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Savéol and the Breton auction market: the efficiency of two ways of vertical coordination in the fresh tomato sector.

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Introduction

The text is divided in two parts. Part one is a presentation of the conceptual framework and of the hypotheses. Part two gives the implications and results of the research for the vertical coordination in the fresh tomato sector.

1 The Conceptual Framework and Analytic Method.

1.1- The conceptual framework

Institutional analysis. The study of the governance structures is the starting point for institutional analysis. This relatively recent approach, now in full flourish, depends essentially on the work of Williamson. Apart from the basic assumptions, which will be developed briefly, institutional analysis is being progressively enriched by new conceptual contributions notably these concerning the level of study of institutional phenomena and the characteristics of intermediary organizational forms.

Instead of studying the firm as an entity, Williamson, [19] considers the transaction as the basic unit of analysis. Under behavioral assumptions of opportunity and bounded rationality of economic agents, the central hypothesis of Williamson's work is that "transactions, which differ in their attributes, are assigned to governance structures, which differ in their costs and competencies, in a discriminating - mainly transaction cost economizing - way".

Therefore, knowing the significant dimensions of transactions will allow one to predict governance structures. According to Williamson, the critical dimensions of transactions are the frequency with which they recur, the degree and type of uncertainty to which they are subject, and the condition of asset specificity. Then Williamson distinguishes four generic governance structures: the market governance, the trilateral governance, the bilateral governance and the unified governance. In the transaction-cost theory, each type of vertical governance structure will stem from the characteristics of transactions. Under the assumption of economic efficiency and competition, the chosen governance structure will minimize the total transaction costs.

According to Milgrom and Roberts [13], it is useful to separate the transaction costs in two categories: coordination costs and motivation costs. The coordination costs are the costs of "monitoring the environment, planning and bargaining to decide what needs to be done". The motivation costs are the costs of "measuring performance, providing incentives, and enforcing agreements to ensure that people follow instructions, honor commitments, and keep agreements".

These assumptions are the starting point for advancing institutional progress. A theoretical development of institutional analysis is particularly useful in the study of the economics of institutions: it involves making a distinction between institutional environment and institutional arrangement (organization and the market). Ménard [10] gives the following definitions. An institution is manifested in long-standing historically determined set of stable, abstract and impersonal rules, crystallized in traditions, customs, or laws, so as to implement and enforce patterns of behavior governing the relationships between separate social constituencies. A market is a specific institutional arrangement consisting of rules and conventions that make possible a large number of voluntary transfers of property rights on a regular basis, these reversible transfers being implemented and enforced through a specific mechanism of regulation, the competitive price system. An organization is an institutional arrangement

designed to make possible the conscious and deliberate coordination of activities with identifiable boundaries, in which members associate on a regular basis through a set of implicit and explicit agreements, commit themselves to collective actions for the purpose of creating and allocating resources and capabilities by a combination of command and cooperation”.

Having established these first fundamentals, research into the institutional economy is progressively moving towards the study of complex organizational forms, also called hybrid forms. Calling on the work of Williamson [20], Ménard [11] defines the hybrid organizational form as “a specialized governance structure for dealing with bilateral dependency without going as far as integration.” For Ménard, “the key idea is that of a bilateral dependency strong enough to require close coordination, but not strong enough to justify full integration. He adds “the most usual explanation for such a situation refers to the existence of specific assets that creates some lock-in among agents while it generates appropriable quasi-rents. If it is so, continuity of the relationship is a source of added value. But simultaneously generates a dependency that also invites opportunistic behavior, since the concerned assets are not redeployable, or are redeployable at only very high costs”.

Finally, Williamson [20] gives the main axis of a research agenda applied to complex organizational forms. For him, “the hybrid form of organization is not a loose amalgam of market and hierarchy but possesses its own disciplined rationale; its logic (as well as the logic of other governance structures) is revealed by the dimensionalization and explication of governance herein developed”.

It is possible to show that the understanding of this logic can usefully be referred to the economy of conventions by taking into account the collective dimension of all complex organizational forms.

Approach to the economy of conventions. The first objective of the economy of conventions is, as underlined in Orléan [15], “to understand the make-up of a collective logic and what resources must be called in to stabilise that logic”. In this definition there are two ideas central to this stream of economic theory: firstly, the question of a collective, that is to say the association of autonomous economic agents and the putting in place of the necessary means (incentives, authority...) for this association, secondly, the question of stabilisation at that time. For Favereau[S], the economy of conventions is characterised by “a general method of approach to organizational coordination”.

Analysis is centred on the convention. The convention appears as a resolution procedure for problems which are quite unresolvable by individual calculation and will be collectively established by the unrestricted adhesive force of agents. In effect, the economy of conventions is seeking to understand how certain phenomenon of coordination - frequently observed on the ground - can stem from strictly individual behaviour.

Gomez [7], defines a methodological framework for the study of quality conventions, affirming that the convention is “a procedure for the collective resolution of problems which can be characterised by uncertainty”. According to him, the convention “emerges as a regular process destined to offer a system of rules contributing to the solution of a given problem. It’s about a system of information and how it should be handled”.

So, the approach in terms of conventions allows the definition of a collective framework concerning autonomous behaviour, without detracting from the latter. Individual behaviour is not ignored, but this theory remains firmly fixed to the idea of showing that economic conventions are the result of a process rather than portraying the reaction of collective structures surrounding individual behaviour. These conventions evolve, modify themselves, and degenerate or are maintained in relation to the behaviour of the players who are at the base of their construction. It is this balance between the individual and the collective which is the basis for analysis.

Numerous players have thus highlighted, in the agricultural and food processing sectors, the implications of quality conventions for institutional arrangements and environment (e.g. see Valceschini[18]). Note that, with the economy of conventions, quality study does not correspond to the classical definition of quality products, as meant in the sense of the overall technical characteristics. Quality, as underlined by Gomez [7], sooner corresponds to that part which has emerged, manifested by a complex process of-conventions. Eventually, it is the result of a successful connection between a

qualification process inside the organization and an external qualification process, e.g. by clients. The real quality theatre is situated upstream from this direct manifestation on the market, as in the definition, the selection and setting up of qualification mechanisms. For the fresh tomato sector, this theoretical approach gives useful concepts for the understanding of the origin and functioning of organizational forms. Having laid out the conceptual framework, the next step is the presentation of the analytical process and working hypothesis.

1.2 Organizational efficiency and the coexistence of different organizational forms in the same sector

Organizational Efficiency The starting point of the analysis lies in the idea that if an organizational form is maintained over a period of time, it is probably because it is efficient. However, it must be noted that the inverse is not necessarily true; in effect, it is quite probable that abrupt changes in the institutional environment can lead to bankruptcy without bringing into question the organizational efficiency of the faltering company.

For a given institutional environment, how can the efficiency of existing organizational forms be assessed? The transaction-cost theory postulates the idea that efficient structures are those which, for each specific stream of assets, economise the transaction costs. Lotter [8] for instance puts forward two mechanisms which bear on the efficiency of existing organizational forms. The first mechanism is "a kind of learning linked to the observation and accumulation of knowledge on organizational regularity"; thus, organizational failures would, as anticipated, be limited. The second mechanism corresponds to a natural selection termed semi-weak"; in other words, "the more adequate organizational forms survive but there is no reason to suppose that they are more adequate in the absolute sense" (Simon, quoted by Lotter[8]). However, the analysis required by these two mechanisms to assess organizational forms is difficult to put into practice.

By posing the question of what criteria to hold for his analysis, Ménard [9] tackles the efficiency of organizational forms from another angle; and the host of criteria it is possible to use reveals a very complex situation. He proposes separating out three classes of efficiency models.

- objective models; organizational efficiency is measured by 'its capacity to achieve one or several objectives fixed a priori'. However, it must be admitted that it is not easy to measure either the objectives or the process involved to arrive at these objectives.

- the second classification rests on a set of "systematic criteria, in other words, criteria which impose themselves on an economic organization because they are capable of assuring an internal coherence and guaranteeing its Survival in a changing environment". Here, allocation of resources, hierarchical relationships and the system of management information all have a part to play in the determination of efficiency. In the systematic approach, as emphasised by Ménard [9], "the means should have some say as to the outcome". Indeed, how to estimate costs is linked to these internal institutional characteristics.

- the third classification is predominated by criteria which allow the organization to ensure a minimum of satisfaction to interested parties, and can be found internally or externally to the organization. What is original about these models is that 'the analysis rejects the idea that efficiency can be evaluated from pre-established criteria or in relation only to the systemic features'. If a minimum level of satisfaction is not achieved, it can be assumed that the organization will be paralysed. making it inefficient. The difficulty in using these models lies, on the one hand, in the 'strategic' problem of identification of the interested parties, and on the other hand, "the capacity to pinpoint precisely how the organization depends on the different players".

Hypothesis: organizational efficiency can be achieved in several ways Stemming from these theoretical contributions, the working hypothesis adopted is dependent on the following statement: in the Breton tomato sector there coexists different organizational forms on a long-term basis.

So, the assertion can be made that several complex organizational forms can coexist in the same sector (with the same institutional environment) because they are each efficient in their own way.

Consequently, it is not a question of comparing the two organizational forms with a view to evaluating their degree of efficiency, but to understand how the two efficient forms can coexist. The question of the coexistence of efficient organizational forms in the same sector has already been posed in the poultry industry, in particular for labelling: "in the labelling sector there is some uncertainty about the most efficient organizational form. It seems that several organizational forms are possible, and that these responses are equally efficient (in the sense that they are associated with comparable profit levels) and no form has come to dominate the others"(Ménard, Valceschini and Garnier[12]).

From this point of view, the criterion "remediability" established by Williamson has been taken aboard straightaway. Lotter [8] expresses it like this: resulting from a progressive construction, efficiency is never absolute but always relative; like the empirical truth, neither demonstrated nor decreed, but presumed". So, the efficiency of organizational forms is presumed. This efficiency will be gleaned by analysing the specific coherence of forms, pinpointing two levels: internally (between the "strategic" players, elements of this hybrid form) and externally (with the "strategic" players from the environment).

In a concrete way, this hypothesis on the efficiency of several organizational hybrid forms in the same sector can only be studied with a positive approach (as opposed to a normative approach). So, from observations, it is quite possible to interpret the existence and preservation of organizations which emerge in a given context, at a given point in time, as efficient.

The Analytical Process Concretely, the two organizational forms studied in the Breton fresh tomato sector supplied two examples of distinct modes of vertical coordination. Without doubt the global efficiency of an organizational form must take into account the modifications which it is likely to attract from its environment. As Ménard[9] emphasises, "the ultimate criterion of efficiency must take into consideration how the organization spreads over into the environment: the efficient organization modifies its surroundings, and hence helps to model these surroundings". Nevertheless, in this paper the analysis of efficiency within the framework of a given institutional environment has been deliberately limited.

One approach has been to analyse the transaction costs at the centre of the two hybrid forms, but as numerous authors have underlined, the evaluation of transaction costs is a perilous exercise. It can be supposed that if organizational forms are longstanding, it's because transaction (and production) costs have been paired.

For the analysis of efficiency, it was decided to retain a model from the third classification as distinguished by Ménard. Rather than being involved in studying efficiency from pre-established criteria, an understanding is sought for the way in which organizational forms give their players satisfaction at both internal and external levels (the principal interest is in the direct clients of the organizations). In other words, for each of the forms, the idea is to indicate the way in which the sufficient level of satisfaction is achieved.

2 Organizational Forms and Vertical Coordination in the Tomato Sector

2.1 Sectorial Approach

Consumption The fresh tomato has become: the leading vegetable consumed in France representing 18% of total expenditure on vegetables, with a consumption of 12kg/head/year. Following strong growth in the 1980's (with an additional 140,000 tons produced) consumption since 1990 has levelled out. The consumption peak is attained in June and July, but there is a certain tendency for consumption to become less seasonal. This development in consumption is underpinned by a drop in out of season prices, which are in turn linked to import prices. (CTIFL-Infos [3]).

This vegetable, a basic item in the housewife's shopping basket, is largely distributed by the supermarkets and hypermarkets, which account for 60% of the retail market. Furthermore, tomatoes represent 20% of the vegetable shelf-space, hence for the volume retailers it is a strategic product. Other distribution channels on the increase are direct sales and specialist shops, whereas the traditional shops and urban markets are appreciably on the decline.

Tomato consumption is distinguished by a double tendency: product standardisation and the segmentation of products offered. Standardisation, in other words, conformity with very precise terms of reference, applies mainly to volume sales and is dictated by the volume retailers. This encourages a homogeneous product which is visually attractive and has good Keeping qualities. But this tendency towards product standardisation is keeping abreast of the expansion in market segmentation. Provoked by a competitive market for a fairly banal product, suppliers are trying to differentiate the product. There is the development of grape tomatoes, prepackaged products, collective and commercial trade-marks and other hallmarks of quality.

It is important to stress that the fresh tomato sector is not in surplus: from year to year, supply and demand is reasonably balanced and withdrawn products amount to only 0.7% of commercial production (0.4% at European Union level) (ONIFLHOR [14]).

Trading At European Union level, the tomato market is growing each year: for instance, in 1993 inter-community trade exceeded 1.2 million tons or 10% of production. This is associated with a spreading of the market calendar and a considerable drop in price. Three countries are net importers: Germany, France and Britain. Three countries are net exporters: the Netherlands, Spain and Belgium.

Outside the Community, the volume traded is much reduced. At the import level, Morocco was practically the only partner with 160,000 tons in 1993. Exports outside the Community reached 120,000 tons in 1993, of which 80,000 tons came from the Netherlands (CTIFL-Infos[3]).

Production France, the fifth highest producer of tomatoes in the European Union, has, for several years now, had a relatively stable level of production, running out at about 500,000 tons per year. In France tomatoes are produced in three ways: in the field, under glass and under shade. Production is mainly centred in the South and North-West. These two regions differ greatly in both the technological and calendar aspects of production and in the level of economic organization. The Mediterranean South is the traditional production region and covers 75% of the volume produced. Production is little organised and split up between a lot of independent producers. The North-West regions have experienced a strong development in production, now standing at 15% of national production. Production is strongly organised, mainly around producer groups and cooperatives.

2.2 Savéol and the Auction Market: a description of vertical relationships (see figure)

Savéol Above all, Savéol is a brand name for tomatoes, developed by S.M.O. (Société Maraîchère de l'Ouest). S.M.O. is a commercial company, the capital being held principally by two Breton producer groups, the Brest Market Gardening Group, (G.M.B. 36% of the capital) and the Presqu'île Cooperative (36% of the capital). For legal reasons, 20% of the capital is held by a limited company (Shippers Ltd). Two other producer groups share the remaining 8% capital; they are the cooperatives "Val Nantais" and "Le Havre de Vie".

Savéol is the main tomato grower in Brittany with 45,000 tons annually. G.M.B., which brings together 44 farms (60 producers) producing 25,000 tons annually. The Presqu'île Cooperative, for their part, have 45 growers producing 12,000 tons of tomatoes. The two cooperatives, "Val Nantais" and "Le Havre de Vie" produce and sell 3,000 and 5,000 tons respectively through the intermediary of S.M.O. Unquestionably, the two predominant groups are G.M.O. and the Presqu'île Cooperative. Those two groups between them have formed an Economic Interest Group (G.L.E. Lacroix). Under the aegis of a managing director, S.M.O. amalgamates four services which act on behalf of member groups (quality, communication, technology and computerised information).

The main characteristic of S.M.O. which differentiates it from the structure developed around the auction is the integration of functions carried out by the shippers. In this way Savéol can direct-sell its products to wholesalers. This is made possible because the producer groups are also the packaging cooperatives. The procedure is always the same: S.M.O. identifies the client needs and then transfers the attributes required for each lot to the packing stations.

Relationships between producers and producer groups Each grower is tied to a group by a long-term contract (10 years). However, membership remains subordinate to the professional skills of the

grower (in as far as this concerns the high quality of production). Each grower is free to produce the quantity he wishes. However, the variety used is determined by the group (in relation to decisions taken by Savéol). That having been said, for some products (top of the range products or new products), it is the group which decides (always in relation to guidelines from Savéol) what to produce, what variety will be used and the necessary volume. Packaging is done in such a way that Savéol can control the quality right from the grower to the client. Each grower is individually identified and it is possible to follow up all products until they are put in lots: on each lot, over and above the normal information concerning the variety, size and category of the product, the grower's name and date of harvesting is indicated. Hence the grower is paid in relation to the quality of the product delivered (the price is set ex post).

Relationships between producer groups and Savéol The relationship which exists is of the "joint venture" type. The two majority groups are heavily represented on the Board of Directors of Savéol. For instance, 11 of the 44 farms of G.M.B. have administrators on the Board.

Relationships between Savéol and the clients There is no written contract between Savéol and its clients. Nevertheless, it has to be said that over a period of time relationships have been stable and there is a reliance on mutual trust. For the major part, clients are represented by the wholesalers (60%) and by purchasing agencies (30%). The relationship between Savéol and its clients originates from the actual involvement of the different partners. Savéol chooses its clients (in respect of product quality right through to the end-consumer), regular meetings (which allows a flow of information exchange on product quality). Savéol also selects the transporters and those financially interested. [In effect, this is a matter of assuring a quality of transport which satisfies the wholesalers. In conclusion, the involvement of Savéol in downstream channels prepares the ground for the establishment of this mutual trust.

The Auction Market Whereas the growers of G.M.B. and the Presqu'île Cooperative have organised the sale of their produce through Savéol, the growers of Kerisnel Ltd and the Cooperative Union of Paimpol and Tréguier (U.C.P.T.) have used another selling technique, auction marketing. Kerisnel and UCPT sell on two different auctions which are linked electronically. This auction sells almost every kind of vegetable grown in Brittany. Tomatoes, however, have only been introduced to the auction market since 1992 (previously there was a sales office in each of the cooperatives). The tomatoes (about 25,000 tons) are sold under the brand name 'Prince de Bretagne', which is used for all the vegetables sold at the auction.

Contrary to the cooperatives previously studied, Kerisnel and UCPT are not producer groups specialising in tomato production. The number of members is limited. On the other hand, the big difference compared with Savéol is that the buyers in the auction are shippers (30 in number). Thus, there is no integration with the primary distribution link. Selling to the shippers has always been an available option for the cooperatives, long before the setting up of the auction. It was the very high transaction costs in relation to the shippers that led the growers to set up the auction, but without seeking to integrate the role of the shippers. On the other hand, the suppliers to the auction are not producer groups but the individual growers, by the intermediary of depots (the procedure is the same no matter what vegetable is put on the auction). However, taking into account both the constraints linked to the auction and the low: volume of product from each grower, the production of each grower is not singled out. So, the lots put on sale by auction are anonymous, each lot representing a variety, a size and a classification. Each grower takes his production to the depot assigned by the group. It is the depot which allots the production in relation to what it judges necessary to present on the market at any given moment. Note, however, that the depot (which represents the supplier) has no direct relationship with the wholesaler (this is the role of the shippers). The balance between supply and demand is much more difficult to achieve than is the case with Savéol, which is a direct consequence of the price fluctuation for each lot put on sale (x lots put on sale, x by price differential).

Relationships between the auction and the shippers The auction is run by the growers, by the intermediary of the "Association de Mise en Marché" (A.M.M.) (an emanation of producer groups which sell at the auction). For a dealer to be able to buy tomatoes at the auction, he must be agreed by the A.M.M. This agreement is formalised by a contract laying out the obligations of each of the parties. The main obligation stems from the principle of exclusivity: the agreement on the auction presumes that a

shipper will buy at least three times a week, and that he will buy all his vegetables by auction (e.g. a dealer cannot buy cauliflowers at auction and supply himself with tomatoes from Savéol). Furthermore, the dealers are obliged to sell the vegetables under the "Prince de Bretagne" brand name (however, there is nothing to Stop them placing their own brand name next to it). To function well the auction needs to be vigilant of both supply and demand on the market, whence the need to contractualise the relationship between the auction market and the dealer.

The Relationship between the Auction Market and the Depot Legally the depot has the status of a private family business supplying a service to A.M.M. The contract is based on very precise terms of reference. The role of the depot is to collect the production, package it into lots of a similar size and cool or chill it if necessary. Responsibility for investment is placed on the supplier of the goods. However, considering the investment costs for calibrating tomatoes, it is A.M.M. who have invested in a machine and placed it at the disposal of the depot. Consequently, a strong bond exists between A.M.M. and the depot, which works well hereafter with a simple long-term contract. Even if quality control is the mainspring of the depot, outside people sponsored by A.M.M. also come in to control the quality of lots put on sale. The supplier is remunerated, for all of the provision done for A.M.M., based on the volume of production sold at auction and not on the quality of the goods put on sale. There is therefore a strong motivation to sell a maximum amount of tomatoes (conditional to their being moderate to good quality).

2-3 The Efficiency of Two Ways of Vertical Coordination

Based on a different working logic, the two different organizational forms studied have both been able to set up types of vertical coordination which allowed them to achieve their strategic objectives. As previously underlined part one, it is this understanding of internal and external coherence which is necessary to reach total efficiency in each mode. It is also essential to achieve a sufficient level of efficiency at the level of internal players as well as for the clients.

In this way, each of the two organizational forms have built themselves up through two distinct modes of vertical coordination. It is possible to summarise the inherent functioning of the vertical coordination in both systems by focusing the analysis on three coordination mechanisms: trust, incentive, and authority.

Building up trust between the players One way or another, pursuing trust is a key element in the build up of vertical relations. In effect, trust allows relationships to be stabilised and makes them less volatile, above all as the committed assets are relatively non-specific. This is the case, for example, with Savéol and the big volume distributors.

Incentive to produce efficiently Decision centres of each organizational form have to find the means of incentive necessary for efficient production. There are many ways of giving financial incentives for quality products.

Authority over the agents Control relationships inside the organizations studied are common. For the most part, these relationships presume the possibility of isolating individual performance and the existence of bargaining power between the agents.

As Baudry[1] underlined, the buildup of vertical relationships appears as a mix of authority, incentive and trust. The organizational form becomes the strategic space where the three types of coordination mechanisms are set up. A coordination mode depending exclusively on one of the mechanisms is theoretically possible but rarely observed in practice. Complex organizational forms define themselves exactly by their simultaneous appeal to the three classes of mechanisms. The impossibility of reconstructing ex nihil a new coordination space, the inheritance of given historic situations and the personal rational of some players are factors accounting for the existence of complex organizations.

Savéol (SMO): internal and external logic At an internal level, a strong bilateral dependence is associated with the specialisation of the assets involved in the packaging apparatus characterising the producer/group relationships for the SMO growers. In effect, the growers through their group, of which they have been members for a long time, are the main shareholders in SMO. The incentive to stay in the

group is very strong and the possibility of an opportunist break-out on their part relatively limited. This dependence is, in a way, created by the bonds associated with a joint venture and is maintained by internal cohesion.

The culture of the enterprise assumes the existence of common goals recognised collectively by the internal players. The presence of a commercial brand name is a key element in this culture. This brand name allows the creation of a climate of trust and the identification of common goals to be reached. The individual strategy of the growers converges on the same point, that-which enables a global coherence to emerge. The existence of this commercial brand name concretes the setting up of the control apparatus and the evaluation of product quality. Strict terms of reference are imposed on the grower. The firm bond of these qualitative constraints with the system of price-fixing, associated with the possibility of pinpointing the individual performances of growers, is a strong incentive for the production of quality tomatoes.

At the external level, the central element in the logic of the organizational form is to be found in the relationship of trust stemming from the satisfaction of the wholesale clients and the big distributors. Notably, this satisfaction is passed on through the reputation of the Savéol brand name both at the distribution level and at final consumption level. This fame is achieved thanks to a large advertising investment concerning the rigorously selected products. Clients' expectations are equally satisfied at both the level of regularity of supply and the homogeneity of products. Growing under glass in particular allows an appreciable out-of-season production with a better spread over the year. In terms of production, technical and commercial performance lead to the achievement of a product quality/price rapport. On the subject of transport, clients' demands are equally assured: transporters are selected, put under an incentive contract with a sub-contract which is regularly renewed. So, a total quality apparatus is set up aimed at the distribution clients. The direct bond between Savéol and the end markets is a supplementary trust factor in the client relationship. Being ahead of, or just following market developments, Savéol responds more rapidly to the expectations of demand. This flexibility of supply is an advantage for direct clients.

Auction Market: internal and external logic At an internal level, the auction market allows the reduction of transaction costs thanks to the organization and better transparency of negotiation between buyers and sellers. The incentive for the growers to use the auction market is again reinforced by the improvement in the power of negotiation vis à vis the forwarding agents. The apparatus of control and remuneration of quality in the auction market rests on a specific logic. First of all, since the production delivered to auction is not individually identified, the incentive to produce quality is reduced. It is the market which sanctions and regularly fixes the price of each quality layer. On the contrary, the quality standards are reduced and better correspond to heterogeneous conditions of production. The depots centralising the sales are not rewarded in relation to the quality collected but in relation to the volume. Accordingly, contrary to Savéol who have set up an incentive system to produce a high quality but with volume strongly regulated, the auction market is less binding and gives less incentive at the quality level but is freer at the level of volume traded.

The collective brand name "Prince de Bretagne" concerns all the vegetables sold at auction. Tomato growers can benefit from this label at a lower cost since the whole of the equipment and intangible investment effected is related to a large traded volume.

The external logic of the auction market originates in the satisfaction of the direct clients, the shippers. Of prime interest to the shippers is the fact that the auction allows the reduction of transaction costs associated with buying tomatoes (e.g. looking for and selecting growers). The transparency in price determination is equally an advantage for the shippers because the price is a good indicator of the state of the market at a given moment. Again, the auction gives the assurance of obtaining a large range of vegetables and in large volumes representative of the true level of supply at a given moment. Thanks to the contract established between the set-up association and the intervening agents, the risk of opportunist behaviour on the part of some shippers is avoided, thus reducing the risk of coincidental entries and exits into the market. So, the situation of a favourable or unfavourable market has an equitable effect on all the shippers.

Conclusion

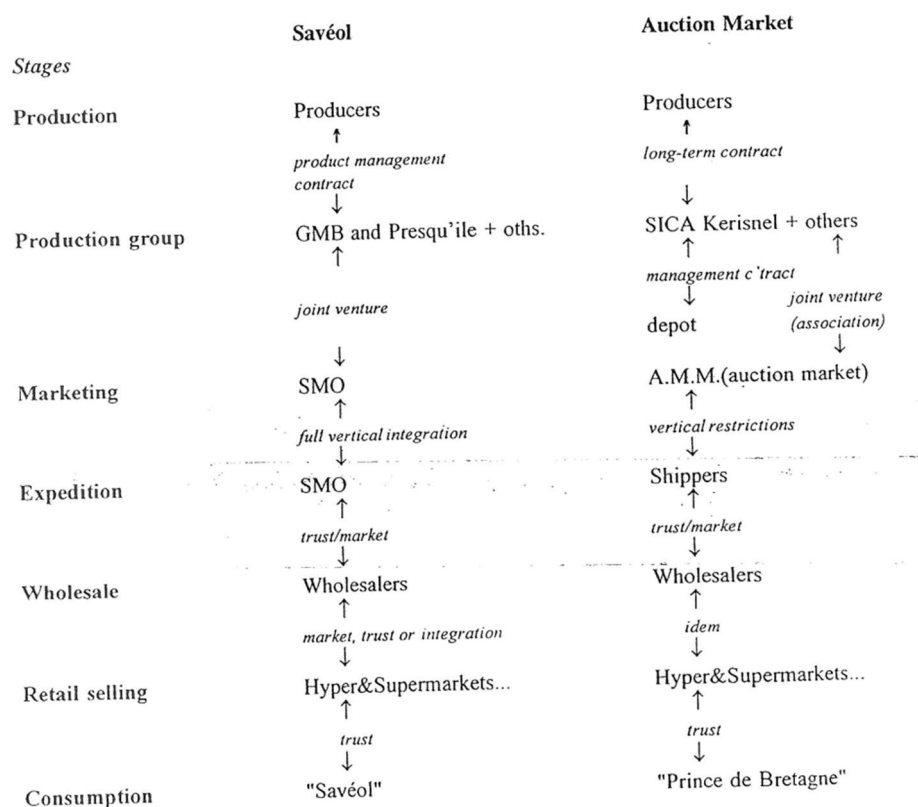
Summing up, the study of the logic of a specialised and integrated enterprise is opposed to a more territorial enterprise centred on diversified vegetable production. Each of the two forms has developed certain parallel with the other but, more and more, they are in heads-on direct competition on the market. So, the presumed efficiency of both organizational forms is in need of reassessment because of the heightened competition.

At the theoretical level, it is considered necessary to have a positive approach to questions of economic organization, that is to say, without commenting & priori on the norms of the organization or the optimum functioning. In effect, the rational of economic agents is largely procedural, progressively built up and discovered by analysis. On the other hand, it is pertinent to distinguish several analytical levels for the devices of vertical coordination. Hence the approach to institutional analysis through its concepts enables the distinction to be made between institutional arrangement/environment and the discovery of organizational forms with specific internal and external logics.

Within the framework of the transaction-cost theory, the hypothesis of minimisation of transaction costs is fundamental. The support for this theory of minimisation of transaction costs (in the context of competition as is the case in this sector) thus shows the construction and procedural characteristics of these costs themselves. They are not given a priori but defined themselves in relation to a given institutional and organizational context. So, it is possible to state that each organizational form minimises its own transaction costs.

Figure

Organizational Forms



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