Marketing Mix and Community Product Purchase Behavior During Covid-19 Pandemic in Surabaya

Nanik Hariyana*, Wilma Cordelia Izaak

Universitas Pembangunan Nasional “Veteran” Jawa Timur, Surabaya 60294, Indonesia

*Corresponding author:
E-mail: nanik.hariyana.ma@upnjatim.ac.id

ABSTRACT

During stable times, firms will generally aim to create reliable B2B relationships that provide increased efficiency and profitability. However, tumultuous times, such as the time during a major pandemic, cause many significant disruptions in both internal and external environmental domains. Thus, we argue that it is critical during this time to reevaluate the company's business relationships as a whole. While long-term partnerships are great for handling incremental changes during stable times, disruptive environmental changes may require managers to consider disruptive changes to their businesses. A pandemic may also present opportunities for establishing new relationships as there may be other partners/suppliers who are better equipped to help the company address urgent short-term needs and to capitalize on significant long-term opportunities. In this paper, we design a new relationship audit template to help B2B firms weather the immediate crisis at hand and position themselves more strategically for the future. We explore this idea about the coronavirus outbreak, introduce the idea of a B2B crisis relationship audit, and offer potential steps forward for firms.

Keywords: Consumer buying behavior, marketing mix, covid 19 pandemic.

Introduction

The existing industrial marketing literature provides numerous guidelines to B2B managers on how to build and sustain key business relationships to support their essential business operations (Santiwong, 1997). Generally speaking, B2B companies should consider both internal factors (such as company objectives and resources) and external factors (such as supply and market conditions and regulatory factors) in designing their relationship marketing strategies (Santiwong, 1998). Within a stable environment, firms are usually motivated to focus on improving profitability and efficiency by leveraging trusted B2B relationships. However, unstable environments can make it more difficult for firms to focus on such narrow criteria and can make reliance on existing relationships riskier. In a crisis, we argue that firms should consider reevaluating their existing relationships based on criteria that are uniquely appropriate for such an unstable environment.

Given the disruptive nature of the 2020 coronavirus pandemic, we believe it is appropriate for firms to conduct a relationship audit on their existing B2B relationships and consider necessary (and even drastic) changes to their relationship portfolio. Within this paper, we develop a research-based template that is straightforward and practical to use for managers. We ground this template on prior literature on B2B relationship value (e.g., cost vs. benefits) and relationship status (e.g., trust, commitment). We then introduce some emerging considerations that are unique to the pandemic crisis: health-related threats, economic threats, humanitarian needs, regulatory changes, and emerging opportunities. We ask managers to evaluate the velocity,

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volatility, and criticality of changes in these factors and formulate appropriate responses to them. Then, we offer managers some practical advice based on the results of this relationship analysis, including when to leverage an existing relationship and when to begin a new B2B relationship (Yamate, 1967). In the next section, we discuss the motivations and structure of the relationship audit template.

The relationship audit: Theoretical underpinnings

Before moving forward with any specific relationship management strategy to cope with a major public crisis, we recommend that firms “audit” their relationships to better understand the virtues and limitations of each existing partnership in light of the evolving pandemic (Kotler, 2003). Early on in a crisis, it is important to figure out which relationships can be leveraged in both the short-term and the long-term. Further, firms must decide what criteria to use in judging their relationships. We specifically propose that companies should evaluate both the unique contextual factors surrounding each business relationship during a pandemic (e.g., arising health and humanitarian challenges) and key attributes of the relationship itself, most notably the relationship value and relationship states. While the focus of this audit is to identify the areas of the B2B relationship that have changed most during a crisis, we also encourage managers to provide some baseline information detailing the relative strength of the relationship value and state immediately before a crisis.

The B2B company should attend to all kinds of business relationships that have major impacts on the company’s performance, whether those impacts are direct (such as key suppliers, distributors, and customers) or indirect (such as key innovation and information partners, the community, or broader regulatory environment). Companies can decide on their own as to how to define the scope of their relationship audit efforts. While we do suggest including relationships with various stakeholders, the B2B company can choose to limit the scope of the audit to only include major partnerships in each domain if the number of general relationships is very large. Alternatively, the company can expand the audit to cover more relationships if the total number of relationships is relatively small (Aamir & Farooq, 2011).

Conducting the relationship audit

A relationship audit template

The relationship audit template we propose is based on the above discussions. Each factor is evaluated on three criteria about changes occurring during the pandemic to a relationship (its contextual conditions, value to the focal company, and relationship states): volatility, velocity, and criticality. For volatility, managers are tasked with determining how many changes have already occurred or are about to emerge in the relationship due to the crisis. Velocity, the manager must decide how quickly the changes are taking place or how fast the situations in the pertinent domains are evolving as a result of the pandemic. For criticality, managers must decide how important it is for the company to consider the above changes in the relationship in formulating their crisis response strategies, both during and after the crisis (Ki & Brown, 2013).

A key dimension in relationship dependence is important, or the criticality of resources obtained from the external environment/partners (Hilman et al., 2009). Our notion of criticality is conceptually similar to the concept of importance in the discussions of external dependence, and it specifically pertains to the criticality of the volatile and fast-moving changes transpiring during a pandemic that impact the proper functioning of the relationship and call for appropriate company responses. While many of the contextual changes happening during one of the worst health and economic crises in modern history are threats (or having negative impacts) in nature, they all tend to have major impacts on the company’s performance and could cause major short-term and long-term damages to the company if they are left unaddressed. In turn, the rare opportunities that do uniquely appear during a pandemic, if properly identified and capitalized on, could translate into major competitive advantages for the company.
Analyzing the results

After conducting these evaluations, managers can tally up their totals to gauge what relationships require immediate attention. Based on the total scores earned in the volatility, velocity, and criticality columns, the company can divide the partners into two groups: high priority response group (with individual score \( \geq 4 \) in any evaluative area) and low priority response group (all individual scores \(< 4\)). The high priority response group represents firm relationships that have already changed or are expected to change dramatically in the face of the crisis. In some instances, these relationships will take on increasing importance while in other instances, these relationships will become less important, perhaps obsolete.

It should also be noted that some relationships may become crucial for addressing very specific concerns, hence the importance of the key contextual factors. For example, a relationship with a medical supplies firm may be very important in addressing emerging health-related concerns, but they may not have much impact on other factors. In this case, you would expect scores of 4 or 5 on volatility, velocity, and criticality across the "health-related concerns" row, but much lower scores on the other factors. Thus, these relationships should still be addressed immediately even though the total scores may not be very high.

Steps forward

In this section, we provide some guiding principles to B2B companies in their formulation of a pandemic response strategy. Each one represents a different guideline, and when all are considered, we hope to offer companies a relatively complete set of thought processes needed in relationship management during a crisis. We will organize our discussions by addressing steps forward for 1) high priority response relationships (i.e., high volatility, velocity, and criticality), 2) low priority response relationships (i.e., low volatility, velocity, and criticality), and 3) managing the balance of the entire relationship portfolio.

There are three major connections between this section and the previous two, in terms of the logical activity sequence, the theoretical basis of our formulated strategic recommendations, and necessary extensions to the current relationship portfolio. In terms of logical activity sequence, our above relationship audit tool enables the B2B firm to evaluate each major relationship and identify the relationships and specific aspects of those relationships (from most salient contextual factors to most no-table relationship value and state variables) to focus on in formulating their specific pandemic strategies. Hence, the preceding sections provide necessary inputs for further decision-making in the current section. In terms of the theoretical linkage, we organize our entire article by following the contingency perspective of structural design. According to this theory, a firm's structure, including its external structure or how it relates to other organizations (Teixeira et al., 2012), should conform to a set of organizational, environmental, and inter-organizational factors to produce the best performance. Our view of external business relationships as an organizational design issue in the domain of inter-organizational structure is consistent. As much may have already changed in both the broader context and the essential properties of each business relationship, the B2B company should first monitor and categorize such changes and then, specifically based on the conclusions developed above, formulate specific relationship management strategies.

In terms of necessary extensions to the current relationship portfolio, the B2B company should go beyond the auditing of existing relationships to consider needs and opportunities for developing new relationships that were not part of the relationship audit. In this vein, the initial auditing results may illuminate areas that are lacking, thus requiring the establishment of new relationships. For example, if none of the current B2B relationships can be leveraged to address emerging regulatory concerns, this will become apparent from this analysis and a new B2B relationship should be sought after. Below we recommend some steps forward based on the results of this relationship audit.
Advice for high priority response relationships

Because the high-priority group requires the most pressing attention, we focus on these types of relationships first. For the high priority response group, we recommend the following strategies:

Adjust the pace of relationship development based on fast-evolving internal and external conditions. While all relationships go through the same five stages of development including awareness, exploration, expansion, maturity, and dissolution, the pace of their development across stages can vary, especially during times of major changes in a company’s in-internal or external environments. The company should also recognize that as a partner migrates through different relationship stages over time, not all relationship marketing strategies (such as product mix, partner investments, communication, and compromise) will be equally effective. This means that firms should be open to the expansion of some relationships, especially for high response and high criticality partnerships. However, firms should consider the dissolution of other relationships, especially for high re-response but low criticality partnerships.

Develop dynamic relationship management capabilities (learning from the pandemic, resiliency, response systems, etc.). Drawing on the dynamic capabilities perspective, we propose that a company’s ability to manage complex business relationships in conditions of rapid and unpredictable change, such as those experienced in a pandemic or economic crisis, may become a key source of competitive advantage. This means that the role of client-facing employees, such as the sales force, will change. Sales dinners have moved to virtual meetings and conferences have been canceled which means sales teams must get creative. One example of this is the merging of outside and inside sales teams. While these sales force members historically would work in separate functions, rarely seeing each other in person, the coronavirus has forced teams to embrace virtual selling together. This movement away from separate functions within the salesforce today could lead to more functional and integrated sales forces in the future. In other words, traditional inside and outside sales forces could become a relic of the past, replaced by hybrid sales teams (Zoltners et al., 2008).

Conclusion

We hope that this paper is useful to the various employees, firms, and customers in the B2B space who are affected by We hope that this paper is useful to all the various employees, firms, and customers in the B2B space who are affected by the coronavirus pandemic. We understand that managing a crisis is difficult for all firms, and that a reliable “playbook” can be hard to come by. In this vein, we hope that the relationship audit template outlined in this paper can provide firms with an additional tool for managing a crisis. The 2020 pandemic has pushed practitioners and academics into a new reality that most of us are unfamiliar with. Thus, we hope this paper can inspire an emerging stream of research and knowledge focused on crisis management in the B2B context.

Given the newly developed nature of this relationship audit framework, this framework still requires comprehensive, empirical testing. With that said, we have applied the framework to evaluate a relationship with a food services supplier on behalf of the university where the authors work. We believe this is an appropriate example as the authors have both familiarity and prior experience navigating the university’s relationship with their primary food service provider.

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