



Role of the Middleman in Online Value Chains

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Abstract- The inter-firm networks and trust plays a paramount role in the value chain analysis. The present articles targets the value chain where *Bigbasket* acts as a lead firm and studies the value thread where value addition is done through smaller units down the value chain. *Bigbasket* sells fresh fruits and vegetables in the processed forms under its brand name in which the job of cutting, dicing, peeling and chopping has already been done and the product is sold in ready to use and consume form. These finished and packed fruits and vegetables are ready to eat and use for cooking.

Keywords: value chain analysis, Middleman, inter-firm networks

INTRODUCTION

This value addition to the raw fruits and vegetables saves a lot of time for the consumers, which is a major motivation to buy these value added fresh fruits and vegetables. This value addition work is done by the outsourced smaller units which have originated in the vicinity of the warehouse of the *Bigbasket* over the period of time.

The field site is based in a peri-urban setting in village *Bamnoli, Dwarka*. Over the period of time many small units have developed in the vicinity of the main operational set up of *Bigbasket*. These smaller operational units are responsible majorly for the outsourced work and value addition to the raw materials so that a more finished product is derived for online sale to the customers. The fieldwork for this section was done in the month of October and November 2019.

MODUS OPERANDI WITH LEAD FIRM (BIGBASKET)

In the field setting the role of the middle man was very important to get the work and submit the final and finished goods to the store. The middle man used to introduce and coordinate the smaller units with the company. The presence of the middleman (agent) has been there which has been politically influenced at the local level. The affiliation of the middleman has been related with different political parties and from time to time his affiliation been changing from BSP to BJP and now AAP. At the hierarchy of the middle man there is wife of so called *Pradhan* of colony. The middleman could be seen as a subordinate of the wife of *Pradhan* in this hierarchical setting. Majorly the work to production units gets distributed through the influence of middleman. Whenever there is a crisis or dispute then this hierarchy (wife of *Pradhan*) acts as an arbitrator, if the things do not gets settled through the middleman. The dispute could range from delay of payments, passing of finished goods, distribution of work etc.

ROLE OF MIDDLEMAN, BREACH OF TRUST AND ARBITRATION

The technological advances have made the academicians to believe that the role of the middleman or the intermediary along the value chain will diminish gradually. However, that has not been the case though (Arya et al., 2015) as middleman continue to thrive and play an important role across different segments of value chain. In this particular study due to underdeveloped institutions as argued by Nguyen, Weinstein and Meyer (2005), the role of the middleman remains intact. In developing this inter firm relationships the role of the middleman is of prime importance. The active role played by the middleman ensures that the work gets

done smoothly and many of the hindrances which come in between get taken care of in the process. To understand this perspective better; the following evidence from the interview of middleman throws light on the same.

Evidence: Excerpt from the interview of middleman

The middleman reported that there have been many occasions when payment doesn't come on time. The credit period is generally 15 days from the completion of work. In these circumstances there becomes a cash crunch due to delay in payment. In this case the middleman helps in getting the payment out from the company. He also gives soft loan of 500-2000 in case of need to the respondent. The respondent doesn't pay any commission in terms of money to the middleman. The presence of the middleman during the quality check helps the respondents to get their goods passed at the lead firm. The respondent reported that if the middleman is physically present at the company at the time of quality checking, it makes their job very easy. The middleman also reported that they get a quota for the daily job which they distribute to various units within the locality. The middleman distributes the work more or less equally among the available units which are ready and equipped for the day to take up the task. The middleman doesn't get any commission from the working units, rather gets commission from the company to get the task done. All the responsibility of getting the work done from the household production units is on middleman. He reported that they prefer women to be employed for this work as they consider this to be 'woman work'. This is the prime reason that women have been given training about the work. (02 November 2019, 2:40 PM)

To build this inter-firm informal relationship and trust further, the middleman acts as a key player. From distribution of work, supervising the work, dealing with the smaller units, helping them to get the payment done etc. is the role of the middleman. In practise middleman is the spine behind developing trust and network in absence of formal institutions as advocated by Nguyen, Weinstein and Meyer (2005). Even with the advancement of internet as in the case of online retailing, the role of middleman still persists to carve out the finished product for the market to sell. "The internet was supposed to bring manufacturers into direct contact with end customers in a ruthlessly efficient world that left no room for middlemen. But the opposite is occurring." (Anderson and Anderson, 2002, p. 53 in Arya et al., 2015, p. 2).

There have been a few times when the goods of some of the respondents have been rejected. But this has been done very initially one or two times when they started working with the company. Due to these reasons they have also lost payments when their goods get rejected. The middleman and the further hierarchy that is the - Pradhan of the colony mediate whenever there is a dispute related to getting the work, release of the payments or getting the quality check. In many of the cases as reported by the respondents, they have been able to mediate and solve the crisis.

CONCLUSION

The findings suggest that there exists a strong relationship between the lead firm and the smaller units even in the absence of formal institutions. To develop this relationship the role of the middleman is of prime importance; which acts as a ladder between the lead firm and smaller units. It is interesting to find the role of the middleman in interacting between the formal and informal piece of value chain. The results show that the role of the middleman cannot be ignored and replaced without formalising the value chain and institutions within value chain and that govern value chain. The whole debate in the current times where it is argued that the role of the middleman would vanish without formalising the institutions seems to be highly ambitious.

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