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ARTIGOS COMPLETOS/COMPLETS ARTICLES

SETTLEMENT OF COMPETITIVE ADVANTAGE THROUGH THE ADOPTION OF SYSTEMIC VISION IN TOBACCO'S PRODUCTIVE CHAIN

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ABSTRACT

The following study expects to show how two companies, acting in the tobacco productive chain, one as a distributor of a national producer and the other as an independent retailer, established a competitive advantage in comparison to other significant competitors in the same productive chain, adopting a systemic vision where a strategic commercial alliance was formed. The methodology used in this paper was the case study, throughout a qualitative research with relevant data of the analyzed companies, before and after the implementation. It was noticed that the systemic vision that provided the alliance implementation increased the profitability of the operations for both companies related to the segment of the focused market, known as popular cigarettes, in addiction, it increased the amount of sales, in benefit of the productive chain these companies belong, as a whole.

KEYWORDS: systemic vision; competition; smoke.

ADOÇÃO DA VANTAGEM COMPETITIVA ATRAVÉS DA UTILIZAÇÃO DA VISÃO SISTÊMICA NA CADEIA PRODUTIVA DO TABACO

RESUMO

O seguinte estudo pretende mostrar como duas companhias, atuantes da cadeia produtiva do tabaco, uma como distribuidora de uma produtora nacional e a outra como varejista independente, estabeleceram uma vantagem competitiva em comparação a outro significante competidor da mesma cadeia produtiva, adotando a visão sistêmica onde uma aliança estratégica comercial foi fundada. A metodologia usada em todo este trabalho foi o estudo de caso, com recursos da pesquisa qualitativa com base em dados relevantes das companhias analisadas, antes e depois da implantação. Foi notado que a visão sistêmica, que sustentava a implantação da aliança, aumentava a lucratividade das operações para ambas as companhias relacionadas ao segmento de mercado em estudo, conhecido como cigarros populares, além disso, ele aumentou o número de vendas, em benefício à cadeia produtiva destas companhias como um todo.

PALAVRAS-CHAVE: visão sistêmica, competição, fumo.

1 INTRODUCTION

In recent decades, frequent changes in the globalized economic scenario lead to new patterns of competition and, as a natural consequence, to the increasingly concerning about the competitive issue (WOOD JR, 1995).

Within this context, companies are liable to rapid and sometimes unexpected transformations that can change its competitive patterns, so demanding a different administrative conduct. Senge (2000) argues that companies should learn to deal with innovation to reach success. His systemic approach link knowledge creation to new ways of thinking and acting. In their quest for competitive development, companies should not act individually, but in a systemic way. Similar to what happens in competition among countries who organize themselves as economic blocks, competition among companies is held at level of productive chains that they take part.

In the last decades many factor had contributed to the creation and development of productive chains like the grown competitiveness that asks for better relation between companies, increasingly use of information technology, establishment of commercial alliances and a more systemic action by those in charge of leading the companies. Those chains aim for more profitable operations throughout costs reduction, diversification of their products mix, staff training and the establishment of strategic alliances among their actors, making those able to deal and survive to competition. For Lorange and Roos (1996), strategic alliances are created among many different kinds of companies who see cooperation as an important way to reach competitiveness through the sharing of information, technologies and other resources.

Thus, the following study tried to demonstrate in a practical experience of two commercial companies within the productive chain of fume. Adopting a systemic approach, those two companies formed a strategic alliance in order to increase their market share, profits and, as consequence, gains for the whole productive chain. This paper is divided in two main parts. The former brings the theoretical basis about systems, productive chains and systemic competitiveness. In the second part the case is shown and related to the chosen theoretical basis.

2 THEORETICAL SUPPORT

2.1 GENERAL SYSTEMS THEORY

There are many definitions for systems. They differ in terms of its origin, focuses and formations of the researcher. Accordingly to Martinelli (2002), those who forge the term did not try to say what exactly a system would be but, instead of it, what where its features.

The author mentions that the General Systems Theory (GST) appeared at first around 1920 on the works of the German biologist Ludwig von Bertalanffy who propose that the organisms are "organized things that the biologists have to find out its consistence". He presented his organicist point of view for the first time in 1937 at the University of Chicago and later in his book General *systems theory* published in 1968. In this book, Bertalanffy mentions another GST pioneer named Boulding, who had found very similar conclusions, but starting from economy and social sciences.

Among many citations, Hall e Fagen (1956) say that a system is a set of objects and their attributes. In a similar way of thinking, Bertalanffy (1975) says that system is a set of interrelated elements and Beer (1959) that it is anything formed by integrated parts. Accordingly to Churchman (1971), system is a set of coordinated parts that realize a purpose.

A systemic approach is worth for managers in their decisions as is enable them perceive the interrelations between internal and external environment. Martinelli (2001) asserts that one of the greatest contributions of systems theory to administrative theory was help managers to think their organizations as open systems, in which their responsibilities are to settle goals for the system, create formal subsystems, to integrate different systems and lead the system to fit in its environment.

To Martinelli (2002), GST does not try to resolve problems or to find practical solutions, but to produce theories and conceptual formulations to support the empirical reality of systems. Although the fact that systems can be naturally subdivided and, as consequence, generate interdependence, this theory request a global comprehension. The subsystems send and receive its components to other

related subsystems in an endless interchange process with their environment. Within this interaction, subsystems can be developed. As the interchanges diminish, the systems may get smaller and smaller until their disintegration.

2.1.1 Productive chains

In the decade of 1950, Davis e Goldberg (1957) were the first to use a systemic approach to study the relations founded in agriculture. From their studies came the term agribusiness, defined as "the sum is all operations related to the processing and distribution of agricultural sources and derivates". It means that from that moment on the development of agriculture was related to the performance of the industrial and service sectors.

Recognizing that the destination of agricultural products was no more the agro industry but the final consumer, Goldberg studied the complex cases of wheat, soy and orange in Florida and than expend the concept of agribusiness to "agribusiness industries". For Goldberg, agro industrial segments include all the process related to the production, transformation and sale of a basic agribusiness product, until it reaches the final consumer. It was the first time that someone mentioned the incorporation of institutional influences in this kind of analysis, stressing the relations between agricultural production and the world of big business. From that point on agribusiness was disunited in subsystems, as the interest was to investigate the interrelations that occur during the flown of a specific product (HEMERLY, 2000). This concept of subsystems is what we know in our days as productive chains or agro industrial systems of specific product.

The concept of productive chains was developed as an instrument of systemic vision and is supported on the supposition that the production of goods can be seen as a system, in which many actors are interconnected by the flown of materials, capital and information, aiming to supply a final consumer market with products of the system (CASTRO, 2002). Yet for this author, his concept was first developed and focused in the agribusiness and forestall production, but it has a wide potential to be applied to other productive areas, what would turn this concept universal and would

aloud to use its capacities and analytical tools to the formulation of strategies and development politics in many productive processes.

Through links in both ways, productive chain represents a range of organizations of the different process and activities that produce value in the form of products and services that are taken to the final consumer (LEITE; PESSOA, 1996). For those authors, this aggregation of value involves activities of production, processing, distribution and commercialization. The understanding of those processes, identifying its weak and strong points is the essence of the studies of productive chains.

To Castro et al (1998), the management of productive chains brings the idea of improvement and integration of companies' processes among companies, through the inter relationship among the members, as in strategic alliances and partnerships, in a way the links of the chain become effectively connected and active. Yet, those authors say that the actor of a productive chain can have cooperative or conflictive attitudes. In theory, those actors should be always cooperative, while competition should happens among components of the same nature.

In his turn, Zilbersztajn (1994) says that coordination of the chain is primordial to assure its competitiveness. He stresses that the adapt process has to pass for three stages: first, all the actors should internalize information and be sure about the importance of the change; then, the commitment among the actors must be promoted within this new conception and, finally, adjust actions must be implemented in a harmonic was in every stage of the chain.

Hemerly (2000) argues that in a productive chain the capital flown stats with the final consumers and go all way up until the last link of the chain – sources suppliers. This flown is regulated by formal and informal transactions among the members.

Productive chains must also include the exam and characterization of behavior of capital flown, of the transactions and issues about appropriation and distribution of benefits between its members.

2.2 STRATEGIC ALLIANCES

The social, politics and economic changes the countries have faced lately lead to an increasingly competition among many economic spheres. Countries join themselves in integrated economic blocks. Accordingly to Vasconcelos et al. (1991), as it can lead to narrowing of markets; those blocks can represent a threat to the other countries, specially the poorest ones. Ohmae (1989) aids that globalization makes alliances an essential issue to strategies, as it enable the increase of competitiveness in the search for a larger market share in a sustainable way.

Lorange e Roos (1996) assert that strategic alliances are cooperative enterprise that provide grown with smaller costs and in a shorter period of time. The authors stress that the competitive differential of those alliances can be found in the features of interaction between the members. Culture has an important role in this issue. Those authors also suggest that the settlement of objectives must be as clear and transparent as possible, and that in the analysis of those objectives organizations can present different preferences, which would result in different capacities and performances as well.

For Thompson e Formby (1998) strategic alliances are deals among companies aiming in cooperation of knowledge in order to get sustainable competitive advantage. Within a strategic alliance, companies can compete in a global market keeping their individualities.

Dussauge (1990) remembers that alliances can be settled both among companies that work in different activities as among competitors, discerning from joint-ventures in which partners share the propriety of a new company.

The complexity related to the creation of a commercial alliance is mentioned by when the author elucidate that managers must look at cooperativeness in a new way, as it rule this new kind of relationship among companies.

Accordingly to Yoshino e Rangan (1996), the inconstancy of this relation can endanger the continuance of strategic alliances and, for Das e Teng (2000), this inconstancy will happen the relations lacks cooperation spirit, flexibility and long sigh vision. For Kanter (1994) those obstacles appear when the relationships between the people involved are not so good.

Lewis (1992) support that one of the partners should be in charge of commanding, at least in distinct segments; the authors recommends, however that the planning and controlling activities may be shared among the companies

The increasingly claims for lowers costs and the need of innovation in products and services take companies to develop associative processes as it happens among countries. As stressed by Mcfarlan (1999), companies make use of technologies to reach those goals.

2.3 SYSTEMIC COMPETITIVENESS

Competitiveness, accordingly to Ferraz, Kupfer e Haguenauer (1997), should not be understood as an inherent feature of a product or company, but an external feature as it is related to the present competition patterns in each market. Competition patterns are "the assemblage of success critical factors in a specific market".

For those authors the competitiveness basic analysis element is the company, because it is considered the space for planning and production organization. To competitive analysis, there should be considered four issues:

a) Management – strategic planning and decision support, finance, marketing and after-sale;

b) Innovation – Research and development for product processes and technological interchange;

c) Production – equipment, installations and quality organization and control methods;

d) Human resources – productiveness, qualification, and labor flexibility.

Management, innovation, production and human resources however are only reference factor to the competitiveness analysis. Those four issues should be systemically integrated, balanced to the organizational aiming. Any failures or lack of harmony should be quickly restored as there is the risk of loosing competitive advantage.

Ferraz, Kupfer e Haguenauer (1997) recommend a competitiveness analysis methodology. Their proposal stresses that an assemblage of a huge number of factors are the main reason of competitiveness. Many of those factors are external to the organization. They are classified accordingly to its external, systemic, structural and entrepreneurial features.

2.3.1 Entrepreneurial factors.

Entrepreneurial features are all those factors that the can be directly controlled by the company. More specifically, they are related to the sources gathered by the company so far and to those strategies to increase those sources in the four entrepreneurial competence areas: management, innovation, production and human resources.

2.3.2 Structural factors

For Ferraz, Kupfer e Haguenauer (1997), the market dynamism, the costumers high claiming level and the new industrial features (essential in an intra-realm organization of production) are very important items to industrial companies' competitive performance. They also mention that the relationship among suppliers and producers within the productive chain and the kind of regulation and impulse to competitiveness are part of the most evident decisive power in the structural factors.

In their turn, the competitive forces pointed by Porter (1989) are represented by the entrance of new companies in the market, threatens of substitute products, the negotiation power of suppliers and buyers and the rivalry among actual competitors and the influence of non-public institutions that settle the rules for competition's incentive and regulation.

Kupfer (2002) says that "structural actions seek to make difficult the appearing of more concentrated structures". Such structures would increase the possibilities an abusive market power. Preventive control (feasible through structural actions) would help to avoid concentration acts like fusions, acquisitions, joint-ventures and many others.

Structural factors estipulate the decision and interference power of each company in the market, accordingly to the actual competition patterns. Ferraz, Kupfer e Haguenauer (1997) point as some of those patterns: the market, the industrial segment configuration, incentives and the competition regulation.

2.3.3 Systemic factors

Accordingly to Ferraz, Kupfer e Haguenauer (1997) systemic factors are those that the company can not control. They are external and can change the competitive environment features and result in competitive advantages or disadvantages for the companies of a countries in an international market.

They are macroeconomics, institutional-politics, legal-rules, infra-structural, social and international as it can be seen in the box below:

Square I: Competitive systemic factors

Determinants	**Factors**
Macroeconomics	Exchange of coins' rate, economic stability, PIB growing rate and credit offering.
Institutional-politics	Taxes and tariff politics, technological support, nations' buying power.
Legal-rules	Foreign capital control and protection for competitiveness, natural environment, intellectual property and to the costumers.
Infra-structural	Enough, trustful and low cost energy offering, interconnected, efficient and modern transportation net and also a wide, good quality and low cost communication net.
Socials	Education and labor qualification, kind of labor interrelations and consumers patterns of life.
Internationals	World commerce tendencies, international commerce and direct external investment flown, international organisms and relationship among international blocks.

From: based on Ferraz, Kupfer e Haguenauer (1997)

The main features of systemic factors must be taken in consideration for the formulations of a strategic planning methodology of adjusting. Those main features have direct influence on the results of entrepreneurial activities.

Accordingly to Kupfer (2002) "the role played by the State on the promotion of a country's productive activities is still a conceseless issue among economists". There are three perspectives about this issue: Orthodoxy, developmentist and evolutionist.

The orthodox perspective questions the action borders between State and market as promoters of economic activities. The developmentist perspective gives more effort on the economic and productive power of international nations. Evolutionists focus on the competences of economic agents to promote innovations in order to change the productive system. Due to the existence of those different mainstreams, no rare the discussion leaves the economic field and goes to the ideological one.

Kupfer (2002) says also that the industrial politic can be defined as "the ensemble of incentives and rules related to public actions that can affect the setting of inter and intra resources, influencing the patrimonial and productive structure, the conduct and the performance of economic agents in a specific national space.

To Ferraz, Kupfer e Haguenauer (1997) the systemic main features of competitiveness has a decisive role on the companies' competitiveness through direct and indirect factors. The offer has influence over the cost and quality of the products and those have influence over the entrepreneurial factors and over the capacitating degree that exist in everyone.

In the case of demand, it has to be noted "the measure and characteristics of society demand for competitive performance of companies, through challenges, incentives and claims of markets, other institutions and State".

As could be note on the lines above, managers deal with many complex factors along the decision processes during his entrepreneurial life and must consider the systemic environment in which its company is fit.

3 METHODOLOGY

Demo (2000) says that research is an everyday activity, regarding it as "an attitude, a critic and creative systematic discussion, an able intervention on reality or the permanent dialog to reality without theoretical or practical sense".

Gil (1999) says that researches have a pragmatic feature as it is a "formal and systematic process of development of the scientific method. Researches' main goal is to find answer to problems through scientific procedures".

In this manner, Santos (2000) explains that research can be distinguished as exploratory, descriptive or explanative. It's said that "exploratory research is almost always made through bibliographic data, interviewing professionals in that field, access to websites and many others.

The research made in this work has an exploratory character, and put into practice through a case study. Gil (1994) says that a case study is a "deep and exhaustive study of one or few objects, in order to get wide and detailed information about it".

To Chizzotti (1995), case study main features is the gather and registration of data in a particular or few cases in order to get written a report f the situation and its social-cultural complexity and also show the many global aspects that exist in that situation.

To Yin (2001) "a case study is an experimental investigation that inquires into a contemporary phenomenon within its real life's context, especially when the borders between phenomenon and context are not that clear" Accordingly to the author, many sources of information can be used in a case study: documents, files, interviews, direct observation, partake observation and physic artifacts.

Two data collecting basic methods were used in this study: structured interview and focal interview – an informal conversation that fallow a set of questions. Both methods were used upon the studied companies' shareholders. This work examined how those companies were before and after the actions taken in order to raise their competitiveness. Data such as product sales, suppliers sales and the profit of those sales were collected and examined.

Statistic data about the other actors of the smoke chain were obtained from SINDIFUMO – Smoke Industries' syndicate – and from MDIC-Industry, external commerce and development Ministry.

4 RESULTS AND DISCUSSION

4.1 SMOKE WORLD MARKET

In the last decades the production of smoke leaves worldwide has decreased. It was 5.9 million tons in 1998 and 5.6 million tons in 2002. There are many reasons to

this reduction: non-smoking campaigns, technological, political and structural issues in Asian countries and limitation to incentive of this economic activity in Europe.

The most expressive smoke producers are China, India, Brazil, USA, Zimbabwe and Indonesia that sums about 70% of the tobacco world's production.

In our days, Brazil is the second tobacco producer in the world. China has the greatest production volume. Accordingly to IBGE, Brazil crop over 650 thousand tons during the 2001/2002 harvest, as it can be seen in the table below. Nevertheless, Brazil is the larger smoke exporter in the world since 1997.

Square II- Smoke leaves' production main countries - 1998 a 2002 (tons)

Country	**1998**	**1999**	**2000**	**2001**	**2002**
China	2.010.250	2.098.905	2.169.200	1.997.183	1.979.632
Brazil	509.536	626.123	595.230	564.536	657.433
India	572.200	587.600	599.400	530.000	575.000
USA	604.131	527.720	408.200	400.273	372.410
Zimbabwe	192.384	170.941	210.690	172.111	166.000
Indonesia	123.653	133.350	157.052	146.100	144.700
Total Mundial	**5.927.783**	**5.974.272**	**5.987.483**	**5.583.084**	**5.688.497**

From: USDA (março/2003) - MAPA – Agriculture, cattle and supply Ministry

4.2 BRAZILIAN SMOKE MARKET

Accordingly to MDCI, tobacco and its secondary products are an important economic source to Brazil, representing about 2% of the whole of exportation. During the last decade the products exportation volume had increased over 72%. Brazil leads tobacco exportation since 1993 and, in 2002, its tobacco exportation were over 474 thousand tons, breaking the 1992 record, generating U$ 1 billion income for the whole sector.

The southern part of Brazil took part with 96, 4% of the national production in that year, accordingly to LSPA – IBGE's Agricultural Systematic survey. Tobacco culture is very important to Rio Grande do Sul State, responsible for 52% of the country's production, as it can be seen in square III:

Square III –Performance of tobacco's fieldwork in the main productive states of Brasil - 2001/2002 harvest.

State	Cropped area (hectares)	Área %	Production (tons)	Brazilian production %	Average Surrender (Kg/ha)
Rio G. do Sul	**164.553**	**48,7**	**339.898**	**51,7**	**2.066**
Santa Catarina	112.067	33,1	223.382	34,0	1.993
Paraná	36.900	10,9	70.110	10,7	1.900
Southern region	**313.520**	**92,7**	**633.390**	**96,4**	**2.020**
Alagoas	9.698	2,8	10.425	1,6	1.075
Bahia	11.159	3,3	9.943	1,5	891
Sergipe	1.363	0,4	1.756	0,3	1.288
Other States	2.446	0,8	1.930	0,2	811
Brazil	**338.186**	**100,0**	**657.444**	**100,0**	**1.944**

From: IBGE - Levantamento Sistemático da Produção Agrícola - LSPA (march/2003)

The agriculturist has many different options to make exchanges in the market when he begins his activities. For example: He can buy the necessary sources straightly from the market or product by himself in his own or in a rented land. In the commercialization stage, the agriculturist has the possibility to sell his production straightly to the final consumer (just in case of cigarettes' factories) or to a agent.

Many actors take part within the smoke productive chain, from sources producer until those who commercialize the final product. In the next section the main actors of the productive chain studied here will be presented.

4.2.1 Tobacco Planters

Tobacco culture involves over 150 thousand families in over 660 productive cities in Southern Brazil. This activity draws basically familiar labor. As each family in the region has 3, 4 members, we are talking about 520 thousand workers, especially in the planting, harvest, classification and improving periods.

Tobacco culture also draws about 40 thousand temporary jobs, especially in the harvest period. The average planted tobacco area in each farm covers about 2,6 hectares. Most are those properties located in irregular topography, what makes mechanization harder and also bring difficulties to the adoption of other commercial cultures.

4.2.2 Companies and industries that take part in the tobacco sector

Must of the tobacco companies placed in southern Brazil is entailed to international capital, following the world's dynamic of fusions and acquisitions. Accordingly to Paraná's department of rural socio-economic studies – DESER (2003) – the main tobacco companies acting in the region are the ones cited below:

Souza Cruz, owned by the British American Tobacco company (BAT), whom started in 1920 its tobacco activities in southern Brazil, is one of the five largest private group in the country and the most expressive cigarettes producer, holding about 75% of internal legal market share. The company acts in an integrated way to over 45 thousand tobacco planters.

Philip Morris International, part of the Altria Group, has 14% of the global cigarettes market, producing Marlboro, the top seller brand in the world. It started its activities in Brazil in 1973 and, in our days, has about 3000 direct employees.

Universal Leaf Tabacos Ltda, subsidiary of Universal Leaf Tabacos Corporation (USA), world leader in tobacco leaves and tea commerce acts in Rio Grande do Sul since 1970 and it is the state's larger exportation company.

From the fusion of two American groups in 1996 (Dibrell Brothers Inc. and Monk-Austin Inc) came up Dimon do Brasil Tabacos Ltda, the second tobacco leaves dealer in the world and the third place in internal market. In our days Dimon acquires from 28000 integrates producers over 100 thousand tons of tobacco, employing 570 direct workers and over 2200 indirect ones.

The Continental Tobaccos Alliance – CTA -, whose headquarter is settled in Venâncio Aires (RS), started its activities in the year of 1994 and has in our days 252 permanent employees and over 1620 temporary ones.

The Kannenberg e Cia Ltda Company deals with production and buying of Virgínia and Burley tobacco kinds. It has its headquarter in Santa Cruz do Sul (RS) and has about 4900 integrated tobacco planters, from whom buys about 23,5 thousand tons of tobacco every year. Together, its temporary and permanent employees sum 335.

Settled in Santa Cruz do Sul (RS), Meridional Tabacos, controled by the Standard Commercial Corporation Group was founded in 1974 and acquire about

42000 tons of tobacco every year from over 10000 tobacco integrated planters. It has 2000 direct and temporary employees.

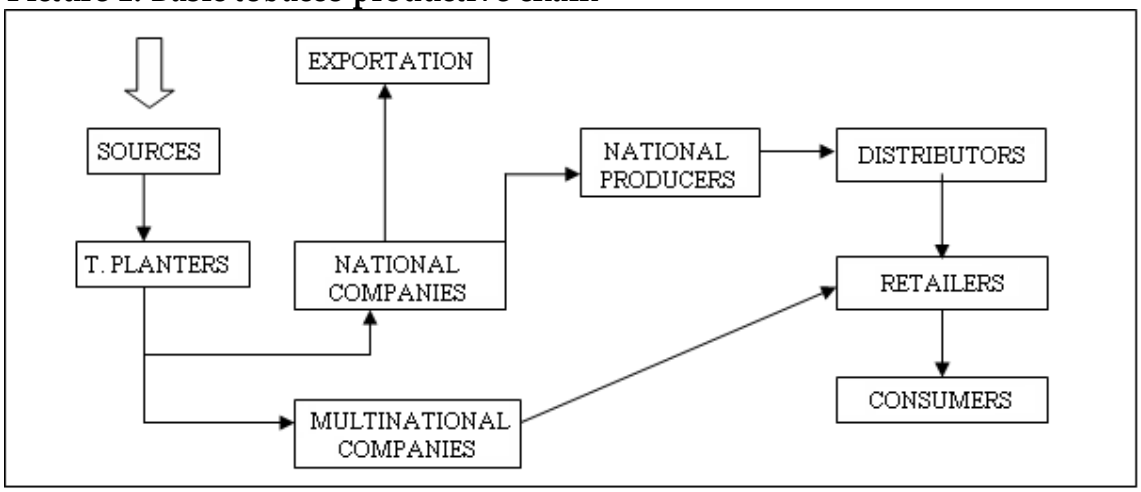
The Brasfumo, a 100% national capital company, has its headquarter in Venâncio Aires (RS). It improves about 8, 5 tons of tobacco per hour in his over 60000 meter build area. It has over 1000 direct employees and about 4600 integrated producers.

Besides those companies, there are also smaller national companies who make the "popular cigarettes", holding about 8% of the internal market share. Their products are usually cheaper than those ones sold by the larger companies above. They often acquire sources from wholesale multinational companies. They do not have own distribution structure, using though a net of national independent distributors.

4.2.3 Distributors

Among cigarettes producers, there are those that distribute their products by themselves and those who make use of a national wide distribution net. Thus, through own or mediate distribution, we got to the next and final link of the chain: the retailers. Those can be bars, bakeries, grocery stores or tobacco shops. Those are the ones who deliver the product to the final consumer, as seen in the following picture:

Picture 1: Basic tobacco productive chain



From: elaborated by the author

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4.3 THE PARTNERSHIP

The studied of commercial alliance was settled among a cigarettes distributor, who has the exclusiveness right of distribution of a national producer and a retailer company who sales products of all other producer companies.

The retailer, a long time client of the distribution company, is settled in Jacareí-SP, a town where the distribution company also serves hundreds of other retailers.

As this retailer is settled in a strategic point of town, the distributor offered a higher discount in trade of selling only its popular cigarettes. Knowing that, those cigarettes consumers care very much for the price, the retailer accepted the deal.

Besides the negotiated discount, it was established the sales would happen in a consignment way and that the distributor was also in charge of maintenance of merchandising material and support to the retailer's sales.

4.4 POPULAR CIGARETTES

Popular cigarettes are made by national industries. Their prices are normally lower than the prices of cigarettes produces by multinational producers.

Just as exemplification, it can be found in the market, popular cigarettes whose 20 units' packet costs R$ 1, 00 (one Real) whereas the lowest price of the same amount of a multinationals' product is around R$ 1, 75 (one Real and seventy five cents), as it can be seen in the table I.

4.5 ALLIANCE'S RESULTS

The alliance was informally settled. At first, there was only a pact between the retailer's owner and the distributor's commercial manager. As long as the retailer kept its commitment of exclusiveness, the distributor would keep its bigger price discounts. It was not established a validity data to the pact. The exclusiveness was held only over the popular cigarettes. Accordingly to the pact, the retailer could not sell any other product of national companies, but was aloud to carry on selling products of multinational companies.

Table I – Classes of cigarettes' prices

	Producer	Most important marks	Prices to final consumers
MULTINATIONAL	Souza Cruz	Derby , Hollywood, Carlton, Minister, Hilton, Free	From R$ 1,75 to R$3,25
	Philip Morris	Dallas, Shelton, L&M, Lark Marlboro.	From R$ 1,75 to R$3,25
NATIONAL	Sudamax	Us, Dollar, Campeão, Vanguard	From R$1,00 to R$1,20
	Sul Americana	Astra,Maxxi,WS,Fly,Vectra Fly Box, Maxxi Box	From R$1,00 to R$1,20
	Cibrasa	Pullman, Corcel, Macedônia, Super Finos, Frevo, Amigo	R$1,00
	Tabacos Rei	21, Penta, Rei, 775, Olé	R$1,00
	American Virginia	2000, Indy, San Marino, Bacana, Oscar, West	From R$1,00 to R$2,30
	Alfredo Fantinni	Mistral, São Paulo Chic, Damasco Seleta, Parker	R$1,00

From: elaborated by the author

The reposition of the products, which was used to happen once a week, after the pact started to be done twice a week. The distributor's agent used to go to the retailer and replace the sold products. So, the only thing that changed was the stock control, now in charge of the distributor, as they were in consignment.

The following table shows the evolution of the distributor's sales and profitability:

Table II – Increase of client's Profitability

Cigar store X in Jacareí	Before	Now	Evolution %
Discount offered over consumer's final price	9,2%	13,0%	41,0%
Average monthly amount bought by clients.	40 mil	135 mil	237,0%
Average monthly profitability in units.	8,8%	5,0%	(193,3%)
	3,52 mil	6,75 mil	**92%**

From: Data obtained on survey.

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On the previous situation, this retailer was responsible for a monthly ratability of a little more than 3, 5 thousand cigarettes, which means 8, 8% of its monthly invoicing.

After the alliance, this rate dropped to 5% due to the increase of the discounts offered, but as the exclusiveness lead to a huge increase on the sales volume, the profitability rose to 6, 75 thousand cigarettes per month or, more specifically, there was a 92% increase over the monthly profitability of this client.

The next table shows the retailer's evolution of sales and profitability after the alliance:

Table III – Evolution of retailer's profitability over popular cigarettes.

Popular cigarettes	**Before the alliance**	**Previous profitability 9,2%**	**After the alliance**	**Actual profitability 13%**
Total of popular cigarettes sold by the retailer	150 thousand	13,80 thousand	135 thousand	17,55 thousand
Distributor's products	40 thousand	3,68 thousand	135 thousand (exclusive)	17,55 thousand

From: survey data.

As it can be seen, after the alliance the retailer's popular cigarettes sales decreased from 150 thousand to 135 thousand per month, which represents a 10% reduction. Some consumers of other cigarettes marks that were used to buy their packages there, did not want to leave their traditional marks and move away as the retailer was selling only one mark of national cigarettes.

Otherwise, the increase of discounts offered by the distributor leaded to a higher monthly profitability over those products, from 13, 8 thousand cigarettes per month to 17, 55 thousand cigarettes per month.

5 CONCLUSION

This research showed that the adoption of a systemic approach, got through the commercial alliance, leaded to a relevant increase of profitability of both agents of tobacco chain studied. It was also noted that the retailer's lost market share was little if compared to its increase on profitability.

The alliance was worth to both sides. Although it has to offer a bigger discount, the profitability of the distributor over this retailer increased over 90%. To the retailer, its profitability over popular cigarettes increased in 27%. But it can be said that the whole tobacco chain had gains as its increase on sales of popular cigarettes were from 40 thousand to 135 thousand units sold per month, a number 237% higher.

Finally, this case study had shown that the commercial alliance, an option for a systemic approach, leaded to a rise on competitiveness of all involved parts: to the distributor, retailer and to the whole chain.

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