



The 'Butterfly Effect' of the Emergence of Quality in the Brazilian Coffee Sector

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Graham Wallas Room (Fifth Floor)
Old Building, LSE

Abstract:

Illycaffè entered Brazil in 1991 with the simple objective of finding high quality coffee and with a simple but revolutionary procurement strategy. The principles of the strategy were: a) to interact directly with local farmers bypassing both the international supply chain (dominated by traders) and the New York Futures Coffee Markets (which sets the global coffee price and by consequence requires commodity markets) and b) to set a competitive award for the best quality beans and link award to procurement strategy. The entry of Illycaffè unleashed a series of long-lasting consequences and unintended effects that revolutionised the Brazilian coffee industry and enabled the emergence of the quality coffee sector from the undifferentiated segment of commodity production. In spite of being a small and unknown player in the multibillion dollar Brazil coffee sector, Illycaffè managed to catalyse a radical change in the largest producer of the 5th most traded commodity in the world.

This talk will describe and analyse the 'butterfly effect' of the emergence of the quality coffee in Brazil in terms of Complexity theory. We will show how the setting of the award worked as an attractor (pull-strategy) that caused the decommodification of the coffee sector, enabled the emergence of a network of quality producers and caused the rise of a 'long tail' of diversity. The case of the entry of Illycaffè in Brazil shows that companies can exploit the underlying tensions in commodity markets and adopt a 'butterfly effect' strategy to profit from the development of the long tail of quality.

About the speaker:

Pierpaolo Andriani is Senior Lecturer in Management of Innovation at Durham Business School. His current research and publications focus on Complexity Theory and networks. In particular, he is interested in the impact on organisations of some theoretical aspects of complexity theory, such as power laws and fractals, the emergent properties of organisational networks (including industrial clusters) and distributed innovation. He is Visiting Scholar at several Universities including the Anderson School, University of California Los Angeles, University of Salento (Italy) and Udine (Italy).

Please e-mail ComplexityGroup@lse.ac.uk as soon as possible and by 5th May at the latest to let us know you plan to attend.

Non-academics will be asked to contribute £20 on the day, to cover costs.