



Strictly Co-ordinate Sub-systems

- Vertical Strict Co-ordination initiated by a firm which chooses a product differentiation strategy
- Reasons : Quality management and Transaction Cost savings
- Nexus of contracts around the firm: factor of competitive advantage

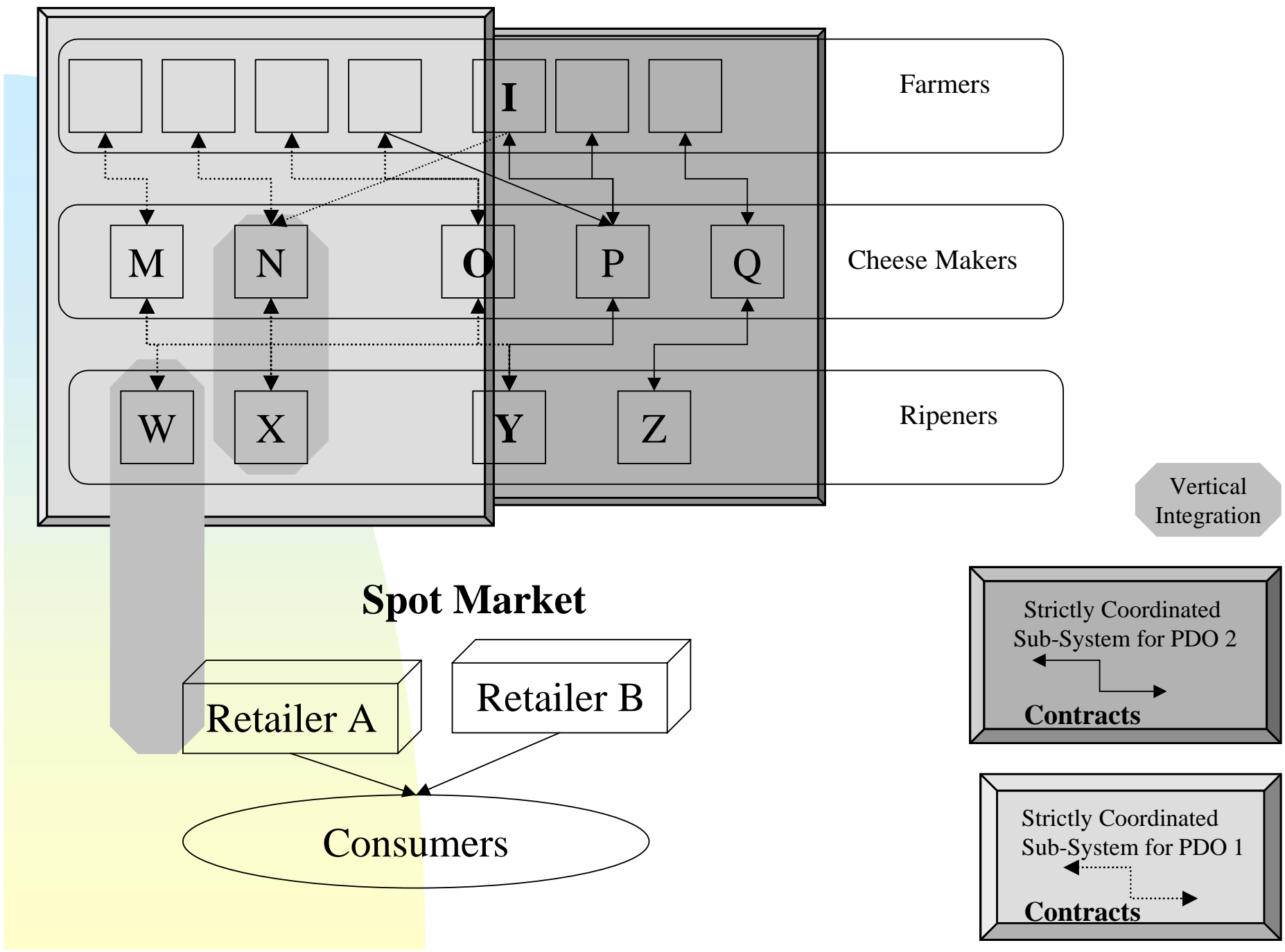
The Case of artisanal PDO-Cheeses

	FRANCE		SWITZERLAND	
	COMTE	BEAUFORT	GRUYERE	L'ETIVAZ
Average Weight	30-50 kilos	50	32 kilos	22
Production (tons) year 2000	46'000	4'000	26'000	315
Variation of the production between 1990 and 2000 (%)	+ 31 %	+ 33 %	+ 20 %	+ 5 %
Average cheese selling price to consumer (Swiss francs/kilo) year 2001 (estimation)	19.00	26.00	19.40	21.50
Average milk price paid to farmers (1) (Swiss francs/kilo)	0,60	0,85	0,8815	1,057
Average industrial milk price (2) Swiss francs/kilo	0,47-5-0,50		0,74-0,78	
Difference in % [(1)-(2)]/(2)	+ 23 %	+ 74 %	+ 16 %	+ 40 %
Milk producers	3'400	650	3'400	80
Artisanal Dairies Alpine Pastures Farm Cheese Makers	190	12 + 12 Alpine pastures + 22 farmers	220 + 60 Alpine pastures	80 Alpine pastures
Average artisanal Dairies Size (Million kilos per year)	2.4	2.4	1.1	0.4
Cheese Ripening Firms	20	20	16	1



Hybrid Form as governance structure

- A specific institution takes the responsibility of the management of the product
- This Specific Conduct Structure is a multi-lateral leading structure in charge of both vertical and horizontal co-ordination





Factors of efficiency

- Market Structure
- Uncertainty about Quality and Quantity
- Transaction Frequency and Nature of the product
- Asymmetry of Asset Specificity between buyers and Sellers