Together we are stronger: a case study of a network of small retail stores of building materials in southern Brazil.

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Extended Abstract:

An alternative to confront market competition, mainly that shared by big companies, it is the strategy of small business association. *According to Bonassi & Lisboa (2003), the small businesses have management features which can be turned into competitive advantages, moreover when such features are taken with synergy and a sense of partnership by the group: more agility for decision-making, it's easier to get in contact with decision-makers, lower costs etc.* Small business association as a type of strategic group aims at increasing competitiveness mainly. It has been more and more frequent and already has a specific methodology of implementation. This is a case study of a network of small retail stores of building material in southern Brazil and it approaches cost reductions in communication, management, standardization of logistic and management procedures, as well as a better negotiation with suppliers. Thus, this study is somehow an attempt to contribute to D'Andrea & Lopez-Aleman's finding (2006) who says that "*although a wide variety of studies have been developed around small-scale retailers, less effort has been devoted to learn about local storekeepers that are actually conducting successful business.*" It is an exploratory qualitative study based on documentary analysis of meeting minutes, management reports, training handouts as well as deep interviews with small business owners who are associated to the network of small retail stores and the consultants who directly worked on the implementation process.

In 2009, a sensitivity meeting was held with 21small business owners of small retail stores of building materials. After that meeting, a 24-month consultancy and training program was implemented in order to start a business network. 18 small retail stores of building material took part of the program. They were located in 4 different towns of Santa Catarina State, in the south of Brazil. The population of those 4 towns was about 225.000 people. 13 small retail stores finished the program and then took part of the network. All the participant stores had been operating in the marketing during over 10 years in average. Many of them considered the other participants as their competitors, not as possible partners. They had individual management processes as well as autonomy to take decisions and actions. However, there was a common need for actions to improve their performance and confront a market dominated by big companies.

The methodology employed to create the network is called "Centrais de Negócios" (Business Center) and it belongs to SEBRAE - Serviço Brasileiro de Apoio as Micro e Pequenas

Empresas (Brazilian Program to Support Micro and Small Business). It comprises services of consultancy, training, meeting and technical visits. The purpose of SEBRAE is to promote cooperation among business people in a continued and structured way by means of convergent actions in order to expand their businesses.

Over those two years, a team of consultants helped the group to form committees of Ethic and Procedures, Marketing, and Purchasing. The small retail store owners and their employees were engaged in 64-hour training courses. Each store was provided with 150 hours of consulting, 337 hours of technical monitoring and 83 hours of collective consulting. A total of US$ 37,663.45 was invested in the "Centrais de Negócios" Program.

The launching event was marked by several communication actions in the local media, promotional actions in the stores, and a dinner party for the press, all of them took place on July 20th, 2011 and cost US$ 31,764.62. The methodology to implement the "Centrais de Negócios" Program has been used by SEBRAE in more than 40 networks of different sectors in the State of Santa Catarina.

There were meaningful and punctual changes. Before the "Centrais de Negócios" Program, the purchases were done individually and in small quantities, without any negotiation power. After a first analysis based on 7 items only, the collective purchase represented a 26% reduction in the price of the goods. It was elaborated an evaluation and classification system of suppliers. There were not efficient communication actions which reached a larger consumer public. The communication actions were isolated, not professional and empiric. An agency of strategic marketing was hired which developed a logo and uniforms as well as a new layout for the stores. Besides, a media strategy was created to be used on the radio, billboards, newspapers, magazines and promotional leaflets. In practical terms, the stores which joined the program gained competitive advantages, became stronger and were recognized in the building material sector. Thus, The "Centrais de Negócios" Program confirms *Reijnders and Verhallen(1996) when they claim that "the level of professionalism of the allied retailer is higher compared to his non-allied colleague. The allied retailers show more aggressiveness towards the market. In this way they realize economies of scale."*

The results also endorsed *D'Andrea & Lopez-Aleman (2006) statement that "smaller scale retailers fit the need of consumers well and the sector can be surprisingly efficient"*. At the end of the program, in the launching evening, the Hiper Casa Network was formed by 13 small retail storekeepers of building materials, 30.394 clients and a monthly income of nearly US$ 760,460.00. They also had a sales area (stores) of 5.023m^2, a 21.091m^2 area of indoor/ outdoor warehouse, and 98 employees.

Keywords**:** Network, Small Retailers, Strategic Alliances

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