

HORIZONTAL ALLIANCES AMONG INDEPENDENTS AND NON-INTEGRATED FOOD RETAILERS: A WORLDWIDE ANALYSIS

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Abstract

This study aims at analyzing whether the establishment of horizontal alliances among independent and non-integrated retail firms has become a worldwide trend in the face of heavy competition from expanding large retail chains. For this goal, a set of three conceptual propositions were developed, focusing on horizontal alliances in the food retail sector. A large effort was been put into gathering of primary and secondary data about retail alliances, throughout the years 2008 to 2012 from both qualitative and quantitative researches with leaders of horizontal alliances among independents and non-integrated chain retailers, editors of retail magazines and journals and professors of retail in universities in thirteen countries. This paper highlights critical issues and makes a contribution toward the effective development of the retail alliances. The research proposed here intends to develop a more holistic view of the phenomenon of horizontal alliances in the food retail sector as a worldwide trend.

Key-words: *Horizontal alliances; independents and non-integrated chain retailers; grocery industry; small retailers, international context.*

1. INTRODUCTION

Concentration is one of the key questions concerning future trends in the food retail market (JUHÁSZ *et al.*, 2008; HAUSMAN; PARKER, 2010), as it has resulted in the marginalization of independent and non-integrated chain retailers (GORDON; WALTON, 2000; ROUND, 2006). In many countries, it has almost everywhere served to strengthen mass retail chains, and accentuated the conflicts between large and small retailers which differ in store sizes and economic power. In this scenario, independent and non-integrated food retailers are in a particularly difficult situation (JUHÁSZ *et al.*, 2008). They are disappearing year after year, because of increasing competitive pressure from large supermarket chains (MEGICKS, 2001; BYROM *et al.*, 2003; PARNELL; LESTER, 2008; RAMAKRISHNAN, 2010). The problem has been identified by authors in many countries, including Australia (ROUND, 2006), Brazil (SOUZA, 2004; GHISI *et al.*, 2006), Canada (NOLLET; BEAULIEU, 2005); Croatia (VRANESEVIC *et al.*, 2006); Scotland (SMITH; SPARKS, 2000; BYROM *et al.*, 2003), France (CLIQUET, 1998); UK (SHAW *et al.*, 1994; MEGICKS, 2001; BARON *et al.*, 2001; HALLSWORTH; BELL, 2003; COCA-STEFANIAK *et al.*, 2005), Netherlands (MASUREL; JANSZEN, 1998); Spain (SANTOS-REQUEJO; GONZALES-BENITO, 2006), and USA (MCGEE; RUBACH, 1997; MILLER *et al.*, 1999; MCGEE; PETERSON, 2000; STOEL, 2002; NOLLET; BEAULIEU, 2005). The reasons for concern are basically the same - the competitive pressure from large firms taking advantage of economies of scale and quantity discounts.

There is no reason to assume that this competitive pressure will disappear. Täger (1992) claims that independent and non-integrated chain retailers will continue to be confronted with new and increased competitive demands, which they are only able to meet in close collaboration with other companies, by forming an alliance or a network.

Donckels and Lambrecht (1995) emphasize that horizontal alliance is an ideal mechanism to overcome obstacles, particularly valuable to the small business sector. Ghisi *et al.* (2006) contribute to this perspective by showing that cooperating groups are an important economic maneuver for independent and non-integrated chain retailers trying to access the resources and competencies needed to succeed and survive.

Alliances, associations and interfirm networks have increased greatly, because of their potential to provide quick and flexible access to external resources and improve the competitiveness of companies (HOFFMANN; SCHLOSSER, 2001; HOFFMANN, 2005; PLAZIBAT; FILIPOVIC, 2010). They help firms to transform their operations and to gain access to new and multiple sources of technologies, markets, and insights that would be extremely difficult for the firm to learn solely on its own (LEI, 1993). Addy (1995) argues that a growing number of firms have turned to strategic alliances as a mean of improving their competitiveness in an age of increasing international competitive pressures, the globalization of markets, and generally decreasing trade barriers.

The 1990s was the decade during which strategic management researchers gave more attention to the paradigm shift that was emerging in the way firms sought to compete. The firms recognized that a sustainable competitive advantage could not be achieved in an isolation way (DUFFY; FEARNE in BOURLAKIS; WEIGHTMAN, 2004).

In this environment, strategic alliances, coalitions, networks and collaborative agreements became terms widely in use in the strategic management literature to describe forms of inter-organizational arrangements that bind organizations together (ROBINSON; CLARKE-HILL, 1995). However, the

research on alliances is characterised by considerable diversity in conceptual frameworks, applied methods and empirical data and findings (HOFFMANN; SCHLOSSER, 2001).

Interfirm collaborations, as strategic alliances, have been common practice in the business community for a long time. The arrangements between firms have been a way of life for international enterprises participating in natural resources (PEKAR JR.; ALLIO, 1994). Devlin and Bleackley (1988) state that alliances do not appear to be specific to any particular country, industry or type of organization; and they are occurring at all levels in corporations. To Lorenzoni and Baden-Fuller (1995), alliances have been gaining popularity for their lower overhead costs, increased responsiveness and flexibility, and greater efficiency of operations.

Originally, the most notable arrangements were those between large industrial firms and smaller, but in recent years, many big firms have formed alliances to strengthen their competitive positions (MURRAY; MAHON, 1993). Even such industrial giants as Toyota, Philips, Daimler-Benz, IBM, General Electric, and Alcatel have in recent years chosen to enter into strategic alliances to expand their business (DUSSAUGE; GARRETTE, 1998).

However, if we take a look at the literature about alliances we note a recent increasing amount of attention to cooperation among small firms. These companies contribute to the overall performance of national economies in playing a significant role in employment creation, bringing economic growth through productivity gains based on collaboration (INGLEY, 2007). Strategic alliances may allow small firms to improve their ability to outmatch a stronger competitor, to enter into new markets, and to gain an access to lacking resources (BARNIR; SMITH, 2002). To Chung *et al.* (2006), strategic alliance may be the only way small firms can obtain the necessary capabilities, considering their limited resources and difficulties in raising additional capital to acquire new resources.

Considering the retail sector, Shaw *et al.* (1994) affirm that in recent years there have been a number of major changes in the retail environment, justifying a new examination of the characteristics and activities of retail alliances of all types. As retailing has become more concentrated and internationalized over the years, alliance activity in this sector has increased (CLARKE-HILL *et al.*, 1998; KOMOR; PACUT, 2009). Where in the past the contents of these alliances were restricted to joint buying activities (consolidation of purchase volumes), competition is meanwhile forcing allied groups to undergo a strategic reorientation (ZENTES; SWOBODA, 2000). The character of alliance seems to be shifting as they become more strategic in nature by linking major competitors together to compete in international markets.

Although a wide variety of literature has been developed around alliances, little study has been found referring to horizontal alliances in retailing and very few considering the alliances between small retailers. This study endeavors to explore the linkage between the conceptual knowledge and empirical research, trying to provide an integrated perspective about the retail alliances among independents and non-integrated chain retailers. The main objective of this paper is to discuss whether the establishment of horizontal and vertical alliances among independent and non-integrated retail firms has become a worldwide trend in the face of heavy competition from expanding large retail chains.

To reach this objective, this article seeks to empirically verify the incidence of three propositions:

- *P1: Horizontal retail alliances (or voluntary groups or cooperatives) play a most important role to the survival of small food retail firms and independents.*

- *P2: The establishment of horizontal retail alliances (or voluntary groups or cooperatives) by small food retailers firms has become a worldwide trend.*
- *P3: One of the most important barriers for the cooperation between small food retailer firms and independents to succeed is the lack of involvement and commitment of the actors within the cooperative organization.*

Historical evidence demonstrates the importance of retail alliance as a critical aspect in small retail competitiveness. Results of our empirical research give valuable insights about alliances in retail sector, helping academic researchers, teachers and practitioners better understand, explain or develop alliances in the retail segment.

2. REVIEW OF RELATED LITERATURE

2.1 Retail Sector and the Strategic Alliances

The retail sector is one of the most important drivers of national economies (KRAFFT; MANTRALA, 2006; LUPPE, 2010). In recent years the market structures and the intensity of the competition in consumer goods have changed significantly (TÄGER, 1992; KOMOR; PACUT, 2009). The retailing environment had seen the dominance of larger players, increased retailer concentration, and the utilization of a range of formats (HOLLINGSWORTH, 2004), which are now prominent characteristics of this sector in many countries around the world (KOMOR; PACUT, 2009).

If in the past the agglomeration of different sizes of stores in the same area was not deemed to be a problem – they were not fighting over the same market share but supporting one another by offering a complementary set of goods and services to attend the consumers (MILLER *et al.*, 1999); now, with the proliferation of multi-format stores, it is unlikely that peace between competitors will be maintained. Throughout the last decades the large chains have intensified their domination of the markets through a line of acquisitions as a strategy of growing, trying to enlarge their business at the neighborhood areas; and opening new, smaller stores (GHISI *et al.*, 2006). Merger and acquisitions have resulted in firms of larger size, and this reality has modified the traditional way of managing the procurement function (NOLLET; BEAULIEU, 2005).

To Bell *et al.* (1997), the changing structure of retailing, particularly in Europe, resulted in three growth business strategies by large chains: a) a strategy for maximize market share within the domestic market by seeking product market dominance; b) a strategy for growth by diversification beyond the original activities of the business; and c) a strategy of geographical expansion. Even considering that the authors are referring to Europe, one can perceive that these trends are not peculiar to European countries, but globally valid, as large retailers are dominating the markets and entering other countries to explore new businesses. To Dobson (2002), this results in domination by large retailers and it is not surprising that traditional, independent retailers have been in sharp decline in most countries over recent years.

Considering the grocery sector, focus of this study, Baron *et al.* (2001) point out that the strategies and tactics of the large chains have had an effect on independent food and grocery retailers, as they have targeted the niche of convenience retailing. To the authors, the traditional advantages of independent retailers was their convenience in location and opening hours, home delivery, friendly and personal service and informal financial services. If we take a look on the grocery retail sector actually, we can notice that many of these aspects are now being realized by large chains. These companies recognized the

convenience retailing market as a major business opportunity, and they began to enter this segment in a substantial way in the late 1990s - they started to install mini-stores in small towns; they included some services facilities, such as parking and delivery; and they adopted the “open all hours” philosophy (24-hour stores).

As a consequence of these trends towards concentration, many specialists foresaw the end of the independents and non-integrated chain retailers. They pointed to the difficulty of surviving the new order of the market and resisting domination of large chains (GHISI *et al.*, 2006). To Täger (1992), independents and non-integrated chain retailers have been and continued to be confronted with new and increased competitive demands which they are only able to meet in close collaboration with other colleague firms in an association or an alliance. Ghisi *et al.* (2006) strengthen this point of view affirming that cooperating groups are an important economic maneuver with regard to independents and non-integrated chain retailers accessing the resources and competencies needed to succeed and survive; and for improving competitiveness.

During the 1990s and 2000s, a growing number of cooperatives and buying groups were formed among independents and non-integrated chain retailers who decided to begin to build competitive sustainability; through unifying their buying efforts with other small companies in various types of cooperating groups. This partnership allowed these stores to generate efficiency gains, which led to substantial economic benefits and cost savings. It also led to higher performance, bringing to the firms new ideas and solutions to old problems. It is a collaborative way to accomplish shared goals, reduce costs, and exchange experience that positively impacts competition (GHISI *et al.*, 2006).

Alliances between retailers are playing an important role in retailing policy, as it provides the small and medium-sized retailers with special opportunities and instruments for promoting and improving their performance and competitiveness (TÄGER, 1992). According to Shaw *et al.* (1994) it is perceived that as the challenges in the environment of retailing have increased substantially, it might be expected that alliance-type activity grow accordingly. Litz and Stewart (2000) point out that by joining with other similarly constrained operations, small firms can realize economies of scale in purchasing, gain benefits of franchise brand name recognition and receive helpful assistance in areas such as store administration and staff training. However, the authors observed that despite these optimistic claims, there has been little empirical evidence. It would be interesting and important that new empirical studies provide a better understanding and clarification toward the retail alliances.

We can find two main types of strategic alliance between retailers: vertical and horizontal alliances. To Stern *et al.* (1996), “vertical integration can be an effective way of securing increased co-ordination, integration of effort, and heightened channel commitment, but is often extremely costly and it may not be justified in all circumstances”. Horizontal alliances, by other hand, represent the union between two or more unrelated companies at the same level, jointly combining resources and knowledge to exploit an emerging market opportunity. The firms involved may work together temporarily or permanently or they may create a separate company to chase mutual gains, with a focus on increased economic efficiency. This kind of alliance can range from incorporation into a loose group structure to full legal mergers in which one or both companies ceases to exist as a separate legal entity (JACQUEMIN; ILKOVITZ, 1989; SOARES *et al.*, 2011).

To Ensign (1998) and Rindfleisch (2000), there are a limited number of empirical studies that examine horizontal organization, because past studies focus exclusively on vertical relations between

channel members. Sharing the same view, Bengtsson and Kock (1999) emphasize that horizontal networks do not receive the same kind of attention as vertical network studies; however, the authors recognize that both are equally important in the current global market – a fact also observed by O'Donnell *et al.* (2001). One argument for the focus on vertical networks is related to the fact that economical benefits along the entire supply chain are more perceptible in vertical networks; in a horizontal network, earnings are more based on information and social benefits, as well as the constructed relationships among informal players that are not easy to gauge (BENGTSSON; KOCK, 1999; O'DONNELL *et al.*, 2001).

Specific to the retail sector, Robinson and Clarke-Hill (1995) remember that the literature on alliances in retailing has dealt predominantly with collaboration and partnership in vertical marketing systems, with firms linked formally or informally at different points in the supply chain. For the authors, even considering the extensive discussion in the practitioner and academic literature about alliances, little has been done in the retail field. They point out that many of the literature focuses in examining franchising arrangements. We also perceive a growing number of publications focusing the internationalization and cross-border retail alliances (ROBINSON; CLARKE-HILL, 1995, CLARKE-HILL *et al.*, 1998, GIELENS; DEKIMPE, 2001; GELLYNCK *et al.*, 2006).

It is important to emphasize that in the literature and even in the business field searched, there wasn't a clear definition of the types of alliance in the retail sector or neither a consensus among authors. After an extensive search in the literature and considering our experience, we perceived that these alliances vary, from few to many members, from the objective focused on buying together to many other objectives, from loose informal arrangements among retailers to strong commitment by contracts, from regional or national level to cross-border alliances. Typically, the most common types are:

- *Horizontal retail alliances formed by independents and non-integrated chain retailers*
- *Retail alliances operated by a wholesaler or a retail integrated chain*
- *Franchising systems (Vertical marketing systems)*
- *Cross-border alliances*

Table 1 describes the characteristics of these four types of strategic alliances between retailers and some important issues involved in each alliance. It can be perceived that exist some similarities between these types, especially referred to it formation and benefits, but also some differences, most concentrated in the scope, control and challenges involved.

2.2 Horizontal Retail Alliances Formed By Independents and Non-Integrated Chain Retailers

With respect to horizontal alliances between independents and non-integrated chain retailers, the focus of this paper, Clarke-Hill *et al.* (1998) clarify that the existence of this kind of co-operation is not new and that forms of co-operation have varied from loose informal arrangements among retailers for the purchase of certain product lines on an *ad hoc* basis, to alliances with strong central organizations which influence or control many aspects of the operation of the individual retail member in addition to the buying function.

Horizontal alliances have a long traditional in the retail sector, particularly in small and medium-sized retail companies and they were originally set up for the purpose of carrying out one or more joint activities. Cooperative buying, for example within the framework of informal buying groups, constitutes the single most important modality (ZENTES; SWOBODA, 2000).

“Cooperative buying groups and voluntary groups” are the first terms used for what later became “strategic alliances”, with the addition of strategic services, and emerged in the 1930s as a response to the appearance of chain stores. In parallel, in an international context, to reinforce market position, small and medium size retailers started to join commercial mutual assistance organizations (MASUREL; JANSZEN, 1998). The motivation was the possibility to obtain efficiency that would allow them to compete more effectively against large chain stores (STOEL, 2002).

According to Stoel (2002), retail cooperatives originated in Germany with the Edeka group of grocers and eventually spread to the USA, with the Frankford Grocery Company in Philadelphia enjoying the distinction as the first retail cooperative in the USA. However, the Co-operative Movement, or Co-op, has a far longer history in the UK and originates from the ‘Rochdale Pioneers’ of co-operation (established in 1844); and this 19th century mutual and organisational philosophy and structure rapidly developed in the UK and subsequently internationally (WILLIAMS, 2005). The origins of the Co-op in the UK were not initially defensive (as the Co-op itself was the first UK national grocery retail chain), but was founded on collaborative principles of mutualism and self-help, underpinned by a strong moral agenda. To Quental *et al.* (2001), the case of the association of Key Foods supermarkets is also one of the first cases discussed in the literature. Founded 60 years ago in New York, Key Foods gathered 130 medium-sized companies. Others important examples are the Inter Marché, in France - an association of small supermarkets consolidating 2.400 stores belonging to 2.100 companies, with more than 60 years of history -; and the Italian Coop, with more than 40 thousand small retailers (QUENTAL *et al.*, 2001).

These kinds of agreements had assumed an important role for many years (WINGATE, 1941). However, from a historical point of view, it is important to emphasize that this type of union reflected, generally, a defensive strategy, in which small and medium-sized retailers tried to compensate for the competitive disadvantages of diseconomies of scale through consolidation (ZENTES; SWOBODA, 2000). Typically, the most usual focus of this kind of agreement were to secure large purchases to achieve higher volumes, discounts, and improved purchasing power (mere buying actions) (GHISI *et al.*, 2006). Just in the last decade of the last century it could be noticed a gradual change in the method of operation of this partnership and some of its characteristics. Before, many alliances were created out of immediate economic focus. Now, it is possible to note a strategic shift - partners consolidating a strategic alliance, looking for competitiveness and a position in the market.

Over the years, “cooperative, buying groups and voluntary groups” were slowly giving way to strategic alliances, extending and diversifying their joint actions. For example, retailers started joint training of employees, jointly studying the market and consumer habits, jointly determining commercial aspects related to the sale of products, jointly sharing transportation expenses, jointly doing marketing campaigns and producing private label products (GHISI *et al.*, 2006).

To Duffy and Fearn (1995), the partnership, involving retailers that operate in the same segment, will continue to develop as retailers seek to squeeze procurement and distribution costs further and establish genuine Euro-brands. Ghisi *et al.* (2006) also reinforce the rise of many horizontal alliances in the retail sector, confirming further evidence that this model is being used in several countries. To Masurel and Janszen (1998), the theoretical relationship between market concentration and alliances between small and medium-sized retailers is clear: as the large firms tend to dominate the market, more companies will be interested to participate in alliances.

We found in the literature papers which considered the evolution of relationship between companies (i.e: FORD, 1980; DWYER *et al.*, 1987; DOZ, 1996), but we didn't found studies discussing specifically the evolution of horizontal retail alliances; an exception were the studies of Souza (2004) and Soares *et al.* (2011).

It is a fact that horizontal alliances are an interesting idea and could serve as an important alternative to the sustainability of small and medium-sized retailers. However, it is not simple to transform this joint action into reality. This type of partnership requires a level of maturity among the key partners to surpass the many barriers of working with competitors. Commitment of the partners in the alliance, without restrictions, is one of the most limiting factors that impact the success of horizontal alliances. To assimilate the idea of cooperation and cost-sharing, individual actions have to be substituted by joint actions, what requires arduous work as well as a different way of working together (GHISI *et al.*, 2006).

A study undertaken by a consulting company in Brazil (ActAsOne Ltda.) in 2001, identified some of the biggest challenges that independents and non-integrated chain retailers will probably face in order to have success within an alliance (ALLEVATO JUNIOR, 2001): internal factors - heterogenic stores, family managerial operation, employees without the necessary professionalism, limited comprehension of the changes required (a conservative approach) -; and external factors: lack of fiscal policy regulation to attend the retail alliances' needs. The study also pointed out that the evolution of the retail alliance will depend of the establishment of a target and a clear definition of the members' actions. The research also signalled that just focusing on negotiation power with the suppliers won't be enough to bring success to the retail alliance. It is necessary that independents and non-integrated chain retailers apply their joint actions and minimize the internal barriers. In a similar direction Täger (1992) discusses some challenges for the success of retail alliances:

(...) it is imperative for the future development of the cooperating groups of retailers that the central offices of the cooperating groups develop new collaboration systems with their members in order not to lose ground in the increasing competition. (...) it is essential from a trading and competition policy point of view that the central offices of cooperating groups further extend their previous concepts of differentiating requirements of individual groups of members.

3. METHODOLOGY

To achieve the goals of this study, the empirical basis of our research was concentrated in six stages. But in parallel with these empirical stages, a bibliographical and secondary data research was conducted between the years 2008 and 2012, to gather theoretical knowledge of retail alliances. A search involving books, academic articles, periodicals, trade publication, and company reports was undertaken.

Initially, in parallel with the review of the literature, we developed an exploratory research with three retail alliances formed by independents and non-integrated chain retailers in Brazil, seeking a practical perception of the theme; the definition of the methodological stages; and clarification of the propositions and variables of the study. The data was collected by personal interviews. The sample was chosen in consideration of some retail alliances that have a strong presence in the state of São Paulo. The personal interviews were based on a 20-question semi-structured questionnaire (exploratory study). This stage was undertaken between the first and second trimesters of the year 2008. Alliances in São Paulo

state were chosen because the first author who signs this paper is a Brazilian citizen, living in a city of São Paulo state at that time.

In a third moment, a qualitative study was conducted with six retail alliances of independents and non-integrated chain retailers. The data was collected by both personal and telephone interviews, with managers of the alliances researched, with the help of a questionnaire with 26 open-ended questions, between the first and the third trimester of the year 2009. It is important to cite that the six selected cases are between the 10 biggest retail alliances in the Brazilian market. The data of two of the six investigated retail alliances was collected by personal interviews, as they were located in São Paulo state. The data of the remaining four retail alliances were collected by telephone, as they were located in other Brazilian states. On average, each interview lasted 2 hours and it was tape-recorded and transcribed.

The fourth stage involved a quantitative study with 21 retail alliances in several Brazilian States: São Paulo (3), Rio Grande do Sul (3), Santa Catarina (3), Minas Gerais (3), Rio de Janeiro (1), Paraná (1) and Maranhão (1). Aims were: to analyze propositions, investigate the correlation among several variables, describe the characteristics of retail alliances and identify the actions developed jointly by the members. To conduct this part of the research, we had the support of the Brazilian Retail Committee that assisted in sending the questionnaire to 150 retail alliances identified in the grocery sector in Brazil. However, just 21 provided feedback to our innumerable tentative contacts. The respondents were the managers and directors of the business networks, the ones who were more involved with the main questions asked in this research. The questionnaires were composed of 25 multiple-choice questions and 4 open-ended questions, and they were sent via e-mail. Some contacts by telephone were made, in order to have a better understanding of the some of the respondents' answers. This stage was realized between the fourth trimester of the year 2009 and third trimester of the year 2010. The data were tabulated and analyzed using the SPSS statistic program. However, the low number of returned questionnaires limited a broader statistical analysis.

The fifth stage was the first step in the internationalization of the research subject of this paper. It involved a qualitative research realized with UGAL - the Union of Groups of Independent Retailers of Europe. This institute, located in Brussels, is the European association that acts as an umbrella organization for the main groups of independent retailers in the food and non-food sectors. The data was collected by personal interviews, with one of the managers of the institute, by a questionnaire with 10 open questions in the second semester of 2011.

Finally, the sixth stage amplified the international empirical extension of the investigation. It was done by means of a quantitative research undertaken with retail cooperatives, retail institutes, professors of retail disciplines in many universities, editors of retail magazines and journals in Austria, Brazil, Czech Republic/Slovak Republic, Denmark, France, Germany, Holland, Lithuania, Mexico, Romania, Switzerland, USA and United Kingdom in the second semester of 2012. A specific questionnaire was elaborated for this research.

A summary of the six stages is shown on Table 2.

4. FINDINGS AND DISCUSSION

The findings discussed here are part of a large effort to study retail alliances, undergone throughout the years 2008 to 2012. The research focused on independents and non-integrated chain retailers - small supermarkets, neighbourhood stores and discount stores - that commercialize food products, health/beauty care products and cleaning products. The owners of these stores mainly attend the demand of the local community and they are not big economically or physically large. These companies are characterized by stores with less than 400 square meters of floor area and the variety and the availability of products are not as vast as in larger retailers. Usually because of diminutive sales and large supply cost, prices of products in these companies can be equal or bigger than in larger stores.

Due to the vast amount of material collected by means of the interviews and questionnaires of the several phases of the research, we opted to use here, according to the purpose of this paper, an integrated description of the results organized around three propositions, already discriminated. In this sense, the findings showed reflect an integrated view of the results, obtained in the six stages of the research. The main concern of the study was not to quantify data, but rather to understand issues surrounding the process of retail-alliance formation, its implications and sustainability. The goal of our analysis is to provide diagnostic data; an overall picture, offering insights in order to advance the understanding of the principal aspects related to retail alliances. The results shown in the following sessions are, then, a summary – the most important perception and common answers of managers who participated of the interviews and that responded to the questionnaires in each stage.

P1: Horizontal retail alliances (or voluntary groups or cooperatives) play the most important role to the survival of small food retail firms and independents.

Alliances are helping retailers to maintain their business and/or become more effective to compete in a market, characterized by big players competing and dominating cities, states and whole countries. The formation of an alliance, in this sense, has been considered to be an important strategy to gain support, ideas and buying power. It helps retailers getting better prices from suppliers and reduces costs. By joining an alliance, retailers can reduce their sense of isolation and even boost their businesses in the process.

In some cases, the alliance represents a natural process to gain competitiveness (strategic alliance); however, in other situations, it represent the “last option of salvation”, when retailers don’t have any more alternatives to maintain their business (defensive strategy). In this context, the alliance represents one of few options for their survival.

As many retailers just look for an alliance when they are losing share in the market, sometimes the alliance begins containing a certain number of non-competitive members or partners with very limited resources. The consequence is that the innovation in processes and infrastructure takes time to initiate because of the limitation of capital to make investments. This was a reality in many of the cases analyzed and it probably is one of the reasons that justify the slow evolution of some alliances. One of the respondents pointed out that a member had to leave the group because he/she didn’t have profitability to fulfill with his/her obligations with suppliers, and this was affecting the whole group.

Some other retail alliances have a strong infrastructure and are much more selective in choosing partners. They only accept partners with at least a minimum of structure, matching capabilities and resources. In the selection process they considerate the existence of similar characteristics of the potential partners - size of stores, cultural affinity - to facilitate the evolution of the partnership. One of the

respondents was very emphatic in declaring that members just accept new partners that have some competitiveness – “who are material for success”. They know that the potential partner wants to be part of the alliance to improve his/her efficiency, but as a pre-requisite, he/she initially needs a minimum of conditions to make the adaptations required to create success in the long term. In his/her opinion, the continuous investment realized by the members is an important factor in contributing to the performance of the alliance.

Alliances are now much more concerned and rigorous about choosing future partners than they were in previous ages of alliance formation. They realized that the discontinuation of a member is not easily achieved and can be costly. Also, they understood that the alliance can not be a network of weak independent retailers banded together to fight against the large and big companies. They have to be a strong group, working professionally with a view to becoming stronger in order to improve competitiveness. It is important and critical to the success of the alliance in the long run that the partners be selected with great care. In some of the cases studied, the new member easily fits into the allied group, especially when there is a high level of cultural affinity, which made the partnership easier; in others, this process took time and a lot of energy. Even if members became part of a retail alliance with some doubts and caution, as soon they start to benefit from the partnership and becoming familiar with the processes involved, they generally become more inclined to participate actively in the alliance.

To become a regular member, normally the retailer must first pay an initiation fee - in order to formalize the union. In most situations, the members have also to pay monthly membership dues to maintain the central office and make the appropriate investments. If a member requires an additional service from the central office, some alliances have potential to offer special consulting services. In this case, generally it is necessary to pay a specific fee. Most requirements are concerned with accounting, financing and managerial support, and training sessions. But we noticed, however, that some alliances don't have the structure and organization to offer these services to members.

Our study found that the retail alliance was recognized as an alternative and valuable tool to ensure the sustainability of small firms by almost 100% of the interviewed. It was clear that most of the respondents believe that the alliance plays a vital role in offering benefits to the members involved. However, some respondents point out that the simple adherence to an alliance does not guarantee the “survival” of any company. It is necessary that they continue innovating and improving their services, developing market research with consumers, modernizing technology, creating new services to attend the clients needs. After joining an alliance, each member, individually and in parallel, has to offer a competitive “package of additional service” to achieve the financial success of their own business.

Even recognizing that one of the first objectives for retailers in joining an alliance is to increase bargaining power with suppliers, over time they can embrace new perspectives and attain new goals. It is common that the alliance starts as a “buying group” with a strong focus in buying cheaper products, and extends its joint activities as the buying process becomes consolidated.

In the beginning some members are distrusting of the alliance but give it chance to see “what substantial benefits they can get”. When members realize that group working gives better results than individual effort, they are more propitious to cooperate. Retailers become more committed as soon as they notice that the alliance can improve their business and add value to their internal and external processes. Some respondents emphasize that the retail alliance has to do more than just “save money”, because they believe that an alliance that only focuses in increasing the bargaining power of the members, is

“predestined to failure”. In this sense, they believe it is important the alliance defines a plan to explore future joint activities and that this must be clear to all members involved. Based on our empirical research, we noted that these additional joint activities were (in this order): advertising, promotional activities, creation of a new brand name (logo), standardizing of stores/layout and uniforms, production of own-label products, joint training, integrated logistic, partnership in legal actions, integration of recruitment and selection of employees.

It is important to note that most of the retailers involved in the retail alliances investigated were small independent retailer. Considering this segment, most of them deal with similar problems, especially related to the lack of capital for investment, low bargaining power and economies of scale. In Brazil, alliances in the retail sector strengthened around 1990, and although some alliances already show a certain evolution, most are not very mature. For example, investments in own-label products started quite recently, after 2004 in most of the Brazilian alliances investigated. One of them simply started in 2006 with a pilot-project concerning chocolate Easter eggs. This situation is very different from many European retail alliances, which operate with a very high volume of private label. In general, private label products have a lower price and are an interesting strategy for retailers to generate extra profit, increase their income and improve their image (Bontemps *et al.*, 2008). Some of the respondents to our research were very optimistic about profits generated by these products and affirmed the intention to invest in them. In this sense, we could say that an opportunity exists to be explored.

In most cases investigated, the members essentially buy food products (rice, oil, beans, pasta, tomato sauce, etc.) through the central office (in 30 to 50% of their products’ needs); however, they still buy a lot of products individually from suppliers’.

In all alliances studied, the members democratically elect the board of directors from within the membership. The board oversees the operation of the central office and is responsible for managing the alliance. The board provides necessary support to make the alliance more professional, improving capabilities, and monitoring internal and external co-ordination. Generally the boards contract an expert in negotiation to represent the group and to deal with suppliers, acting as an important information channel. The main function of this professional is to analyze the market prices, obtain the proposals and requirements of the members and negotiate the discounts with suppliers. The structure of the operating group at the central office does not usually have more than 10 people. In addition to seeking strong discounts, the board also develops potential projects in which the members can gain efficiency, in addition to gains already achieved through the discounts.

In all cases investigated, there was a contract to formalize and consolidate the partnership between members. However, in some situations this contract was very simple, with a minimum of conditions and obligations. In very few cases we found a careful provision for contingencies, and in a few alliances the members had a business plan to develop future provisions and priorities.

Other aspect identified in the study refers to standardization within a group. The results indicated that not all the stores that participated in a retail alliance are standardized concerning common image, infrastructure, and layout. In some situations, the members prefer to maintain some characteristics and original names; this happens especially when the stores involved have a traditional name, reputation, and presence in the neighbourhood. But in most cases analyzed, we noticed a strong effort of the alliances in creating a unique image in order to get a more professional image. Some alliances contract consulting firms to facilitate this process.

A summary overview of the results related to the importance, characteristics; joint actions developed and main implications of the retail alliances discussed is provided at Table 3.

P2: The establishment of horizontal retail alliances (or voluntary groups or cooperatives) by small food retailers firms has become a worldwide trend.

The establishment of horizontal retail alliances by small food retailer firms is perceived as a worldwide trend for some of the interviewed, but this is not a consensus. It is seen as a great alternative for independents to gain scale and operate with better prices in some countries or small cities. However, some of the interviewed people do not agree with this trend, especially considering the focus of alliances in “buying products” – a limited focus that is not enough to be guaranty competitiveness in a concentrated market. A lot of problems were cited that interfere with the success of retail alliance in a long term, given the different objective settings among the parties, the misunderstandings barriers that could develop because of the diverse business cultures between the parties and the lack of commitment of the partners. Some respondents believe that alliances are too complex to be coordinated and managed and that diversity of products mix and quality in services can be better options to maintain their business.

The controversies about this proposition (if retail alliances have become a worldwide trend) can be availed considering some comments of the respondents:

“I think the perspective for the retail alliances is good, but it will take a lot of focus, discipline, and cooperation to achieve the goals”. USA

“Horizontal alliances have prolonged the life of many independents but are under threat themselves. The long-term prognosis is not good. They will decline. Without “protection” of the Government, the only way for them to survive is becoming more efficient of more specialized, possibly offering a range of community services other than food”. UK

“Alliances in the retail sector are a reality. But their success depends of following some steps: a) implementation of realistic goals within the association; b) restriction barriers to those who don't follow the common objectives established by the association and implementation of ethics and conduct codes; c) delegate authorization to the association to improve and evaluate operational processes and professional and personal skills development among the association's members”. Mexico

“I think the outlook is mediocre. These organizations are just starting to gain traction, but I worry that the chains already control the market place too greatly for smaller associations to be able to work their way in”. USA

“Horizontal retail alliances make competition for small retailers possible. I think they can survive if they use the right strategy”. Netherlands

“Alliances are evident in many other retail sectors and have been quite successful. They are developed when fundamental changes take place in a sector and the existing firms look for ways to compete using their existing/traditional format. The alliances typically are focused around gaining purchasing economies and improving support for management (training, IT, financial systems, etc.). I feel alliances/voluntary groups will continue to exist for several decades, but they are not likely to grow into major market factors.” USA

“Retail alliances shall not be seen only as guarantee of the independent trade, but also as the only alternative for the industry”. Czech Republic and Slovak Republic

“The outlook depends on how well they are able to fend off challenges to their market share by the major multiples like Tesco and Sainsbury.” UK

“The horizontal retail alliances have very limited impact in the long run. Outlook is low as the major retailers are sensitive to the market and cover many of the niches. In particular the major players, particularly Tesco and Sainsbury are entering the convenience store sector.” UK

“I think the perspective of alliances in the retail sector in Switzerland is very small, but there is a huge opportunity to challenge the market and go a different route. Whether that can be achieved by the current alliances is another question, definitely not if independents main reason for joining together is buying power to react towards the big chains.” Switzerland

“The concentration is so high; it is too late for cooperation of the small ones. In the past it was the right step and ensured the survival of the independent retailers. But also the independent ones have to grow and increase their area and number of shops.” Germany

P3: One of the most important barriers for the cooperation between small food retailer firms and independents to succeed is the lack of involvement and commitment of the actors within the cooperative.

The empirical research strongly suggests that alliances are an important, even crucial strategic consideration, and can be used to great benefit. However, several recurring factors are pivotal for their success. Before deciding to become a member, each retailer has to analyse an important issue – the potential benefits have to exceed the disadvantages. The road to the monitoring of an alliance has been long and in some cases takes a lot of effort. The most evident obstacles we notice in this sense refer to the lack of commitment of some actors within the retail alliance, and to cultural differences between members. Both elements have a very significant impact on the success of an alliance in the long run as they are indispensable elements to create the right conditions for its consolidation. The lack of commitment was a problem found most in the beginning of the alliance formation; however, we found some cases that still were dealing with this obstacle, even in a mature stage. In situations where members were predominantly focused on short term goals (to save money), the results of the partnership were limited, directly affecting the performance in the long-term. So, it is essential to develop an understanding from the beginning, such that the gains can be realised for years to come.

It is clear for us that commitment is required in all phases of the alliance evolution. Motivation and enthusiasm of members are not sufficient to develop a strong alliance. This can be perceived in some comments of interviewees:

“The commitment of each participant to a purchasing group with clear views and strategies are the main success keys of an alliance.” Czech Republic/Slovak Republic;

“Diverse businesses have a hard time working together as one entity”. USA;

“Disagreements on the strategy and the consequence lack of commitment.” Netherlands;

“It is difficult to administrate the conflict of interest and the commitment of the partners”. UK;

“Inconsistency and lack of commitment are the main factors that affect the success of the horizontal retail alliances.” UK.

We particularly believe that commitment assumes a special critical importance in the beginning of alliance evolution, because it is when the alliance most requires changes in the traditional thinking and attitudes of its members; and when the members are formatting and building the core characteristics and scope of the group. Commitment helps to develop, from the beginning, a common direction, transparency, strong belief in working in partnership, clarity about what each partner offers and what is expected from him/her to facilitate achievement of cooperative goals.

Cultural difference is another critical element to construct a solid alliance. These differences are directly connected to personal experiences and reflect deeply the way people think and act - their perceptions and expectations about the world. In the study, we detected that with less compatible cultures and core values between members, the effort required to build synergies and results is bigger than with more homogeneous values. Sometimes, the members' different perspectives and interests resulted in resistance to change and to make the adaptations needed to march in a common direction.

To work with other retailers in practice is more complex than in theory. We are talking about a relationship between companies with different expectations and goals. To reverse the traditional “individual mentality” to a new style of “partnership attitude” is not something easy and takes time. Some insightful observations suggest that this change requires effort from the members to work through differences of opinion and diversity of personalities, accept different viewpoints, and be flexible and open to new ideas. It is also necessary that the board of the alliance reevaluates partners' goals and expectations periodically. For some retailers, working in a different way than they were used to was painful. It was necessary to create an efficient reciprocal relation through long time cooperation and focus on continuous assistance to develop a common vision. We found some cases that had problems in the beginning of the alliance, especially when suppliers offered to members, individually, lower prices than those available from the alliance. When members had an opportunity of getting better prices directly from the industry, they enjoyed it and didn't share this benefit with other partners. In this situation, the bargaining power of the alliance was directly affected. This kind of individualistic action was very common in the beginning of some alliances.

In some situations, the members are tied to the alliance, not only by contract, but by concept, name, product, and activities developed. Some respondents declared that in the beginning of the relationship they were afraid to lose control through working with other organizations. They feared to lose their own culture, characteristics and control over total operations, when entering into an alliance. In many situations it was necessary that retailers gave up some portion of independence for the benefits and interests of the group.

Most alliance analysed represent those typically found in Brazil. It is rare to find an alliance that has more than 100 members in the country, especially because of the size and scale of the Brazilian territory. On the other hand, in many countries in Europe and USA, it is possible to find alliances with higher membership. The larger size of an alliance often results in better opportunities because the potential and scale, but it also is more complex to coordinate and manage.

Many Brazilian independents and non-integrated chain retailers investigated were aware of the limitations brought by their modest size. Some declared an interest to have more members, but “not many more”. We also found groups that didn't have the interest to be bigger, because they are satisfied with the

performance of the alliance. In some cases the challenge is to find the right/better size of the alliance - to gain scale but at the same time not be difficult to coordinate it.

The drawbacks the retailers have to face to the alliances succeed, according to the respondents are:

- Lack of involvement and commitment of the actors within the retail alliance
- Passive participation of some members - some associates just believe that the alliance is going to resolve all their problems
- Cultural differences and lack of affinity among some actors – lack of a match in values or “business philosophy”
- Difficult group cohesion – different structures, different locations, different opinions
- Conflict of interest within the association
- Existence of individualistic actions that limit joint benefits
- Union of heterogeneous firms with different expectations and goals
- Diversity can be a disadvantage in an inflexible association structure
- Fear to lose control and lose individual characteristics – fear to lose uniqueness, individual entrepreneurial spirit, freedom of creativity, autonomy of an independent store
- Danger of pasteurization of offers rather than tailoring them to market conditions
- Important purchases not made through the group (reducing opportunities for scale economies)
- Lack of clearly defined roles/ responsibilities
- Lack of understanding among the actors (they should be allies and not competitors)
- Lack of profitability of the operations accomplished by the alliance
- Lack of standardization of products
- Lack of differentiation in merchandise
- Lack of standardization among the involved stores of the alliance
- Lack of innovation
- Bad image evaluation from the community
- Timid vision of some associates about the need of technological innovation and modernization
- High competition in the retail sector, mainly price competition by the big chains
- High tributes paid by the alliance central office
- Problems in the structure of alliance that limit its ability to attend to all retailers’ needs
- Difficulties in professionalizing the central office
- Difficulty of developing integrated actions
- Dilution of management authority in associate firms
- Average speed of members – meaning a weighted for of the strongest and the weakest ones

- Lack of trust and credibility among some suppliers about the retail alliance
- Difficult relationship with big organisations – suppliers want to keep the profit margins they had before
- Difficulty to define common goals and future investments
- Some associates resist investing when certain necessary improvements are needed
- Insolvency of some retailers involved in the alliance
- Loss of independence and power
- Doing things “the way we always have done”
- Some systems often becomes too bureaucratic and slow to act on the market
- Obligations they have to follow
- Difficulty to maintain the uniformity of the concept (as in a franchising)
- Proposal of the horizontal networks – it is needed a proposal with benefits to external stakeholders
- Lack of professionalism of some family companies (they don't adopt professional standards within the association)
- Lack of standardization of the logistics among associated stores
- Low volumes of purchases (low number of associates in an alliance many times limit the economies of scale)
- Low number of associates (only with a reasonable number of associates the alliance will be able to offer and to sustain services; otherwise, the benefits are limited)
- Cost of products is not as cheap as in a vertically integrated system
- Communication problems between administration and associates
- Loss of control over product range and mix
- Too complex planning and coordination
- Inexistence of operational improvements to reduce costs; without these improvements independent chains haven't been able to take advantage of having lower prices
- Associations can be disorganized and inefficient

5. CONCLUSION AND FURTHER STUDIES RELATED TO RETAIL ALLIANCES

We believe that this paper is just one of the first steps in an important research field that should be more investigated. What we tried to do is ferment the debate on horizontal alliances in the retail sector and provide a basis for further studies in this area.

The review of the main aspects of this study and key findings are shown in Table 4.

Considering the scope of this study, the results provide useful information and new insights to both academic and practitioners, facilitating the comprehension toward the effective development of horizontal retail alliances. The establishment of horizontal retail alliances (or voluntary groups or cooperatives) by small food retailers firms has in some way become a trend in various countries. This is not a consensus

between the respondents, but there is a common understanding that in some countries or areas horizontal alliances can be helpful for independent retailers to obtain countervailing sector power, and one way in which independent retailers have been able to fight against the multiple chain retailers that are now offering convenience in different formats in neighborhood areas. Such alliances groups operate in a variety of ways in different countries, but the main advantage is to gain some of the buying power of multiple retailers by collating orders from a variety of independent retailers and negotiating with suppliers and manufactures through a central buying organization. In return, independent members pay a subscription, and often adopt a symbol group identity which includes trading under a common brand name and stocking a certain amount of own-label products.

However, to build a horizontal alliance is not an easy process. The paper discussed several problems the potential members have to face, for example, in the differences between objectives and goals, in dealing with the fear of losing control, uniqueness, individual entrepreneurial spirit, freedom of creativity and other issues of autonomy.

Some other choices can be adopted in a complementary way. The independent retailers can, for example, also find a competitive edge through offering a better customer service than the multiple chains and through selling unique produce that multiples cannot get or do not consider economic to stock.

In reviewing the existing research and literature on retail alliances, we noticed the lack of academic publication on some issues that belong to this ample theme, even considering their relevance. This review identified some main aspects and interesting issues for further research, as described in Table 5.

We noted that there has been a lack of attention paid to horizontal retail alliances, as most studies tried to explain the partnership between retailers and suppliers, especially considering alliances between two firms. As we discussed before in this paper, we identified the growth of cross-border alliances studies; however, the attention to alliances between small retailers is relatively neglected. Even considering our effort to find publications about retail alliances, the few we found concentrated on explaining the members' motivation to the alliance formation, and generally they concerned purchasing groups, with a limited scope of joint actions. Most authors have often sought to identify the "phenomenon" alliance; however, we didn't find a single study that discussed deeply the conditions that lead to the sustainability of retail alliances. Further studies could also bring some relevant contribution by analysing quantitatively the benefits that members can obtain by joining a horizontal retail alliance.

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Table 1: Types and characteristics of the alliances in retailing

Type of alliances between retailers	<i>Horizontal retail alliance formed by independents and non-integrated chain retailers</i>	<i>Retail alliances operated by a wholesaler/retailer</i>	<i>Franchising systems</i>	<i>Cross-border alliance</i>
The "Idea"	Members share the costs and benefits, taking advantage of economy of scale, creating mutually profitable. Members obtain efficiencies that will allow them to maintain their business and/or gain competitiveness	The wholesaler/retailer try to sell products cheaper as possible and offer support services that can provide the fidelity of independent and non-integrated chain retailers. This type of alliance tends to exhibit the most centralized decision-making structures	Small retailers develop uniform product, selection, advertising and price strategies, featuring a full line of advertised brands. The retailers (the franchisees) has the advantage of the experience and the reputation of the franchiser	Typically this alliance involves large retail organizations on a supranational level, illustrating various degrees of collaboration. The group acts as a single purchasing unit, as well as often collaborating on the sourcing of private label products
Main objective	Compensate retailers for structural competitive disadvantages in relation to chain store companies through consolidation, depression and competence-enhancing effects	The independents and non-integrated chain retailers try to take advantage of purchasing, marketing economies and others supporting managerial services. The aim is to bring coordination among the sponsor and independent and non-integrated chain retailers to compete more effectively with the corporate chain	The independent and non-integrated chain retailers try to take advantage of purchasing, marketing economies and develop a corporate image, gaining visibility on the market	To improve sourcing conditions for its members and better compete with larger public and private retailers in an increasingly competitive market. This alliances permits partners achieve significant improvements in both efficiency and effectiveness
Characteristic	Voluntary nature of membership that ties individual members to the group. The independently owned retailers join together to own and to operate the central office. The group establishes rules and obligations that the members have to follow	Voluntary nature of membership that ties individual members to the group. The wholesaler/retailer band together independently owned retailers. The wholesaler/retailer represents the locus of power and serves as a more effective channel leader	Based on principle of free choice; however, active collaboration is based on the system-forming rules of franchising, which is focused in commitments and obligations of the respective membership companies	Voluntary nature of membership that ties typically very largest retailers. This alliance is built up on a one-member-per-state basis, ranging from groups with three or four members to larger ones with twelve to fifteen members. Some are more formally established and open about their activities; other have a less formalized and less centralized operating structure
Common Scope	Predominantly National - specific cities or regions (States)	Nationally or Globally	Nationally or Globally	Globally

Kind of alliance	Horizontal. alliance between independents and non-integrated chain retailers	Vertical alliance between independents and non-integrated chain retailers and a wholesaler/retail chain	Vertical alliance between independents and non-integrated chain retailers and a wholesaler/manufacturer	Horizontal. alliance between large chains (major retailers)
Who have the control?	The members - independents and non-integrated chain retailers	Depending on the agreement established. The wholesaler/retailer can have more control or sometimes, the independents and non-integrated chain retailers	The franchisor	The members - large retail chains
Who most benefit?	Independents and non-integrated chain retailers	Wholesaler/retailer and independents and non-integrated chain retailers	Franchisor (that have total control of their franchisee) and independents and non-integrated chain retailers	Large retail chains
Main Benefits	<p><u>Retailers:</u></p> <ul style="list-style-type: none"> • Better buying and service opportunities • Benefits in terms of financial implications • Access to quality supplies and services at reasonable cost • Additional power to the members (economies of scope) in their negotiations with suppliers • Turnover is increased through lower prices, group marketing expertise, promotions, etc. - better administrative systems • Collaboration power and capital to invest and innovate • Increased knowledge transferred between members • Facilities to professionalize managerial and administrative staff • More potential to commercialize private label products <p><u>Suppliers:</u></p> <ul style="list-style-type: none"> • Manufactures can gain access to more buyers (retailers), that used to buy products from wholesalers • Deal with more coordinated and organized retailers • Suppliers can reduce transaction costs - requirements, logistics management, etc. 	<p><u>Retailers:</u></p> <ul style="list-style-type: none"> • Better buying and service opportunities • Loans and financial support by wholesaler to develop or to extend/refurbish their business • Turnover is increased through lower prices, group marketing expertise, promotions, etc. - better administrative systems • Selling costs as a percentage of turnover are therefore reduced • Increased knowledge transferred from the wholesaler/retailer • Support services from the wholesaler/retailer • The high volume of private label products sold can improve their profitability <p><u>Wholesaler/retailer-sponsored:</u></p> <ul style="list-style-type: none"> • Higher control among the supply chain • More facilities to sell their own-brand products • Increase profitability, stronger company image, reduced costs, and improved clients (members)loyalty • Reinforce their image 	<p><u>Retailers:</u></p> <ul style="list-style-type: none"> • Better buying and service opportunities • Benefit from the work and experience of the franchisor that have invested to create a successful business • Uniform system of operation, and it means that consumers will receive uniform quality, efficiently and cost-effectively • The franchisor provides training for the franchisee • Opportunity to develop their corporate image, gaining visibility on the market • The franchisee has the advantage of the experience and the reputation of the franchiser <p><u>Franchisor (wholesaler/manufacturer):</u></p> <ul style="list-style-type: none"> • Higher control among the supply chain • Increase profitability, stronger company image, reduced costs, and improved clients (members) loyalty • Realize economies of scale - lower training, development, marketing and sales costs • Create a strong portfolio of clients • Increased revenue from royalty 	<p><u>Retailers:</u></p> <ul style="list-style-type: none"> • Better buying and service opportunities • Exchange best practices, information and ideas between members • Provide a central point of negotiation for promotions • Central contracts, including own-label, increasing buying power • Negotiations with brand manufactures on a large scale • Use of common suppliers for private labels, information about other alternative suppliers and concentration around large suppliers • Additional fiscal benefits in the central payments clearance systems • Improvement in both efficiency and effectiveness • Possibility to strength and maintain their position in the market place. • Relatively fast and efficient way to expand into new markets and incorporate new technologies <p><u>Suppliers:</u></p> <ul style="list-style-type: none"> • Buyers become more marketing oriented and suppliers look beyond just sales targets • Suppliers can expect demands for a greater alignment of trading terms between the

		<ul style="list-style-type: none"> • The power generally resides with the central wholesaler/retailer, allowing it to better orchestrate channel activities and develop strong connections with associated independent owned retailers 	<p>payments</p> <ul style="list-style-type: none"> • The power firmly resides with the franchisor, allowing it to better orchestrate channel activities and develop strong connections with members 	retailers
Challenges	<ul style="list-style-type: none"> • Manager the conflict between market and member interests • Culture problems when the membership is heterogeneous • Retailers tend to be more isolated as there is sometimes a weaker central presence to draw them together and coordinate their activities • Tendency to retailers prioritize short-term benefits 	<ul style="list-style-type: none"> • To be a part of this alliance it is necessary some extra capital, that is often scarce to small retailers • Depending of the contract, some retailers are required to obtain a specified proportion of their goods from the wholesalers. • Retailers probably will sacrifice some freedom of action (loss of control) for the sake of big retailer disciplines that the sponsoring wholesaler seeks to provide • Member retailers normally pay a levy towards the costs of the services that the wholesaler provides. 	<ul style="list-style-type: none"> • To be a part of a franchise system requires high capital, that is often scarce to small retailers (initial franchise fee, ongoing royalty fees, advertising fees, etc. to the franchiser; also, the franchisee needs to raise the money to start the franchise and must manage its ongoing operation) • Becoming a member of a franchise systems, retailers may need to sacrifice some control over their business • Sometimes marketing philosophy and pricing structure that makes sense for one franchisee area not means that will adhere to another region 	<ul style="list-style-type: none"> • Regulatory restrictions/limits – governments can restrict cross-border operations - the cross border dimension could be significantly enhanced if a number of legal and tax barriers were tackled • Suppliers will be faced with large groups of retailers which are able to beat the prices down • Suppliers probably will have to deal with considerable pressure, specially if they are not first or second in their marketplace • Special challenges that cultural diversity creates for effectively managing human resources within cross-border alliances • Difficulty of communication, as the partners are often from different countries

Source: Elaborated by the authors from WHITTEMORE (1991); TÄGER (1992); LOWE (1993); ROBINSON; CLARKE-HILL (1995); ZENTES, SWOBODA (2000); DOBSON (2002); BURKINK (2002); STOEL (2002); JACKSON; SCHULER (2007); IGD (2007); BROOKE (2009); PLAZIBAT; FILIPOVIC, 2010

Table 2 – Summary of the methodology of the study

Stage of the research	Characteristics
1. Bibliographic and a secondary data research	Unit of analysis: books, academic papers, periodicals, trade publications and company reports.
2. Qualitative Research (Exploratory Study)	Unit of analysis: three retail alliances formed by independents and non-integrated chain retailers (São Paulo state - Brazil) Research approach: exploratory research. Data collection: personal interviews; instrument: semi-structured questionnaire. Main objective: to have a practical perception of the theme, definition of the methodological steps and specification of the propositions and variables of the study.
3. Qualitative Research	Unit of analysis: six retail alliances formed by independents and non-integrated chain retailers (Brazil – several states). Research approach: qualitative research Data collection: personal and telephone interviews; structured questionnaire. Method of research: multi-case studies. Main objective: to amplify the knowledge and experience about the alliance-formation process.
4. Quantitative Research	Unit of analysis: 21 retail alliances formed by independents and non-integrated chain retailers (Brazil – several states). Research approach: quantitative research. Data collection: e-mail and telephone. Method of research: survey, structured questionnaire. Main objective: to analyze propositions and correlation among several variables, describe the characteristics of retail alliances and identify the actions developed jointly by the members of the alliances.
5. Qualitative Research	Unit of analysis: UGAL - the Union of Groups of Independent Retailers of Europe (Belgium). Research approach: quantitative research. Data collection: personal interview, semi-structured questionnaire. Main objective: to amplify the knowledge about the retail alliances in Europe
6. Quantitative Research	Unit of analysis Research approach: quantitative research Method of research: survey, structure questionnaire Main objective: to amplify the knowledge about retail alliances around the world and to know the opinion of specialized professionals, as professors of retail disciplines and experts, with large experience and overview in the retail sector.

Table 3– Summary of the importance, characteristics, joint actions developed and main implications of retail alliances

Aspects analysed	Integrated view of the results
Importance of retail alliance	The opinion about the importance of the alliance was similar for most researched people. The alliance can be seen as a strategic alternative used by small and medium-sized retailers to ensure their sustainability and promote their efficiency. However, the simple integration to an alliance does not guarantee the “survival” of any company, because it has to be seen as a complementary strategy.
Defensive or strategic alliances?	In some cases, the alliance represents a natural process to gain competitiveness (strategic alliance); however, in other situations, it represents the “last option of salvation”, when retailers already tried everything they could, and they don’t have any more alternatives to maintain their business (defensive strategy). In this context, the alliance represents one of the only means of survival.
Characteristics of the members	In our research the alliances investigated were formed by independents and non-integrated chain retailers – small retailers that have apparently similar characteristics (size, yield/ invoice and financial structure).
Fee to participate of the alliance	Normally there is a fee that members have to pay monthly to maintain the central office (professionalism and modernization - structure, equipments and technological systems). If a member requires an additional service from the central office, it is generally necessary to pay a specific fee.
Main implication for the retail alliance formation	With the competitiveness of the big chains, it is essential for independents and non-integrated chain retailers to find mechanisms to buy products cheaply. The alliance, in this sense, is one of the possibilities to increase the bargaining power of the retailers. In almost 100% of the cases studied, the members join a retail alliance with the main reason to buy products more cheaply, as it is essential for the retailers to sell cheaper, to encourage customer loyalty. We noticed that in the evolved retailer alliances studied the members have a clear vision of the benefits to become part of an alliance - to gain competitiveness (to become a member of a organization with a strong brand, and to have access to managerial services that the alliance offers to their members).
Type, volume of products and period of the requirements	In most cases, the members just buy the basic food products (rice, oil, bens, pasta, tomato sauce, etc.) through the central office, and continue to buy the majority of remaining products directly from the suppliers. They use to buy between 30 and 50% of the required products by the central office and for the rest they deal individually with the suppliers. Most members send their list of required products to the central office each 3 days or once in a week and receive the products once or twice in a week.
Joint actions developed	Integration of purchase, advertising, promotional activities, creation of a new brand name to all stores (logo), standardization of stores/layout and uniforms, production of own label products, joint training, integrated logistic, partnership in legal actions, and integration in recruitment and selection of employees.
Main focus of the retail alliance	It was very clear that the initial focus of many retail alliances studied was to buy products more cheaply. If the members don’t extend their joint actions eventually, the retail alliance assumes characteristics of a “buying group”. But when the members had the interest to explore other potential gains that the alliance can offer (and believe on that!), they generally initiate other joint actions.
Standardization of the stores	Not all of the stores that participate of a retail alliance are standardized. However, we noticed that as more developed the retail are more common standardization is, with the same brand name (logo), structure, technology and managerial processes. We also noticed that many alliances investigated have the intention to create a unique image for all stores to reinforce their name in the market. In many situations, this happens as a natural process of the retail alliance evolution.

Table 4: Review of the main aspects of the research on the basis of this paper and their key academic findings

<i>Purpose</i>	<ul style="list-style-type: none"> • Explores the linkage between conceptual knowledge and empirical research, to provide an integrated perspective about retail alliances among independents and non-integrated chain retailers. The main objective of this paper is to discuss whether the establishment of horizontal and vertical alliances among independent and non-integrated retail firms has become a worldwide trend in the face of heavy competition from expanding large retail chains.
<i>Design of the methodology</i>	<ul style="list-style-type: none"> • Qualitative and Quantitative researches realized in many countries.
<i>Originality/value</i>	<ul style="list-style-type: none"> • Even considering the extensive body of literature dealing with alliances, a comprehensive theory of interfirm co-operation in the retail sector has not yet emerged. • This article points the main issues in retail alliances, providing useful information and new insights to both academic and practitioners, helping them to better understand and construct a solid alliance. • The discussion of the theme by respondents - executives and influential stakeholders – from many countries provided a valuable perspective.
<i>Key findings</i>	<ul style="list-style-type: none"> • Horizontal alliances have an important role to play in the sustainability of independent and non-integrated chain retailers. The model aims for a common solution to similar problems faced by independent and non-integrated chain retailers and has been implemented in several segments of the retail market. • Horizontal alliances have led to a collaborating working force that mobilizes individual firms around common projects – focusing on gains in competitive advantage and stimulating the development and the professionalization of their members. • The creation of alliances is motivated especially by the potential of members to purchase cheaper inputs from suppliers. When the partnership becomes more consolidated, new value activities are incorporated into the alliance. • Commitment of the partners in the alliance, without a grain of doubt, is one of the most limiting factors that impact the success of the horizontal alliance. • To succeed, the alliance needs to include a plan focusing on developing clear objectives; the members have to adequate the internal processes (infra-structure, procedures, equipments, etc.) to support the joint activities; it is necessary to improve the processes and the professional training of its members; retailers have to establish high level of trust, develop norms and processes' standardization, and to evaluate continuously the development and performance of the alliance, to promote the required adjustments. • Horizontal alliances can foster positive effects in the retail field, through utilising technical and economic progress and knowledge exchange between members. However, alliances do not guarantee survival of companies. Small chains and independents will gain competitiveness by offering convenience, good customer service and products of high quality. The focus on specialist foods, by offering premium assortment and a high quality food section, can also be a differentiating alternative.
<i>Managerial implications</i>	<ul style="list-style-type: none"> • In addition to the theoretical contributions, this study has provided an illustration of a variety of aspects in horizontal retail alliances, discussing relevant insights for practical retail management. The potential benefits, drawbacks and trends discussed in this paper can contribute to managers understanding of the critical aspects across the alliance consolidation, helping them to nurture the alliance's longevity.

Table 5: Previous and potential studies in retail alliances field

Concentration issues in previous studies		Few studies/Potential studies
Focus in vertical retail alliances		Focus in horizontal retail alliances
Alliances between two companies		Multi-company studies
Motives of the alliances formation		Reasons for the success of alliances
The “phenomenon” alliances		Conditions that lead to the dissolution of alliances
Cross-border alliances between large retailers		Alliances between small retailers - independents
Singular case studies		
Analysis of purchasing groups		