Abstract
Transformation of Malaysia horticulture industry had detected transition from supply chain to value chain perspective as well as emerging of new type of intermediaries called the packers. However no major changes of marketing activity at farm level and stringent quality requirements at entry level impose by hypermarket, small scale production, coupled with the lack of integration across the value chain and limited compliance to global food safety are highlighted as the challenges in this industry. Intermediation might contribute to the chain deficiency process and actors. Nevertheless, relationship marketing approach had emphasized people as the main dimension on marketing research which may reveal the intangible aspect of the challenges. Therefore this paper proposed the conceptual framework to investigate the moderating effect of relationship marketing towards intermediaries' roles and functions that contribute to smallholder business performance as well as the firm performance.

© 2014 Elsevier B.V. This is an open access article under the CC BY-NC-ND license (http://creativecommons.org/licenses/by-nc-nd/3.0/).
Peer-review under responsibility of Universiti Malaysia Kelantan.

Keywords: intermediaries; horticulture industry; relationship marketing; firm performance; smallholder business performance; retailer performance; Malaysia

1. Introduction
Mixed perception towards intermediaries also known as middleman had being report from previous study. As claim by Ellis (1996), agricultural policy makers perceived middleman as opportunist for taking large percentage of
profit and advantage from smallholder. Traders and middlemen are cheating farmers by taking advantage of their lack of knowledge of market prices, poverty, seasonal shortfalls of cash, lack of storage facilities in villages that contribute to weak bargaining power arising from illiteracy and low social status (Thapa, Koirala and Gill, 1995; Lantican, 1997; Banskota and Sharma, 1999; Shrestha and Shrestha, 2000 and Khushk, 2001). However traders and middlemen functions in marketing services particularly to smallholders in developing countries play others important roles such as providing storage services to cater perishable produce, increase added value of product by performing grading, packaging activities and provide financial assistant, able to improve efficiency through greater organization, improved information flows, shared standards along the chain, provide outreach and linkages both horizontally among institutions and vertically among different levels of public administration and value chain stakeholders as well absorbing the risk of fluctuations of production and price variation as results from the rapidly changing global environment (Bingen, Serano and Howard, 2003., Arshad, Mohamed and Latif, 2006., Arshad and Rahim, 2008).

Malaysia horticulture supply chain undergoes transformation due to aggressive growth of large retailer such as hypermarket chain, increase of consumers’ income and changes in lifestyle as well as consumptions pattern. Hussin, Lee, Ibrahim and Bojei (2010) had listed 13 lifestyle factors associated with fresh produce purchase in Malaysia such as usage of fruit orientation, word of mouth orientation, label orientation, personal use orientation, origin orientation, ethnocentric orientation, freshness orientation. They concluded that shopper characteristics such as increase in household income have influence on retail patronage behavior. The preference and demand for high quality vegetables produce are expected to increase consistently and the business-to-business activities have become more challenging than before (Tey, Mad Nasir, Zainalabidin, Jinap, and Abdul Gariff, 2009).

In this emerging market, Arshad et al., (2006) found new type of intermediaries so called as packers and there are sign of market transition from supply chain to value chain. However marketing of horticulture produce did not detect any major changes at the farm level even though large retailer impose stringent quality requirement at entry level that became the barrier to potential entrant especially smallholder or supplier (Arshad and Rahim, 2008). In addition, the Malaysia Economic Transformation Program (ETP) under Entry Point Project 7 had pointed out challenges of small scale production, lack of integration across the value chain and limited compliance to global food safety on mission to tapping premium export markets (ETP, 2010). The disconnection of integration across the value chain may involve the intermediation process as well as the intermediaries which can contribute to increase in cost of living.

The study on intermediaries’ roles and functions are being emphasized by industries such as services, industrial and information but it remains scarce for the horticulture industry. Lindgreen and Wynstra (2005) stated that the intermediaries can be studied by either focusing on product and services values or value of buyer-seller relationships, networks, and interactions. Current research stream still lacking on relationship related value. Therefore this research intention is to investigate the moderating effect of relational variables towards intermediaries’ roles and functions that contribute to smallholder business performance as well as firm and retailer performance.

2. Literature Review

2.1. Horticulture industry in Malaysia

Globalization and economic growth had increase the importance of agriculture sectors. Malaysia through Economic Transformation Programme (ETP) underlines Agriculture National Key Economic Area (NKEA) that project contribution up to RM 28.9 Billion in year 2020. Currently Agriculture sector (excluded industrial crops such as palm oil, rubber, cocoa etc) contribute RM 20.1 million equal to 4% Gross National Income (GNI) with 10.7% growth rate (2005-2009) annually. (ETP,2010). Despite intensive focus had been given by the government on developing horticulture industry, projected self--sufficiency in 2010-2020 are still low which vegetables only 41-68% whereby fruits 66-76% respectively. This phenomenon is base on negative relationship of production as
compare to demand and usage per capita. Agro food Statistic 2012 stated even though average growth rate of vegetable production is higher with 9.8% yearly as compare to average growth rate on demand is 4.5%, the volume still much lesser with only projected to produce 0.7 - 1.7 million ton metric versus demand up to 1.6-2.4 millions ton metrics. Same scenario can be observed in fruits production with average growth rate slightly higher 3.8 % as compare to average growth rate demand , 2.3% but the volume indicate shortage of supply whereby fruits production only projected 1.8-2.6 million ton metrics versus 2.7-3.4 million ton metrics projected for demand. Furthermore decreasing of planted area of both vegetables and fruits by 1.9% and 5.1% respectively supported the indication of low self sufficiency. In the perspective of trading, negative balance of trade shows imported vegetables and fruits are increasing in 2011 and half year of 2012 almost 4 fold as compare to export. Detail figure shown in Table 1.

Table 1: Trade of Agriculture Sector 2011 – 2012 (RM millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Agriculture</td>
<td>133,872</td>
<td>60,433</td>
<td>77,573</td>
<td>56,299</td>
<td>20,101</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agri-food</td>
<td>20,494</td>
<td>9,982</td>
<td>34,450</td>
<td>-13,956</td>
<td>-7,438</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vegetables</td>
<td>751</td>
<td>363</td>
<td>2,735</td>
<td>-1,984</td>
<td>-966</td>
<td>-921</td>
<td></td>
</tr>
<tr>
<td>Fruits</td>
<td>626</td>
<td>298</td>
<td>1,592</td>
<td>-1,984</td>
<td>-966</td>
<td>-627</td>
<td></td>
</tr>
</tbody>
</table>

Source: Agrofood Statistic, 2012

Gunasekaran, Patel and McGaughey (2004) claim effectiveness of the company distribution planning schedule as one of supply chain performance metrics which indicate insufficiency of horticulture industry in Malaysia (Table 1) may contribute from the intermediation actors and process.

2.2. Value Chain and Relationship Marketing (RM)

Value creation through profitable relationship has begun to gain attention in the business-to-business (B2B) segment of agribusiness. A number of recent studies have investigated buyer-seller relationships between seed suppliers and farmers (Batt and Rexha 2000); food importers and exporters (Gyau and Spiller 2009); processors and farmers (Boniface et al., 2012). Their findings suggest that a strong relationship between a buyer and a seller is likely to result in an efficient supply chain and superior market performance.

Gary et al (2005) had identified five types of global value chain governance named hierarchy, captive, relational, modular, and market which range from high to low levels of explicit coordination and power asymmetry among the value chain partners. This research concluded that relational value chain governance can be expected when product specifications cannot be codified, transactions are complex, and supplier capabilities are high. Due to exchange of tacit knowledge between buyers and sellers that normally being accomplished by frequent face-to-face interaction and governed by high levels of explicit coordination, which makes the costs of switching to new partners high. This shows the importance of intermediaries roles and function as value chain partners. Thus, this exchange provides a strong motivation for lead firms to outsource to gain access to complementary competencies between highly competent suppliers. However mutual dependence found to arise and regulate through reputation, social and spatial proximity, family and ethnic ties, as well. Other aspect of relational value chain governance is the principle of two pillars of growth strategy between acquisitions (ownership based collaboration) and alliances (Non-ownership based...
collaboration). (Dyer et al.2004). The decision of the mode relationship between the value chain partners is strategic in nature and has the primary bearing on the success of the value chain, especially during business phase shifts (Ilyas et al, 2006). Therefore it is interesting to investigate the adoption of relational type of value chain in the horticulture industry of developing country like Malaysia whereby the value chain partners involving the predominance of smallholder as producer and the intermediaries.

![Diagram of Five global value chain governance types](image)

Source: Adapted from Gary et al (2005)

Figure 1:Five global value chain governance types

Lindgreen and Wynstra, (2005) stated three major themes within research of relationship value are identified called value analysis, value creation, and value delivery. Value analysis is widely discussed as a methodology such as analytical tool or heuristic device (Kaplinisky and Moris, 2001). The recent study brings research on value creation and delivery as interlink. Silva, Day and Palmer (2010), had proposed six steps on developing of value interaction between supplier and buyer. In this study both value creation and delivery had been discussed parallel as relationship hierarchies and behavioral effect. Thus it indicates both, value creation and delivery should be study concurrently.

2.3. Intermediaries roles and functions

Dalziel (2010) defines intermediaries as an organization that works to connect other organizations to one another in bilateral or multilateral relationships. The Oxford Dictionary (2nd Ed) defines intermediary as a person acting as a link between (groups), especially to get agreement. Intermediary also know as middleman either firm or person (such as a broker or consultant) who acts as a mediator on link between parties such as business deal, investment decision and negotiation. In money markets, for example, banks act as intermediaries between depositors seeking interest income and borrowers seeking debt capital. Intermediaries usually specialize in specific areas, and serve as a conduit for market and other types of information.
Innovative intermediaries are highlighted in recent study of intermediation. Their ability to innovate gives an advantage on a particular supply chain as competition now days are not among the companies but among supply chain (Arshad et.al 2006). The advantages including establishing the necessary relationships to engage in demand-driven innovation processes (Blumstein and Taylor, 2013), facilitate the formation and maintenance of innovation networks, articulate demand, forge linkages with those that can provide innovation support services, manage innovation processes, important liaison function, restore the innovation systems interaction and coordination that have been disturbed by privatization processes due to their pre-competitive scope and impartial position (Klerkx and Leeuwis, 2008). In consumer perspective innovation intermediaries supporting effectiveness of Corporate Social Responsibility (CSR) (Lin, 2009) as well as increase marketing margin in consumer market (Hussain, Badari and Khokhar, 2003). Whereas on producer side, innovation intermediaries promoting innovation systems approach to institutional change for smallholder development (Hounkonoua, Kossoud, Kuypere, Leeuwis, Nederlof, Röling, Sakyi-Dawsoni, Traoré and Hui, 2012) as well as using technological learning as mediating agent on promoting agriculture innovation systems (Morriss, Massey, Flett, Alpass and Sligo, 2006). Kilelu, Klerkx, Leeuwis, and Hall (2011) had summarized six broad functions of innovation intermediaries which are demand articulation/stimulation, network brokering, knowledge brokering, innovation process management, capacity building and institutional building.

There are various roles and functions of intermediaries found in the literature. It can be categorized into nine types of intermediaries as shown in table 2. Recently two major themes named knowledge and innovation being discussed widely in every cluster of intermediaries.
Table 2: Nine clusters of intermediaries was identify based on the articles reading.

<table>
<thead>
<tr>
<th>Roles and functions</th>
<th>Research area</th>
<th>Author/s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultural intermediaries</td>
<td>a) Intermediaries’ culture roles on connecting new and establishes culture</td>
<td>Maquire (2013)</td>
</tr>
<tr>
<td></td>
<td>b) Understandings the term of cultural intermediary within art galleries and art centers</td>
<td>Durrer and Miles (2009)</td>
</tr>
<tr>
<td>Services intermediaries</td>
<td>a) Co produce services offering, exchange services offering, co create value upon firm co creative organization in value creation</td>
<td>Tokman and Beitepsacher (2011)</td>
</tr>
<tr>
<td></td>
<td>b) Stronger positive relationships between new ventures’ ties with service intermediaries and their product innovation in networks cluster.</td>
<td>Zhang and Li (2010)</td>
</tr>
<tr>
<td>Financial intermediaries</td>
<td>a) self-selection and financial transactions that related to disintermediation due to electronic marketplaces</td>
<td>Berger and Gleisner (2008)</td>
</tr>
<tr>
<td>Information intermediaries</td>
<td>a) Positive relationship detected on inducing consumers by trading off higher total consumer traffic for higher revenues per consumer visit, reducing the variance of store profits when store affiliation decisions are endogenous and influencing stores’ choices of strategic variables (e.g. pricing) once they have decided to affiliate</td>
<td>Hagiu and Jullien (2009)</td>
</tr>
<tr>
<td>Electronic commerce</td>
<td>a) The intention to adopt electronic commerce intermediaries shows positive relationship with trust, expertise require that being mediate by transaction complexity and being enhance by usefulness &amp; ease of use</td>
<td>Alina, et al. (2000)</td>
</tr>
<tr>
<td>Social intermediaries</td>
<td>a) Likelihood of intermediation in social</td>
<td>Kistruck, et al. (2012)</td>
</tr>
<tr>
<td>Regional intermediaries</td>
<td>a) Had an important role in the creation and supporting of the network dynamics including forming shared innovation strategies between the actors and attracting anchor tenants to the region</td>
<td>Smedlund (2005)</td>
</tr>
<tr>
<td>Agriculture intermediaries</td>
<td>a) To get products transferred from farm-gates to the consumers</td>
<td>Ellis (1996)</td>
</tr>
<tr>
<td></td>
<td>b) Agricultural extension education, intermediaries transfer and facilitate the knowledge</td>
<td>Koutsouris (2012)</td>
</tr>
<tr>
<td></td>
<td>c) Serve as a conduit for market and other types of information</td>
<td>Bingen, et al. (2003)</td>
</tr>
<tr>
<td></td>
<td>d) Function both as business-oriented and development-motivated is an area that appears to offer great potential for linking business with small scale producers</td>
<td>Berdegué, et al (2008)</td>
</tr>
</tbody>
</table>

2.4. The Roles of Relationship Marketing

The definition of relationship marketing (RM) has been dynamic over the years. Agarya and Singh (2011) found seventy two (72) definitions of relationship marketing (RM) from vary perspective. Using the definition by Lambert (2010) RM is stated as ‘strategic, process oriented, cross-functional and value creating for buyer and seller as well as a means of achieving superior financial performance’. The recent definition by Sheth et al (2012) had specifies relationship marketing as the ongoing process of engaging in collaborative activities and programs to create or enhance mutual economic, social and psychological value as well as profitably with immediate (intermediaries) and end-user customers.

In reference to the definition of intermediaries one of its roles and function is buyer seller relationship. Handfield and Bechtel (2002) suggest buyer-dependence, supplier human asset investments, and trust had positive relationship with improved supply chain responsiveness. Research on key supplier relationship management is demonstrated to be a significant mediator in the supply chain orientation versus organization buying effectiveness relationship. Positive relationship towards organization buying effectiveness and firm profitability also detected which indicate
effective purchasing behavior (Miocevic and Karanovic, 2012). As a summary Cruz and Liu (2011) identified high levels of relationship can lead to lower supply chain overall cost, lower risk, lower prices, higher product transaction and therefore higher profit.

2.4.1. Relational variables

Relationship variables are widely discussed in the context of relationship marketing. Agarya and Singh (2011) listed 50 general defining constructs or so called relationships variables whereby trust and satisfaction are known to be the most popular relationship variables. Specific study on relationship marketing for the fresh produce sector by Hingley and Lindgreen (2002) had disclose power-dependency, exclusivity, trust, conflict, satisfaction and social bonding as an influence relationship variables.

2.4.2 Relational variables and intermediaries performances

The impact of relational variables towards performance of intermediaries who are referred as channel member and business group from previous studies is the focus of this research. Brown et al (1995) categorize supplier and buyer as channel member where power and relational commitment act as mediating agent to their performance. Whereas business group had define as ‘a set of firms which, though legally independent, are bound together by a constellation of formal and informal ties and are accustomed to taking coordinated action (Khanna and Rivkin, 2001). Both terminologies are being differed in term of legal and non legal bind among the intermediaries.

Previous study shows inconsistency of relational impact towards business performance of smallholder. Positive impact shown when cooperative trust enhancing livestock marketing efficiency (elDirani, Jabbar and Babiker , 2009) and loyalty were found to influence business performance (Boniface, 2012). Contrary the influence of trust to contract characteristics of a supply management may not significant due to other factor in a context of developing country (Sartorius and Kirsten, 2007).

In the perspective of firm performance, positive relationship had been detected with specific investment of efficiency-centered business model (Brettel and Strese, 2012). Sarkees (2011) study shows that relationship is a mediator between technological opportunism and firm sales, profit, and market value. In new product development, relationship orientation act as an accelerator is a way of improving innovation process to effect firm performance of well-designed organizational structure (Zehira, Altindagb, and Acarc , 2011) whereby value creation competence into increased firm sales performance (Sullivan, Peterson and Krishnan, 2012). Well known guanxi philosophy shows during the grow phase, its negative effect leads to erosion of firm performance. Therefore to enhance and amplify the eroding effect of guanxi on firm performance, interorganizational trust and relationship specific investment play as two potential mediators (Nie, Zhong, Zhoua, Jiang and Wang, 2011).

Whereby on retail performance, global sourcing practices, multichannel routes to market, and relationship-based innovation are transforming the retail landscape and leading to a variety of performance improvements with regard to brand image, reputation, sales and profits, innovation, and relationships (Ganesan,George, Jap,Palmatier and Weitz ,2009).

For the purposed this investigation, the scope of this study will focus on smallholder business performance, firm performance and retailer performance as dependent variables whereas intermediaries roles and functions will be the independent variables.

3. Propositions

Palmatier, Dant, Grewal and Evans (2005) had listed previous studies that identified relationship variables not only as a moderator but also as antecedents and outcomes in seller – customer relationship which indicate values exchange (bidirectional transition). In the moderator perspective relationship marketing is typically more effective
when relationships are more critical to customers, such for (1) service versus product offerings, (2) channel versus direct exchanges and (3) business versus consumer markets.

This study with aim to discover relationship investment becomes antecedents that influence seller performance through mediating pathway. Some examples on relationship variables that being studied as a relational mediator such as commitment that being defines as an enduring desire to maintain a valued relationship (Jap and Ganesan 2000; Morgan and Hunt 1994), trust as confidence in an exchange partners reliability and integrity (Sirdeshmukh, Singh and Sabol, 2002) and relationship quality which being defined as overall assessment of the strength of a relationship, conceptualized as a multidimensional variables capturing the different but related facets of an relationship.

Therefore from above discussion regarding the variables, Figure 2 indicates the research framework for this study.

![Figure 2: Conceptual framework](image)

4. Conclusion

Inconsistent perceptions and empirical finding indicates the needs of further investigation on intermediaries’ roles and function. Furthermore emerging of various intermediaries clusters suggest that adaptation and innovation are happening to ensure their relevance in the industry. Relationship marketing perspective promote in depth understanding of intangible value that contribute different perspective of intermediaries efficiency. As known intermediaries bridging the producer and consumer thus will be direct or indirectly contribute to the value chain sustainability. Therefore, the authors will further the study based on proposed framework through literature and empirical validation.

References

Agrofood Statistic 2012 (2013) Strategic Planning and International Division, Ministry of Agriculture And Agro-Based Industry, Malaysia . ISSN 2232-0407


