MARKETING ALLIANCES: A CASE STUDY BETWEEN A YOUNG STEER PRODUCERS POOL AND THE CARREFOUR SUPERMARKET NETWORK IN BRAZIL[1]

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Executive Summary

The Brazilian beef agrichain (SAG) has demonstrated in the last years, significant advances in participation in the international market. The Brazilian beef has taken over the leadership of the world market in 2003 when the Brazilian exportations performed U$ 1.6 billion with 844.035 tons. Marketing alliances are examples of initiatives that search to modify the coordination structure of this productive chain. The results obtained by marketing alliances in the Young Steer Program field involve a series of advantages, for consumers, dealers, slaughterhouses and cattle farmers.

The objective of this study is to analyze the mechanisms that could guarantee the sustainability of the marketing alliances based on the Transaction Costs Theory. The methodological orientation adopt for this study is the exploratory research, through the utilization of a case study.

In an universe where the bounded rationality and the opportunism are the behavioral guidance that contribute on the transaction prices formation, the theoretical structure presented by Economy of Transaction Costs (ECT) allows some conclusions about the governance structure to be performed for the beef agrichain, specifically in the case of the young steer. The opportunistic behavior of agents of this agrichain, the high uncertainty degree, the risks associated to the transaction and the assets specificity with the commercialization of young animals and the development of a label, lead to the identification of the need of a coordination performed through contracts.

Taking the case of the alliance established between the Mato Grosso do Sul Young Steer Producers Pool (ASPNP) and the Carrefour supermarket network, it was possible to identify factors that enable that this initiative becomes reference for a coordination model in the beef productive chain. Among these sustainability factors, we emphasize: specific investments performed by agents, guarantee of premium-price to the product, horizontal coordination performed by ASPNP and vertical, performed by the retail.

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Abstract**:** The comprehension of the mechanisms involved on the establishment of the marketing alliances on the beef agrichain as well as their sustainability factors is vital for the identification of strategies in the attempt to offer a differentiated and valued product. Taking the marketing alliance established between a Brazilian Young Steer Producers Pool and the Carrefour supermarket, applying the Transaction Costs Theory, one concludes as sustainability factors for this alliance the specific investments performed by agents, the guarantee of premium-price to the product, the horizontal coordination performed by the producers pool and the vertical coordination performed by retailers.

Key words: beef agrichain, marketing alliance, contractual relation

Introduction

The Brazilian beef agrichain (SAG) has demonstrated in the last years, significant advances in participation in the international market. The Brazilian beef has taken over the leadership of the world market in 2003 when the Brazilian exportations performed U$ 1.6 billion with 844.035 tons. Analyzing the period from 1999 to 2003, an increase on exportation of 99.6% and 189% of exported value and volume respectively was verified (MDIC, 2004).

The Brazilian production presented an increase of 17.21% between 1994 and 2002, while the exported volumes jumped from 376 to 929 thousand tons of equivalent carcass in equal period, representing an increment of 147%. In 2002, the exchange value generated through exportation was of U$ 1.074 billion, 93.5% above 1994. Estimations indicate a growth on order of 190% in exported volume of beef until 2012 for estimated 181.834.387 heads of cattle (Anualpec, 2003).

The slaughter rate of the Brazilian cattle herd, which was of 17.2% in 1995, currently reaches 20.5%. The production gross value of the beef segment in 2002, which represents the gross income of producers, was of approximately US$ 755 million, with an increase of 1.6% in relation to the preceding year (MUSTEFAGA, 2003).

Such data indicate an increase on competitiveness of the Brazilian meat productive chain. Several factors determine this new profile of the Brazilian cattle raising. The actions developed in behalf of the eradication of the foot and mouth disease resulted on the improvement of the quality perception of the Brazilian product by the importer countries. The verification of security represented by the pasture production also collaborates on the search for international markets for this product, based on the attribute food security. In addition to the initiatives above mentioned, the beef tracking for exportation, especially to the European Union, since July/2002, significantly contributes for the attending of expectations of the European consumer. The development of the label "Brazilian Beef" emphasizes this set of actions for the competitive insertion of the Brazilian beef into the international markets.

The references to the international trade, although it represents only 14% of the national beef production, serve to comprehend the efforts performed by cattle farmers, slaughterhouses, dealers, input industries, exporters, governmental institutions and research agencies in the attempt to improve the quality and the Brazilian beef image. These efforts reflect on the improvements for the domestic market that feel the positive effects unchained by these processes.

On the other hand, the beef agrichain yet faces a series of difficulties such as the illegal slaughter, low productive indexes, and cool chain inefficiency, among others. In agreement with the advances observed in the search for a better international positioning of the beef product, a transforming side of this agrichain is observed, represented by the initiatives on behalf of a better coordination along the productive chain in such way to attend the most exigent domestic consumers (BÁNKUTI & MACHADO FILHO, 1999).

Marketing alliances are examples of initiatives that search to modify the coordination structure of this productive chain. The results obtained by marketing alliances in the Young steer Program field involve a series of advantages, among which: for consumers, the quality and sanity guarantee and availability of information on the product; for dealers, the development of brands and labels and higher value added products and supply regularity; for slaughterhouses, the supply regularity and the guarantee of retail sales; and finally, for cattle farmers, higher profitability, differentiated product and commercial and productive efficiency (PIGATTO, SILVA & SOUZA FILHO, 1999).

Several examples of marketing alliances were developed lately in Brazil, some of them having the producers as coordinating agents (pools, producers groups or representative entities), others coordinated by slaughterhouses or processing companies, besides the coordination performed by retailers (ROCHA, NEVES & LOBO, 2001). Several factors make the perpetuation of these alliances difficult, among which the traditional adversarial behavior between the different links (cattle farmers/slaughterhouses and slaughterhouses/supermarkets), the lack of instruments of encouragement of quality concepts and practices and failures on the value perception of the beef quality by consumers and retail, may be emphasized (PIGATTO SILVA & SOUZA FILHO, 1999).

The discontinuity of marketing alliances is a fact that instigates many authors. The understanding of the factors related to the sustainability of a marketing alliance will contribute for the comprehension of the coordination efforts impact for the competitiveness of the beef agribusiness system in Brazil.

Thus, the objective of this study is to analyze the mechanisms that could guarantee the sustainability of the marketing alliances based on the Transaction Costs Theory. Specifically, the objectives are:

(a) to identify the factors that guarantee the sustainability of the marketing alliances, developed by the ASPNP and the Carrefour Supermarket network.

(b) to identify and to qualify contractual relations established between the agents of the mentioned alliance: primary production and processing industry, processing industry and retail, retail and final consumer.

Methodology

The methodological orientation adopt for this study is the exploratory research, through the utilization of a case study (YIN, 1994). The marketing alliance between a Brazilian Midwest young steer producers pool and the Carrefour Supermarket network has been studied. The case studies have been more and more used as researching tool, contributing decisively for the comprehension of individual and organizational phenomenon.

From the analysis of the contracts established between the agents of the mentioned alliance, the bibliographic reviewing in order to comprehend these relations to the light of the Transaction Costs Theory was performed. Interviews with delegates of the producers pool were also conducted with the objective of verifying the potentialities of the mentioned alliance.

Bibliographic reviewing

Beef agrichain Coordination

The comprehension of the coordination models of the Agri-industrial Systems (SAG) is a determinant factor for the identification of more effective strategies to reach the specific targets, here defined as the search for higher competitiveness by the beef productive chain. The coordination between links of a given chain may be understood as the ability on the transmission of stimulus, information and controls along the chain. The efficiency on the establishment of this flow of stimulus and information guarantees the harmony with which the coordination is performed (ZYLBERSZTAJN & FARINA, 1999). When the beef agrichain is concerned, a coordination proposal is always a challenge, as the traditional conflicts, result of diverging interests, especially between producers and slaughterhouses, make the implementation and continuity of marketing alliances as coordination efforts difficult.

The diverging interests between actors that compose this agrichain reflect this adversarial behavior, propitious situation for opportunistic actions. The marketing alliances are thus presented as an alternative for the promotion of more harmonious and converging relations in behalf of better results for the chain as a whole. The objective is to guarantee advantages for all links, in such way to construct a relation based on transparency and confidence.

The advantages of participating of a marketing alliance vary according to the segment analyzed. For the cattle farmers, when young animals are concerned, the time for the return on the capital invested and the guarantee of better remuneration (premium price for quality) are factors that justify and promote his participation. For the slaughterhouses, the guarantee of raw material supply with quality and quantity agreed and for the retail, the attending of consumers exigency for higher quality products, sanity and confidence, are factors that induce and support a marketing alliance (ROCHA, NEVES & LOBO, 2001).

The motive power of a marketing alliance is the aptitude of consumers to recognize a differentiated product and, as result, to pay a “premium” for it. The question to be presented is how to coordinate a given chain in such way to attend these expectancies and furthermore, to whom the responsibility for this coordination is relied on.

In order to respond to the questions presented, a brief discussion on the transaction costs involved is convenient, once according to ROCHA, NEVES & LOBO (2001), the advantages of an alliance are linked to the potential reduction of these costs and to the improvement on the processes, result of the higher agility on the information flow.

The firm, under the concepts presented by the New Institutional Economy, is understood not only as a set of contracts, but also as the governance mode that the contracts establish

(ZYLBERSZTAJN, FARINA 1999). The governance modes vary according to the spot market to the hierarchic structures in a continuous model (PETERSON, 2001). In a world where the bounded rationality and the opportunism prevail, the neoclassic result that coordination arises automatically from the operation of market system does not hold (WILLIAMSON apud PETERSON, 2001). For the identification of the most effective governance mode, the basic characteristics of the transactions – asset specificity, risk and frequency – should be analyzed based on the behavioral presupposed – opportunism and bounded rationality.

The figure 1brings the condition in which these variables are interrelated in order to induce governance modes to make the reduction of the transaction costs feasible. Thus, the basic characteristics of the transaction determine a contractual format that, under a given institutional environment and agents behavior, induces a more suitable governance mode.

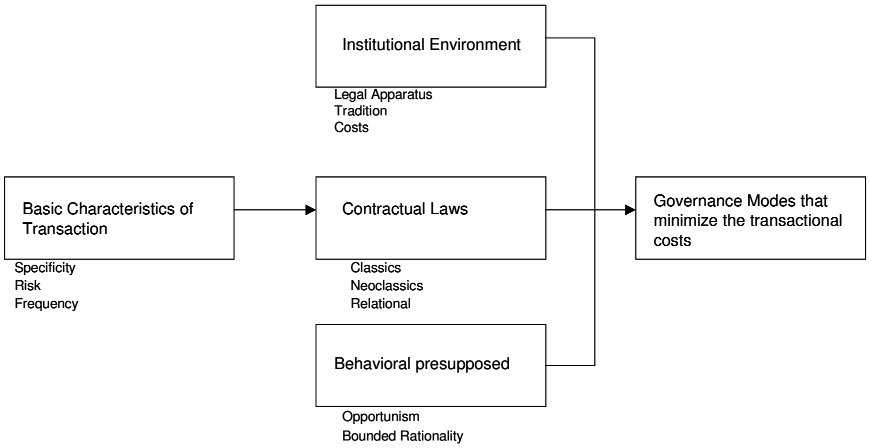

Figure 1 – Governance Modes that minimize the transactional costs
Source: Zylbersztajn (1995)

The assets specificity concerns the impossibility for the investments performed by the agents to have an alternative application. Thus, the investments are considered as specific when present no possibility of being allocated in other processes. The concept of irrecoverable costs is associated to the specificity. The frequency of a transaction is related to average cost of the use of a governance structure (VINHOLIS, 1999), being classified as eventual, recurrent and those performed only once. The risk is associated to residuals distribution between participants (ZYLBERSZTAJN, 1995).

The behavioral presupposed, opportunism and bounded rationality are within the transactions, providing one more component to the analysis. One admits that the governance structure to be adopted is the one that allows the minimization of the transaction costs.

The transactions are regulated by contracts and according to the type of relation established between agents, the following contracts have been established: classic, neoclassic and relational. The classic contracts regard the isolated transactions, with no inter-temporal effect, which are directly related to the market concept of perfect competition. The neoclassic contracts are characterized by the desire of continuity of the contractual relation, being the original contract as reference for the negotiation, while the relational contract is different from the last one as the original contract no longer serves as base for the future negotiation (ZYLBERSZTAJN, 1995).

The market is considered as the most effective governance mode when the price is the best coordination instrument. This reality is valid for commodities products, where the relation frequency is high, specific investments are not performed and the transaction risks are low. In market relations, the coordination intensity is low and the "invisible hand" – the market concept of Adam Smith – determines the price and the performance standards. The only control performed by the parties is the involvement on the price discovery and the decision to participate or not on the negotiation. Thus, the control is performed completely ex-post the transaction (PETERSON, 2001).

At the extreme opposite of this governance models scale, the relations are hierarchized, where the performance of specific investments linked to the high uncertainty degree result in models of vertical coordination. The control intensity required to align and to keep the mutual interests is significantly more complex than that presented by the spot market structure. In this model, the "ex-post" controls, responsible for the monitoring of the relations and for the transaction performance, are of great relevance for the established control mechanisms (PETERSON, 2001).

The factors that induce the establishment of strictly coordinated systems may be identified from the verification of specific transactional characteristics that prevail along the entire chain and the existence of competitive pressures imposed by other coordinated sub-systems. New quality standards required by public policies, specific legislations, consumer rights and alterations on the exigency of consumers with regard to quality, sanity and conformity of products, lead to the increment of specific investments performed by the chain agents, in such way that the coordination costs become high. The formation of groups formed from clear and specific objectives is necessary in order to stand up to such coordination costs (ZYLBERSZTAJN & FARINA, 1999).

In the specific case of the beef marketing alliances, FAVERET FILHO (1998) emphasizes the positive results reached by the leadership of the retail segment on the coordination of these alliances. The approach with the final consumer and its bargain power would be some of the factors that would contribute to reach these targets. In addition, SANTOS (2003) analyzes the importance of a horizontal coordination, in this case represented by the producers pool, in a vertical alliance as a form of strengthening the producers group to face the conjuncture adversities.

Marketing alliances in Brazil

The marketing alliances emerge as result of an effort to promote higher control on the coordination of agri-industrial chains. In the beef case, the prevalence of market relations is understood as the origin of some hindrances to the agrichain competitiveness (FAVERET FILHO, 1998). The attempts to attribute higher coordination to the agrichain reflect on the marketing alliances developed from the concept of vertical coordination of the chain links. The objective of these alliances is a higher value added to beef products and once differentiated, to reach more exigent market niches (VINHOLIS, 1999).

According to PEROSA (1998), the marketing alliances may be defined as an agreement established between the production segments, slaughter/processing and distribution, which has as objective to supply a product with quality attributes different from the commodity meat available in retails. The management of this set of stages is an example of “supply chain management”, with view from the retail (ROCHA, NEVES & LOBO, 2001).

Examples of marketing alliances on the beef chain exist in several countries. According to ROCHA, NEVES & LOBO (2001), in both the United States and Australia, this initiative is done most times along with pools of cattle breeders, supported by the government.

The globalization as factor of stimulus to the modernization of the national cattle raising, the search for higher competitiveness and the change of behavior of the final consumer, who prizes the quality and food safety and not only the price any longer, are factors emphasized by SANTOS (2003) in order to justify the arrival of the marketing alliances as commercial strategies.

According to SANTOS (2003), given the large number of beef suppliers (producers), their geographic dispersion and market structure similar to the perfect competition it is traditionally identified adversary and opportunistic behavior among the production and agri-industrial sector. The marketing alliances emerge as an alternative for a more intense coordination of the agents involved in this chain in order to guarantee higher quality, adaptability, standardization and regularity on the product’s supply.

Several experiences with marketing alliances have been developed in Brazil with the objective to reduce transaction costs and to supply a product in which the consumer has a perception of differentiated quality. The Brazilian experiences were always focused on the domestic market, once the logic of these experiences searches for a retail prices differentiation with the involvement of large supermarket networks. Generally, it is observed that the marketing alliances related to the beef productive chain may be coordinated by different agents, regardless if they are the link of production, slaughterhouses or retail. In the production link, pools of producer groups and categories representative entities are identified (ROCHA, NEVES & LOBO, 2001). Some examples of Brazilian marketing alliances are reported following:

(a) One of the first Brazilian marketing alliances was launched in the state of Rio Grande do Sul in 1996, involving producers from the local Quality and Productivity Program. Its ending was due to the instability of the relations between slaughterhouses and supermarkets. This alliance originated the Pampa Certificated Meat program, as result from the agreement established between the Brazilian Association of Hereford and Bradford Breeders and the Mercosul slaughterhouse. This program pays remuneration to the producer with prices raised up to 3% as long as the program’s specifications are attended.

(b) The core of the Minas Gerais young steers producers initiated in 1999, establishing relations with the Bertin slaughterhouse and lasted no longer than the end of the same year due to the break of the regularity on the steer supply by the Producers Core and the end of the slaughterhouse’s exploitation contracts. The program paid remuneration to the producer who attended to the program’s specificities up to 3% above the market price.

(c) The Young Steer Program, coordinated by the Brazilian Nellore Cattle Breeders Association – ACNB, aims to supply consumers with the label Natural Nellore Cattle, through cattle breeders, slaughterhouses and retailers interested on the commercialization of this meat. In this program, no remuneration differentiation to producer is foreseen, but to reduce slaughter time and to improve quality. The meat produced by this sub-system has been commercialized in the city of São Paulo.

(d) The program “Red Beef Connection” is a partnership of approximately 100 cattle breeders with the Lagoa da Serra-Holland Genetics (Insemination Central), Tortuga (Animal Nutrition) and Allflex (Animal Identification) aiming to attend specialized restaurants in the domestic and external markets with Angus and Brangus thoroughbreds.

(e) The Beef Total Quality program of FUNDEPEC (Fund for the Development of the Cattle Breeding of the State of São Paulo) launched in 1997 in the State of São Paulo, counted on over than 500 cattle breeders, Gejota and Bertin slaughterhouses and supermarkets from groups Pão de Açúcar and Cândia. The alliance reached the slaughter of 1550 animals per week, paying remuneration to the producer with 2% of overprice in relation to the market price. In 2001, the FUNDEPEC no longer coordinated this alliance and from then on, transaction problems between slaughterhouses and retail emerged, hindering the process continuity.

(f) The alliances may be coordinated by slaughterhouses or companies of processed meat, as in the case of the Marfrig Quality Program and the Braslo Project. The Marfrig Quality Program emerged in order to attend the demand of a grillroom group from the States of Rio de Janeiro and São Paulo, for differentiated quality meat. This program is supported by the FUNDEPEC and searches to slaughter young animals no older than 30 months, with fat thickness of 6 mm and carcass weight above 260 kg, paying to the producer 3% of overprice.

(g) The Braslo Project is based on the supplying of animals with an optimal debone yield and with high quality standard forepart cuts for the MacDonald’s network. The program is at the development phase and contacts wit cattle breeders and slaughterhouses have been made in the attempt to make an agreement for the establishment of quality and production processes standards.

(h) Retailers networks also may be inductive of marketing alliances. The Pão de Açucar group has a program of meat quality in a partnership with the FUNDEPEC. The Beef Chain Qualification Program for the Pão de Açúcar group emerged due to the necessity of guaranteeing the quality of the network products. By means of a partnership with the FUNDEPEC, the supermarket network established a severe quality criterion to be followed by its suppliers, where the FUNDEPEC certifies and performs trimestrial audits in the slaughterhouses units that supply the network.

(i) The Carrefour network is also involved in marketing alliances in the beef chain through its "Origin Quality" program. The ASPNP is the Carrefour partnership in this program in the state of Mato Grosso do Sul, which is the alliance object of the present work.

The marketing alliance between the Mato Grosso do Sul Young Steers Producers Pool and the Carrefour supermarket network.

The Mato Grosso do Sul Young Steers Producers Pool (ASPNP), founded in 1998 by a group of cattle breeders, aims to attend the progressive demand for beef of verified quality and with origin identification in the domestic and international markets. Currently, the ASPNP participates on two strategic alliances, one with the Carrefour supermarket network and other with a grillroom network – the "Montana Premium Beef" program. The ASPNP is paid remuneration through a monthly fee paid by the associated producers, added by the contribution per classified and slaughtered animal within the program.

The animals from the alliance with the Carrefour supermarket network are slaughtered in the Marfrig slaughterhouse. The products with origin guaranty are distributed throughout the network mainly in the state of São Paulo. The base price paid to the producer has as reference the indexes established by the Escola Superior de Agricultura Luiz de Queiroz (ESALQ/USP), for the region of Campo Grande – MS.

The product quality criterions are based on the minimal weight and on the fat cover. The minimum and maximum fat cover required is of 3 and 6 mm of fat, respectively. The prices paid by the alliance vary according to the animal type and weight, as demonstrated by the Table 1:

Table 1 – Classification criterions of animals in the marketing alliance by gender

Males		Females	
Carcass above 270kg	Disqualified	Carcass above 205kg	Bull price
Carcass of 225 – 270kg	Premium of 3%	Carcass of 190 – 205kg	Bull price minus 3%
Carcass of 210-225kg	No prize	Carcass of 180 –190kg	Bull price minus 5%
Carcass below 210Kg	Disqualified (cow price)	Carcass below 180kg	Disqualified (cow price)

Source: Adapted from the agreement for the bovine supply between ASPNP/Carrefour – Carrefour Guarantee of Origin Program (2003).

In function of the classification criterions, 30% of males and 26% of females were refused, on average.

Since the beginning of this alliance, three alterations on the partnership with the slaughterhouses occurred. From 2000 to 2001, the Friboi was the slaughterhouse present in the alliance, in 2002, the Bertin slaughterhouse and in 2003 the Marfrig slaughterhouse entered the program.

The Cattle breeders and the Carrefour network selected unanimously the Marfrig slaughterhouse as the animals buyer and meat supplier. The cattle breeder sells the animal to the Marfrig slaughterhouse, from which the Carrefour network buys the meat. The animals slaughter and classification are followed by a producers representative or by a Carrefour technician (veterinarian, zootechnician or agronomist). The maximal maturity allowed for animals is "J 4", in other words, since milk teeth up to 4 (four) permanent teeth. The cover fat thickness is evaluated according to the carcass classification norms of the Agriculture Ministry: minimum of 3 mm and maximum of 10 mm.

For the slaughterhouses, the value of the product is referenced in informative from the Price Research Institute in São Paulo – Intercarnes – increased of 6.0%. The product is set to sale in the Carrefour stores in Brazil, with discounts of 0.3% for the Payment Central. The slaughterhouse follows the specification from the "Burden Notebook Carrefour Origin Guarantee – Beef – Slaughterhouse". The difference between price paid to the cattle breeder and the reference price, which is obtained by remunerating all males with premium-price of 3% and all females at the base price previously mentioned, is deposited in a specific account of the Origin Guarantee Program for advertising and publicity of the product. The slaughterhouse contributes for the publicity of the product with more 0.5% of its budget.

All animals inscribed on the "Origin Guarantee" program should also be inscribed on the SISBOV (Brazilian System of Identification and Certification of Bovine Origin) and identified according to rules of this system, and the utilization of the certifier company SBC is suggested, with which the Carrefour network already has an established partnership. The slaughterhouse should guarantee the continuity of the identification of the tracked animal, by means of the carcass or lot, for the case of the deboned meat.

As practical results of this alliance, we emphasize:

(a) The annual average of slaughtered animals since the beginning of the program in 2000 ranges from 12.000 to 14.000, being 40% males and 60% females.

(b) Currently, the alliance counts on 45 active partners, however, 95 producers also participate on the pool. Other 50 partners will be accrediting by the Carrefour network.

The alliance foresees that both the Carrefour network and the producers agree to produce and to receive products specified within the philosophy of the "Carrefour Origin Guarantee" program. Following this reasoning, the Carrefour network recognizes the producer as preferential and the producer, in turn, recognizes the Carrefour network as his exclusive client for bovine with seal of origin guarantee, where both strive to improve the procedures and to obtain mutual benefits.

It is observed that a premium-price similar to other marketing alliances is paid to the producer, 3% above the market price, as long as the animal is in agreement with the standards established, and a progressive severity on the animal classification is evident. It is true that the alliance brings an increase on the number of commercialized animals, however, the agreement foresees that the producer should have the Carrefour as exclusive client for bovine with seal of origin guarantee.

Any problem that perhaps occurs on the production must be informed to the Carrefour immediately. The producers are exempt of penalties for the non-delivery of the product any time a problem occurs on the production, as long as verified "in loco" by the Carrefour's technicians.

The producers pool plays an important role on the negotiation of contracts with partners, which is performed every six months, and also on the search for tax incentives for the young steer producers along the Mato Grosso do Sul State Government. As the offer of animals within the program is still small, the bargain power with the slaughterhouse or supermarket is reduced. Thus, the pool has been restructured in order to increase its partner staff and, as result, the offer of animals.

The Carrefour network coordinated explicitly the alliance and establishes the prices systematic that will be paid to the producers, slaughterhouses and the prices paid by the final consumer.

Some improvements that will be implemented on the program in the next years:

(a) The exclusion of 4 teeth animals from the program, in other words, in 2004, only “milk tooth” or “2 teeth” animals will be accepted to slaughter on the program and,

(b) In 2004, the producers who perform regular slaughter in the first semester will have preference on the second semester’s scale.

Discussion and Conclusions

The characteristics of the marketing alliance established between the producers pool – ASPNP, Carrefour and the Marfrig slaughterhouse are summarized on Table 2.

Table 2 – General characteristics of the marketing alliance between the Young Steer Producers Pool (ASPNP) and the Carrefour Supermarket network.

	Consumer	Retail	Slaughterhouse	Pool	Producer
Location	SP	SP	MS	MS	MS
Characteristics	Categories A and B	Carrefour – Large network; coordinator of the sub-chain; establishes rules of functioning and price	Marfrig (Campo Grande) – Technical Slaughterhouse; only processing unit of the alliance	ASPNP – 95 partners; all being accrediting for the alliance; 45 partners affectively delivering	Technical Producer; willing to follow the exigencies of the program; identifies the alliance as an opportunity
Objectives		To differentiate product; Carrefour seal; Premium-price	To have guarantee of supplying and market; Plant optimization; Premium-price	To make the differentiatio n of the Young steer in market feasible	Assurance of delivery and profits; Productivity; Premium-price*
Coordination power	Indicates consumption standards, Willing to	Coordination agent, large power: Holds information	Minimum	Small	Null

	pay premium-prices	(contact with client)	

Source: Diagnosis of the beef productive chain of Mato Grosso do Sul – SEBRAE/MS.

Once the agents of this marketing alliance are characterized, it is important to analyze how the relation between them to the light of the ECT takes place. The analysis of the transactions established in this marketing alliance is presented on Table 3.

Table 2 – Transaction basic characteristics of the marketing alliance between the Young steer Producers Pool (ASPNP) and the Carrefour Supermarket Network.

	Producer/slaughterhouse	slaughterhouse/ Retail	Retail/ Consumer
Transaction Attributes			
▪ Specificity	Investment in technology of young animal production (Production); Investments in specific work routines for differentiated slaughter (slaughterhouse);	Investments in specific work routines for differentiated slaughter (slaughterhouse); Investment in label – “Carrefour Origin Quality” (retail);	Investment in label – “Carrefour Origin Quality” (retail); Construction of the company’s reputation (retail).
▪ Risk	The non-payment to producers by the slaughterhouses (risk of slaughterhouse bankruptcy); Disagreements on the animals slaughter yield (production risk); There is no remuneration paid to the animals rawhide (production risk) The non-payment of differentiated prices (production And slaughterhouse risk).	The non-payment to slaughterhouse by retail (out of the established quality standards) – slaughterhouse risk; Perishableness of product sold by slaughterhouse – slaughterhouse risk; The non-recognition of product as differentiated by consumer (retail risk);	The non-recognition of product as differentiated by consumer (retail risk); The non-attendance of quality expectancies (consumer risk).
▪ Frequency	Recurrent	Recurrent	Recurrent
Behavioral presupposed	High opportunism Limited rationality – difficulties on the establishment of “ex-ante” protection		
Institutional environment	▪ Exigencies imposed by Sanitary Legislation (Decree 304 – pre wrappage and commercialization of deboned meat; foot and mouth disease and Brucellosis vaccination) ▪ Brazilian Exchange Policy – favorable to exportation ▪ Tax reduction for the Young steer Program – incentive to production ▪ “Fiscal War” between Brazilian states through differentiated taxes for goods circulation ▪ High-cost and severe labor legislation		
Contractual laws	Neoclassic contract		

The sustainability of the marketing alliance established between Mato Grosso do Sul Young Steer Producers Pool (ASPNP) and the Carrefour Supermarket network may be explained through four main factors:

Specific investments performed by agents

The beef as a differentiated product from young animals produced from quality criterions specifically defined is an example where the coordination through contracts is suitable. The coordination through contracts is no longer effective if specific investments that take into account the assets specificity are not performed.

The production standardization (production and slaughterhouses), improvements on the commercialization process (slaughterhouses and retail), specific production systems for the production of young animals, the development of the label and the construction of the company's reputation (retail) among others, are considered as specific investments in this alliance.

The slaughterhouse apparently is the easiest agent to be replaced in the alliance, once there is a small specificity with regard to the slaughterhouse's obligations. This occurred in fact in the beginning of the alliance ASPNP/Carrefour, when the slaughterhouse that belonged to that alliance was replaced in that moment. The role as coordinating agent performed by the Carrefour when identified a substitute slaughterhouse should be emphasized.

Guarantee of premium-price to the product

The identification of niche markets where consumers with differentiated expectancies and willing to pay more for this are found also constitute variables required to consolidate a strictly coordinated system.

The disposition of the final consumer to pay a premium-price to a differentiated product is a vital component for the establishment of long-lasting alliances in the beef agrichain. This could be confirmed due to the fact that the product originated from this alliance is only commercialized in cities with higher buying power, particularly in the Rio de Janeiro - São Paulo axis.

Horizontal coordination performed by ASPNP

It is important emphasizing the role played by ASPNP, not only as an entity that organizes a group of cattle breeders and makes the program public, but also as an entity that searches for strategic alternatives for the meat commercialization. This fact may be exemplified through the partnership established with the “Montana Grill” Grillrooms Network. The ASPNP, within the alliance with the Carrefour, reaches its targets of supplying market with differentiated meat, also playing a negotiating role between this supermarket network and the Marfrig slaughterhouse. This horizontal coordination represents a sustainability factor for this alliance, once the organization of producers as a pool brings them higher bargain power.

Thus, the role played by ASPNP confirms the importance of the horizontal coordination, even for system coordinated vertically, as key factor for the sustainability of marketing alliances. This verification is in agreement with SANTOS (2003), who emphasizes the perception of producers for the need of strengthening the pool – ASPNP – in order to face the conjuncture adversities.

Vertical coordination performed by retails.

The role played by the Carrefour as coordinating agent also guarantees the sustainability of this alliance. The retail demonstrates interests on the continuity of this alliance in function of the investments performed on the label development and on the client's fidelity, which are related to the company's reputation.

The role played by the retail as coordinating agent of this alliance is relevant as the agent performs the coordination efforts with the highest bargain power in the alliance. The significant importance of the coordination performed by the retail is also emphasized in the analysis of FAVERET FILHO (1998).

Final Considerations

In an universe where the bounded rationality and the opportunism are the behavioral guidance that contribute on the transaction prices formation, the theoretical structure presented by Economy of Transaction Costs (ECT) allows some conclusions about the governance structure to be performed for the beef agrichain, specifically in the case of the young steer. The opportunistic behavior of agents of this agrichain, the high uncertainty degree, the risks associated to the transaction and the assets specificity with the commercialization of young animals – differentiated product that involves specific production techniques, and in the case of this alliance, the development of a label, lead to the identification of the need of a coordination performed through contracts.

The theoretical model presented by the ECT is suitable for this analysis once contracts are performed in order to guarantee the supplying of animals according to quality standards clearly established, that, in turn, will be commercialized through a label that differentiate these products before the final consumer. Thus, the contractual coordination minimizes the costs of this transaction once specific investments are performed (production of young animals, development of a label, point of sales, reputation) and a risky and opportunistic (traditional adversarial behavior) environment is established.

From this reasoning, the marketing alliance established between a given retail network and a set of producers is understood as an example of sub-system strictly coordinated and this article intends to contribute on the comprehension of reasons of its continuity facing the several examples of other alliances not sustained at long-term.

Taking the case of the alliance established between the Mato Grosso do Sul Young Steer Producers Pool (ASPNP) and the Carrefour supermarket network as example, it was possible to identify factors that enable that this initiative becomes reference for a coordination model in the beef productive chain. Among these sustainability factors, we emphasize: specific investments performed by agents, guarantee of premium-price to the product, horizontal coordination performed by ASPNP and vertical, performed by the retail.

Therefore, one concludes that the sustainability of a marketing alliance is not simple, what may be verified by the short useful life of other similar initiatives. The traditional adversarial behavior between slaughterhouses and cattle breeders, being the first one accused of opportunistic actions, makes the relations continuity unfeasible.

All may have benefits with this alliance as long as efforts are made in order for this opportunistic behavior not to alter the focus of the program. It is necessary to establish more formal supplying contracts, involving producers, the slaughterhouse and the Carrefour network so that the responsibilities are clearly defined for both parties.

Limitations and implications

In order for the objectives emphasized on this study to be entirely fulfilled, a higher number of interviews are required, especially in relation to the agents related to the links of the slaughterhouses and retail. Thus, trust could be analyzed as a variable relevant for the sustainability of a marketing alliance. The legal fragility of the contract established between parties in this alliance reinforces the perception of the confidence importance in such system, and this challenge will remain for future initiatives.

With regard to marketing alliances, future works should also contemplate bibliographic reviewing of international beef alliance examples, once the present study was limited to the Brazilian examples.

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