Pergamon

Technology in Society 22 (2000) 133–150

Technology In Society

www.elsevier.com/locate/techsoc

Allied groups on the road to complex networks

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Abstract

This paper analyses aspects of the changing structures of a co-operative organisational form referred to here as allied groups. This term describes informal coalitions of predominantly independent, small and medium-sized retail companies – a category that is an extremely important part of the retail sector in Central Europe. Whereas 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. One of the most significant motors behind this trend is modern information technology, notably in the form of electronic commerce, which will lead to a realignment of allied groups within the framework of globally operating networks. The various stages of this evolution are explained in this paper.

Keywords: Buying groups; Strategic alliances; Networks; Information and communication technologies; Electronic commerce

1. The strategic evolution of allied groups

1.1. Cooperation as a competitive strategy for small and medium-sized retail companies

Strategic partnerships, in the form of groups of allied companies for instance,[1] have a long tradition in the retail sector, particularly in small and medium-sized retail companies [2]. In the majority of cases, they were originally set up for the

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[1] See for definition: http://www.ualp.com/groups.htm [1].

PII: S0160-791X(99)00040-8

purpose of carrying out one or more joint activities.[2] Cooperative buying, for example within the framework of informal buying groups, constitutes the single most important modality. These so-called Y-alliances [4] were aimed above all at achieving consolidation effects, in other words they attempted to secure more favourable purchasing terms from their suppliers by amalgamating their individual purchase order quantities. At the same time they endeavoured to strengthen their market position.

From a historical point of view, informal buying groups were an expression of a defensive strategy: they attempted to compensate for the competitive disadvantages of small and medium-sized firms through consolidation.[3] In the European retail sector, cooperative buying groups have retained their significance to this day, notably in Germany, the Netherlands and Denmark, though also to a lesser degree in France and Belgium (see Fig. 1).[4] They have made a substantial contribution towards preserving a pluralistic retail structure, particularly in the area of non-foods.

In recent years, allied groups have undergone a strategic reorientation, in order to ensure that their principal objective, namely safeguarding the competitiveness of small and medium-sized retail companies, remains achievable. The evolution of allied groups can be subdivided into three strategic steps, which are described in brief below.

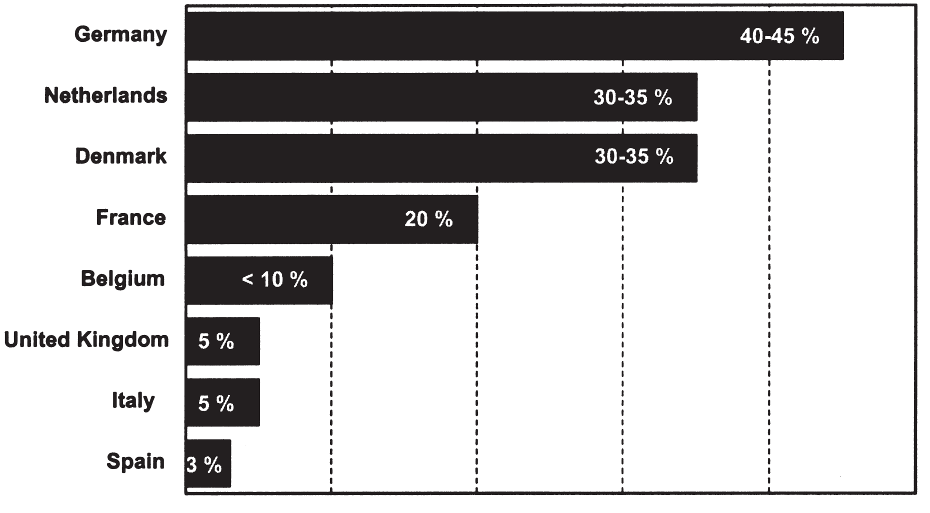

Fig. 1. Market shares of cooperative buying groups in selected European countries.

[2] Retail buying groups could be distinguished from wholesaler-sponsored buying groups which provide similar benefits to independents. The latter is a contractual relationship in which an independent agrees to purchase goods from a single source. Value adding in wholesaler-sponsored buying groups largely accrues from reduced wholesaler marketing costs and retailer purchasing costs, for example, by reducing uncertainty. The basics of retail buying groups added value is strength in numbers [3].

[3] In retailing: see Hansen [5]; in industry: see Abell [6].

[4] For the US-view see Rannen [7]; see also Reijenders et al. [8].