' marketing issues in Eastern Bhutan. As the B2B pilot model is currently not functional, it is vital to understand the B2B model's challenges to successfully replicate the interventions in other communities. The lack of follow-up studies on the B2B marketing model motivated the authors to investigate the model's challenges for implementation in the country. This case study was based on six vegetable groups in Balam Gewog, Mongar, Bhutan. Primary data were collected through focus group discussions with six vegetable groups and in-depth interviews with key informants. Secondary data were collected from Gewog, CARLEP, and RAMCO. The results showed that the B2B marketing model adopted in Balam Gewog was a primary B2B marketing model – a linkage only for selling produce. Four critical issues with the B2B marketing model adopted in Balam Gewog were noted: (1) mismatch between vegetable production and collection schedule, (2) lack of quantity and quality specification of vegetables in the contract between vegetable farmers' groups and the buyer, (3) inadequate support services, and (4) lack of monitoring by facilitating organisations after contract signing between vegetable farmers' groups and the buyer. Accordingly, we recommend adjusting the collection schedule as per the production season, specifying contract clauses like quantity and quality of produce, improving support services, and monitoring business by relevant authorities.

Keywords: Business to business, contract, linkage, marketing, smallholder farmer, vegetables

Introduction

A business to business (B2B) marketing model

involves marketing goods or services exclusively to other businesses or organisations rather than directly to the consumers (Kumar and Gagandeep, 2012). There are different B2B marketing models. Santacoloma and Rottger (2003) classified three B2B business models: (1) primary, which serves as a linkage for selling produce; (2) secondary, which links inputs and services, such as training; and (3) cross-cutting, which only links financial and market information. Primary linkages are widespread

¹Master's in Development Practice, College of Natural Resources, Royal University of Bhutan, Lobesa

²Department of Sustainable Development, College of Natural Resources, Royal University of Bhutan

*Corresponding author: tashi.cnr@rub.edu.bt

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and are often the starting point for most linkages (Santacoloma and Rottger, 2003).

The potential benefits of the B2B model are diverse and multiple. For instance, the B2B model can provide economic and social development opportunities for both producers and private actors (Lundy *et al.*, 2014). Linking farmers to markets can help farmers escape mediators' greed, as it improves their access to market information and bargaining power (Magesa, 2016). If the farmers can connect to buyers before production, it assures a market and income for farmers (Braimoh *et al.*, 2018). B2B can also enable quality produce for the buyers because farmers should ensure quality produce as per the contract (Zimmerman and Blythe, 2013). Thus, B2B is often described as a win-win arrangement enhancing the relationship between farmers and buyers (Tuten and Urban, 2001). Furthermore, by better linking to domestic and international markets, farmers can

develop and modernize production processes and increase their competitiveness (Negassa, 2015). Lastly, the B2B model is more extensive and can significantly impact the economy and the people's welfare than the consumer market (Zimmerman and Blythe, 2013).

In terms of providing support to farmers, who are often more socially vulnerable, B2B models can support the most vulnerable farmers by not linking them with the highest value or most dynamic markets. Instead, it can make investments in ways that enable specific types of farmers to access markets that match their capacities, production, investment, and risk profiles (Ferris *et al.*, 2014). However, the B2B arrangements can fail with the buyer renegeing on the agreement after considerable investment by the farmer, price manipulation by the buyer, loss of flexibility in enterprise choice, or lack of trust between the parties (Ferris *et al.*, 2014). Therefore, it is crucial to

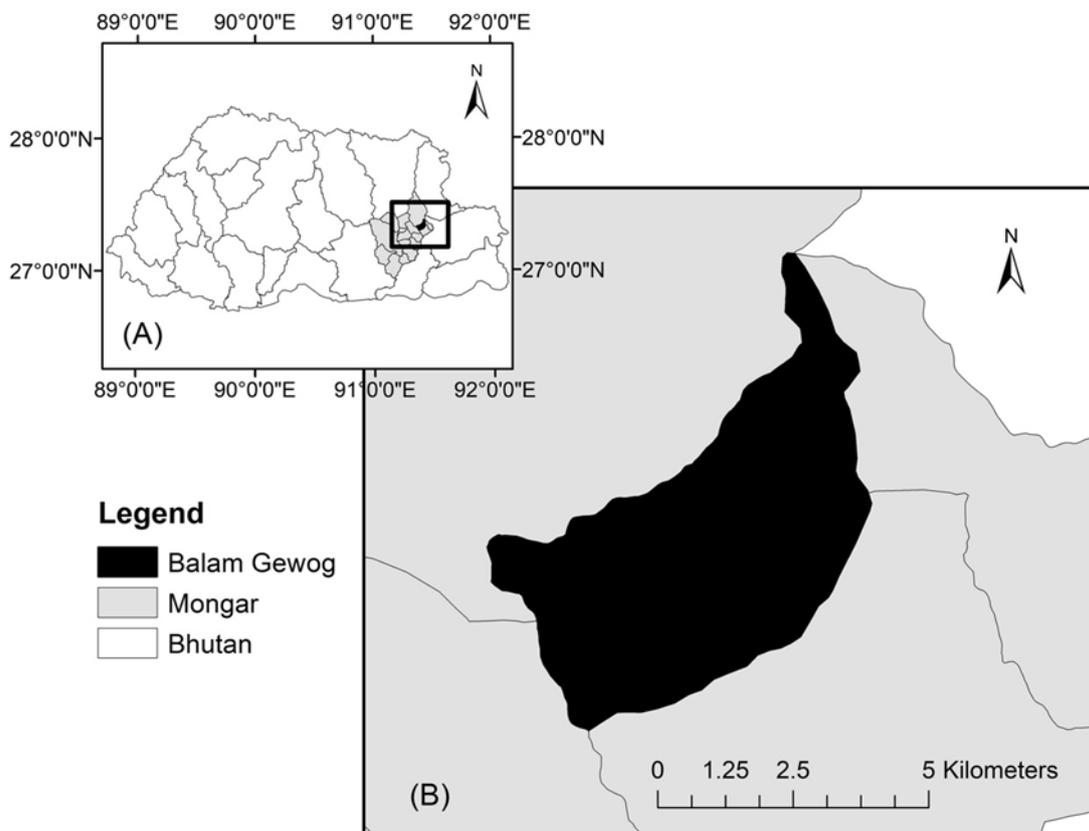


Figure 1: The study area: (A) Bhutan and (B) Balam Gewog

understand how and why a market system fails the poor and what is causing an exploitative status quo to persist (Ruffer *et al.*, 2018).

Bhutan's agriculture sector faces marketing challenges due to the predominance of subsistence agriculture, lack of cash income for inputs, and absence of proper marketing systems (Christensen *et al.*, 2012; Wangchuk *et al.*, 2019). The Royal Government of Bhutan, therefore, set up the Department of Agricultural Marketing and Cooperative in 2009 to improve market linkages and marketing infrastructures for smallholder farmers (Ministry of Agriculture and Forests, 2013). The Royal Government of Bhutan also implemented a seven-year programme (2015-2022) called the Commercial Agriculture and Resilient Livelihoods Enhancement Programme (CARLEP) with the support of the International Fund for Agricultural Development (IFAD). CARLEP aims to transform a subsistence-based rural agricultural economy into a sustainable value chain and market-driven sector (IFAD, 2015).

To reap the B2B model's benefits mentioned above, CARLEP initiated a collaboration with the Regional Agricultural and Marketing Cooperative (RAMCO) to pilot a B2B marketing model in Mongar in March 2018. This project linked two vegetable production groups – namely Singye and Bakhaphai – in Balam Gewog to a buyer (CARLEP, 2019). Although the linkage for the two vegetable farmers' groups was the first in the country, the B2B pilot model is currently not functional. CARLEP and RAMCO are aware of this fact but have not followed-up with studies to analyse the causes of its failure. Understanding the challenges faced by the B2B marketing model would shed light on useful information that would support future efforts to design credible and improved interventions replicable in other communities.

To do this, we must first establish an improved understanding of the existing local system, which is vital to solving context-specific challenges. It is also essential to balance this with the more general knowledge that there is a universal need for better market linkages be-

tween small producers and markets in developing countries. Therefore, this study was conducted to investigate the causes of B2B marketing failure in Balam Gewog, Mongar, Bhutan.

Materials and Methods

Study area

Mongar Dzongkhag lies at about 27.25° latitude and 91.2° longitude with an area of about 1,940.26 km², with altitude ranging from 400 to 4000 meter above the sea level (National Statistics Bureau, 2010). The lower altitude region in the south has a sub-tropical climate, while the higher altitude region in the north has a temperate climate. While maize and rice are grown abundantly, citrus, vegetables, dairy, and poultry are increasingly becoming valuable cash income sources. Balam Gewog, in the north-eastern corner of Mongar Dzongkhag (Figure 1), had the first piloted vegetable groups initiated by CARLEP and RAMCO. The Gewog has 251 households with a 921 population (47% male and 53% female). Most people (42.3%) are between 20 and 49 years old. The Gewog's dry land area, suitable for agricultural activities, is about 584.2 acres (National Statistics Bureau, 2010).

Data collection

Data were collected in early 2020 upon getting approval from CARLEP and RAMCO and obtaining consent from study participants. Data sources included focus group discussions, in-depth interviews, and secondary sources. We conducted two focus group discussions: (1) with the Singye and Bakhaphai production groups (twelve members), who took part in B2B interventions, and (2) with four vegetable production groups (nine members), who were not into the B2B intervention. The in-depth interviews with key informants (administrative officer, extension officer, the village head, buyer, RAMCO official, and CARLEP official) were also done using open-ended questions. Key informants who were not available for face

-to-face interviews were contacted through telephone calls. We also collected secondary data about the vegetable farmers' groups from the Gewog Administration Office, CARLEP, and RAMCO. Data from various sources helped triangulate information on the Gewog, vegetable production, market systems, support systems, B2B model, B2B challenges, and willingness to participate in B2B.

Data analysis

Data were analysed using the market systems approach to map the B2B model. The market system approach helps to understand the broader and systemic influences on the subsector by visually illustrating all the components and relationships within the market (Bell and Bryman, 2003). Therefore, this study mapped the principal market actors, identified the constraints and opportunities within supporting services, and described leverage points within the business-enabling environment. Data were also analysed using thematic analysis (Ibrahim, 2012) to identify factors that lead to the B2B marketing failure.

Results and Discussion

Vegetable production in Balam Gewog

The Gewog produces 596.50 metric tons (MT) of vegetables from 239 acres of land under veg-

etable cultivation. There is a surplus of 439.23 MT of vegetables after subtracting the self-consumption of 159.10 MT (Table 1). However, farmers face problems in marketing their entire surplus. The Gewog is currently unable to sell all surpluses; moreover, the Gewog does not have vegetable processors at present. Given the surplus, linking farmers directly to the buyers through B2B marketing is one option to market the surplus produce. Hence, CARLEP, in collaboration with RAMCO, piloted a B2B linkage in March 2018 with two vegetable farmers' groups in Balam Gewog to address this issue.

B2B model, stakeholders, and roles of stakeholders

The B2B marketing model (Figure 2) adopted in Balam Gewog shows the stakeholders and their roles. An explicit understanding of the interconnected system helps to plan and adapt activities as required. Based on the classification of linkages by Santacoloma and Rottger (2003), the linkage facilitated by the CARLEP and the RAMCO is a primary linkage.

There are three principal stakeholders involved in the B2B initiative: 1) vegetable farmers' groups; 2) a buyer; and 3) facilitating organisations (CARLEP and RAMCO). The facilitating organisations identified the farm-

Table 1: Areas under cultivation in acres and vegetable productions in metric tons (MT) in Balam Gewog

Crop	Land (acres)	Total production (MT)	Consumed (MT)	Surplus (MT)
Potato	140.0	443.8	143.8	300.0
Chilli	45.0	65.2	3.8	61.5
Cabbages	18.0	38.7	2.5	36.2
Radish	15.0	24.7	2.5	22.3
Cauliflower	10.0	14.0	2.5	11.5
Peas	5.0	5.2	1.5	3.8
Carrot	3.0	3.9	0.5	3.4
Beans	3.0	1.0	3.5	0.7
Total	239.0	596.5	159.1	439.23

Source: Record from Balam Gewog Administration (2019)

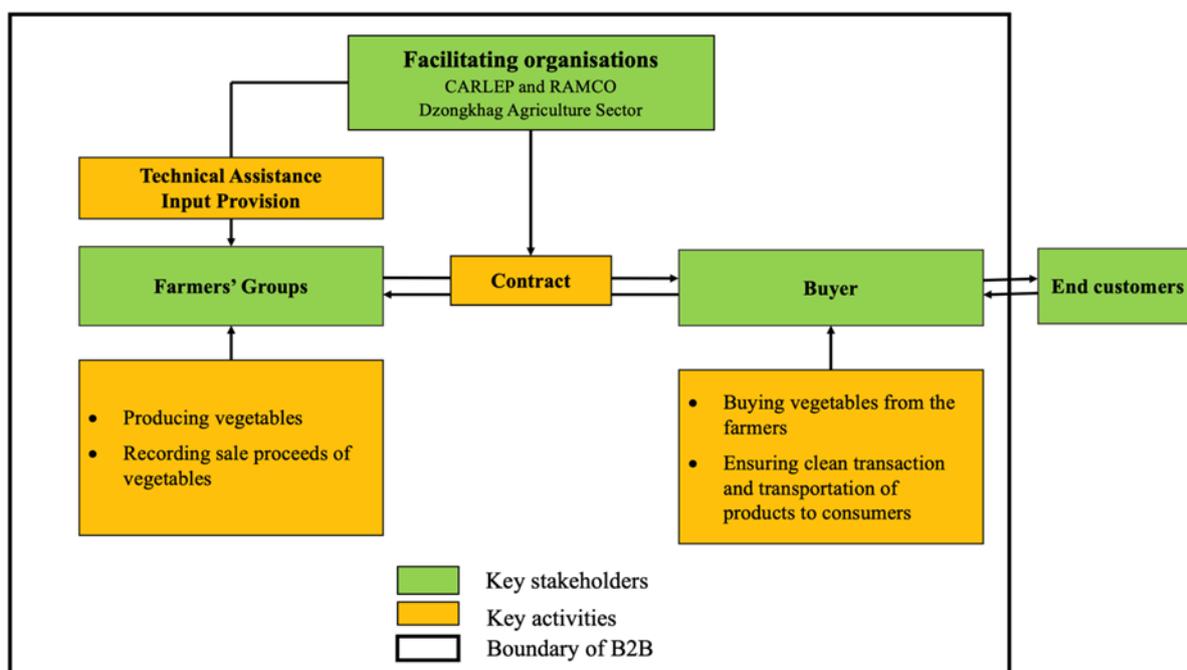


Figure 2: B2B model adopted in Balam Gewog

ers' groups who participate in the B2B initiative based on production capacity and willingness. They also identified the prospective buyer from the Balam Gewog based on job history and desire. CARLEP and RAMCO, along with officials from the Dzongkhag Agricultural Sector, facilitated the contract signing between vegetable farmers' groups and the buyer through a workshop. It is through this workshop that vegetable farmers' groups and the buyer agreed on the contract terms and conditions. Facilitating organisations also provided free capacity building programmes (e.g., vegetable cultivation training) and agricultural inputs (e.g., seeds) for the intervened groups.

The farmers-groups' role was limited to vegetable production to meet the contract's requirements (Box 1). The two vegetable groups were Bakhaphai (19 members) and Singye (17 members). Members of farmers' groups were to bring the vegetables to a dedicated collection point on fixed dates and collect payment from the chairman and accountant upon verifying the farmers' vegetable sale proceeds.

The buyer's roles are to buy vegetables from farmers' groups, ensure clean transaction

(make payment for vegetables to chairman and accountant of the selected farmers' groups), and safely transport produce to the consumers. The buyer was a man from their locality who supplies vegetables to nearby towns. The contract signed by farmers' groups and the buyer mentions penalizing the defaulter as per the nation's law. However, in practice, the buyer blamed the farmers' groups for inadequate quantity and poor-quality of the produce, while the farmers' groups blamed the buyers for not turning up to collect the produce on time, which caused the over-maturing of produce, which was what led to the decline in the quality of produce. Despite these complaints, neither the farmers' groups nor the buyer formally reported facilitating organisations about such contract failures.

The contract failed to function; however, the contract did not mention its validity and renewable date, and the roles of CARLEP and RAMCO were not specified. The facilitating organisations could have been more proactive in monitoring the business relationship between the buyer and farmers' groups and revised the contract as per the ground realities.

Facilitating organisations mentioned that they considered the capacity and willingness of farmers' groups and the buyer (based on self-reported figures) during the workshop. However, a detailed investigation is required beyond the workshop on groups' production capacity, the buyer's purchasing capacity, and attitudes to work in groups and comply with contract terms. The following section discusses what went wrong in the piloted B2B model, ultimately leading to its failure.

Causes of B2B marketing failure

A) Mismatch between vegetable production and collection schedule

The two groups' vegetable production in 2019 is presented by the monthly sales (Figure 3). For Singye group, peak sale is in July and August; and for Bakhaphai in August and September. While it is evident that the production is not uniform throughout the year, the contract required the buyer to collect vegetables only twice every month (Box 1). This contract clause clearly showed a lack of proper consideration of supply and demand. This arrangement resulted in delayed harvesting of produce, causing over maturation and farmers' inability to sell vegetables in peak production seasons. Farmers also reported feeding the vegetables to domestic animals during peak seasons, while they could not produce enough to meet the contract during the low seasons. The farmers ex-

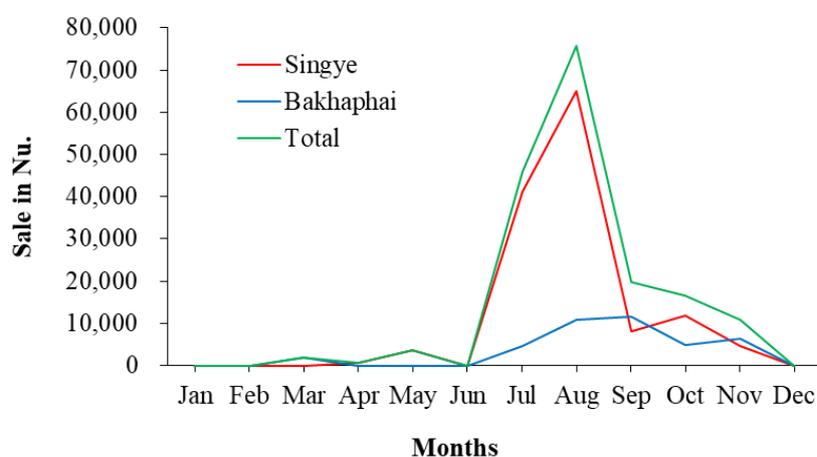


Figure 3: Monthly sales of vegetables by groups in 2019

pressed that the B2B marketing model was operational only for about a year (March 2018-March 2019). After that, the buyer never came to buy vegetables justifying that farmers' groups did not meet the agreement in terms of vegetable quantity and quality, and the linkage remained non-operational. As interventions made without coordination can lead to market distortions instead of development (Maitre, 2011), the terms of contract should have been adjusted to the smallholders' production realities without compromising commercial requirements. For instance, in this case, the buyer could have visited the producers more than twice a month during peak season and spaced out the visits during the low season. Thus, re-scheduling the vegetable collection time could have been a win-win solution as it would not pressure farmers to produce more during the low season and buyer to buy before vegetables are over matured in peak season.

B) No specification of vegetable quantity and quality

After about one year of the contract signing, the buyer discontinued collecting vegetables in Balam Gewog, justifying that the quantity (during low season) and quality, including maturity, infection by pests and diseases, and size (during peak season) of vegetables did not meet the contract requirement. Farmers' groups agreed that the production was limited during

the low season and that the vegetables would over-ripe (compromising quality) during the peak season. However, the quantity that the buyer could purchase in each collection was not specified in the contract agreement. Although the contract agreement stipulated the supply of quality vegetables (Figure 4), what constitutes quality was not mentioned. Thus, the definition of quality

was left to open interpretation, allowing the buyer to stop purchasing the produce from the farmers' groups stating that the quality of vegetables were not good. Hence, as reported in Vorley *et al.* (2008) and Food and Agriculture Organization (2004), facilitating organisations need to define the quantity and quality aspects in the contract and demonstrate it to the buyer and farmers' groups with adequate examples.

C) Inadequate support services

In Balam Gewog, facilitating organisations and the Dzongkhag Agricultural Sector supported smallholder vegetable groups with seeds, fertilizers, and water pipes (Table 2). However, the support was inadequate as it had to be divided among all members. Besides vegetable group members, the facilitating organisations also had to support other smallholder farmers in the Gewog, which accounts for 251 households (National Statistics Bureau, 2010). The farmers also reported high production in peak season, the lack of storage facility, and the absence of quality control measures. Limited production assets such as land, livestock, labor, and equipment constrain smallholders' capacity to generate surplus adequately and consistently (Christensen *et al.*, 2012). Thus, adequate sup-

port services are essential because services like finance, training, and inputs enhance the development of smallholders' capabilities and stimulate sustainable market linkages (Arias *et al.*, 2013; Negassa, 2015). Therefore, while the existing support services must be continued, the facilitating organisations must upscale and enhance the services to meet production quantity and quality simultaneously.

D) Lack of monitoring after contract signing

Contract signing alone does not guarantee the B2B model's success because it also increases the risks of defaulting the agreement's terms (Vorley *et al.*, 2008). Moreover, as market linkages evolve, models need to adapt to changing market conditions and the relationships between the participating actors (Maitre, 2011). Therefore, rather than strict adherence to the clauses determining the contract's success, the facilitating organisations could support monitoring the linkage, and revising and improving the commitments between the two parties as necessary. However, in this case, the facilitating organisations' roles ended with the contract signing between the buyer and farmers' vegetable groups. There was no provision for the farmers and buyer to follow up and provide

Vegetable groups' responsibilities

- *The vegetable groups must grow and increase the produce on a minimum area of one langdo* from each grower.*
- *Vegetable group members must produce good quality vegetables; otherwise, buyers will not buy.*
- *Vegetable group members must submit the sale proceeds of vegetables to the chairman and accountant monthly without any errors.*

Buyer's responsibilities

- *The buyer must hand over the cash income to the chairman and the accountant.*
- *The buyer must collect the vegetables from the growers twice every month.*
- *The buyer must collect the produce from a designated place located by the chairman.*

Penalties for defaulters

- *Defaulters will be dealt with as per the nation's law*

Note: *One langdo (one day plow) is equal to 0.34 acres of dryland or 0.25 acres of wetland

Figure 4. Clauses in the contract (translated from Dzongkha, the national language of Bhutan)

Table 2: Agricultural infrastructure and amenities in Balam Gewog

Infrastructure	Unit	Value
Number of farm roads	Number	17
Length of farm road	Kilometres	39.4
Electric fencing	Kilometres	2.0
Length of the irrigation channel	Kilometres	14.5
Irrigation channels	Number	4
Sustainable land management project	Acre	10.0
Greenhouse or ploy house	Number	9

feedback. There were no mechanisms to improve when things did not go well or as planned. For instance, both parties did not inform the facilitating organisations when they could not comply with the contract starting in early 2019. The only intervention by facilitating organisation after contract signing was the provision of inputs to farmers. Iterative and adaptive approaches help in achieving desired outcomes by repeating best practices and learning from failure. Therefore, it is crucial for facilitating organisations to monitor and to be able to adjust such agreements when necessary.

Conclusion

Balam Gewog in Mongar adopted a B2B model in 2018 with support from the CARLEP and RAMCO. However, the contract failed in 2019, thereby negating the desired benefits by both the farmers' groups and buyer. The study revealed that the B2B marketing model in Balam failed in both planning and implementation. In the planning phase, stakeholders overlooked the mismatch between vegetable supply and collection schedule. The agreed contract also did not specify the aspects of "quality vegetables" that they require, and it also did not specify the quantity of vegetables buyer was seeking to purchase to meet the market demand during each season. These two flaws in the planning phase prevented both the farmers and buyer to comply with the contract terms. Furthermore, the facilitating organisations could have pre-assessed the buyer and farmers' needs in detail

rather than relying on self-reported data during the workshop. In the implementation phase, material and technical support services (e.g., cold storage facilities and inputs) were inadequate or overlooked to allow commercialized vegetable productions. As the agreement alone does not guarantee success, building farmers' production capacity through upscaling support services and addressing both the growers' and buyer's demands are of paramount importance for the B2B marketing model's success. Therefore, facilitating organisations should monitor and intervene over the implementation phase to realize the dynamic and optimum benefits from B2B marketing model. For such models to be successful and replicated, limitations discussed in this study should be carefully re-considered.

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