Abstract

Background: The rise in ethical consumerism has become evident through an increase in sales of fair trade products in recent years. Consumers are prepared to pay a premium for fair trade chocolate, and with a steady future growth in the fair trade movement, this is an attractive market for new entrants. Of particular focus are the Swedish and German markets for fair trade chocolate as they show promising growth rates and interest in this field.

Problem: The chocolate industry is very competitive, and the observation that consumers reward companies that act socially responsible presents an opportunity for ethical companies to compete. This is attractive for entrepreneurial firms, but there exist numerous motivations why firms choose to engage in fair trade.

Purpose: The purpose of this thesis is to understand the role of fair trade in corporate strategy (either in partial or entire assortment), its relation to entrepreneurial opportunity-seeking behaviour, and examining how the strategic resource of Fairtrade certification is used to gain competitive advantage.

Method: A qualitative interview study was applied, and ten chocolate companies active in the Swedish and German markets were included in the sample. Data was collected through semi-structured interviews (four telephone interviews and six email responses), and complemented with secondary data from company websites and press releases. The interviewees were mainly representatives of the marketing department and CEOs. Empirical findings were analysed using relevant models and theories, and organized under the two categories of ‘firm use of fair trade’ and ‘visibility of fair trade.’

Conclusion: The findings in this thesis show that there are multiple reasons why chocolate companies engage in fair trade including reputation, spreading awareness, proactive opportunity-seeking behaviour, strategic differentiation, as a means of communicating to producers and consumers, and for quality assurance of raw ingredients. Fair trade engagement is visible through its role as a social resource. This image is created by ethical and social commitment and wholeness in values, non-exploitative respectful business network relationships, consistency in firm behaviour, and through wealth creation in terms of benefiting the firm, society, and the environment. The Fairtrade label is not imperative to achieving a state of competitive advantage, but can inevitably lead to that result through the firm wholeness created by mission- and vision-driven values.
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I Terminology

Brands

A brand, in the context of this thesis, is defined as the company name whose logo is visible on the product.

Fairtrade

The label or accreditation of being certified by meeting international criteria set by the Fairtrade Labelling Organization (FLO).

Fair trade

The social movement of fair trade that seeks to raise awareness of existing unethical production and works towards a vision where all international trade is done fairly.

Ethical

Small, emerging and entirely fair trade companies that are mission- and vision-driven.

Labels

A label, in the context of this thesis, is defined as a mark or certification on a product that offers information on sourcing, production, or values backing the good.

Mainstreaming

To increase the availability of one’s products by having one’s products for sale in more accessible retail outlets, such as regular supermarkets (like Rewe, Willy’s, ICA, and Edeka). This helps a small fair trade company directly compete with traditional businesses (such as Coop, Cloetta, Kraft).

Mission- and vision-driven

The way a firm’s operations and strategy are all streamlined to strive for its corporately declared mission and vision. Mission-driven is an adaptive approach, whereas vision-driven is an inventive approach (Janov, 1994), and together they are built on solid company values.

Organic

Agricultural products are labelled as organic if they have fulfilled certain standards in terms of production, handling, and processing. It limits the use of pesticides, fertilizers, and other treatments that are harmful to the environment from a sustainability perspective (USDA, 2007).
2 Introduction

This preliminary chapter describes surrounding concepts and funnels down to the topic at hand. Starting with the general background of fair trade, fair trade chocolate, and branding, the chapter then goes on to explain the problem, purpose and research questions of this study.

2.1 Background

According to the main four fair trade networks, Fairtrade Labelling Organisation International (FLO), the International Fair Trade Association (now World Fair Trade Organisation or WFTO), the former Network of European Worldshops (NEWS!) and the European Fair Trade Association (EFTA), fair trade is defined as

“[...] a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South. Fair trade organizations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.”

(FINE, 2001 as found in EFTA, 2012; DAWS, 2011; Nicholls & Opal, 2005, p.27)

Fair trade commerce means that companies in developed nations pay farmers and workers from developing nations higher prices (1) such that those farmers and workers receive a fairer level of compensation for their work and (2) for the purpose of fostering sustainability in the developing world. Companies engaging in fair trade purchase directly from the producers, enter into long-term and transparent partnerships with their suppliers, and pay prices above market minimums that often include a social premium (Barrett Brown, 1993; DAWS, 2011).

The Fairtrade label is a guarantee made by the FLO that the product in question has been produced in a manner that fulfils their set criteria. The implicit promise made by the company engaging in fair trade to the end consumer is that the consumer’s purchase of fair trade goods supports ethical corporate conduct (Fairtrade Foundation, 2012b).

Ethical consumerism has been rising rapidly as evidenced by the vast increase in sales of fair trade products (Strong, 1996; Nicholls, 2002; Szmigin et al., 2007). Consumers are becoming increasingly concerned about social and environmental implications of the production of food.

In the chocolate industry, consumers are willing to pay a large price premium for fair trade cocoa products (FAO, 2009). If ethical consumerism continues to grow at a high rate, the sales of fair trade cocoa products are likely to grow substantially, spurring interest from major chocolate manufacturers and retailers to either enter the Fairtrade certified cocoa market or expand their presence in the Fairtrade certified cocoa market (Liu, 2008).

The food industry is very competitive, offering the end consumer an extensive range of choices (Tiffen, 2002). However, consumers are generally reluctant to try new products for fear of disappointment. Therefore, creating a strong trusted brand or being able to use a label signalling high quality on their products is of great importance in the food industry (Matzler, Grabner-Kräuter & Bidmon, 2008).

Szmigin et al. (2007) emphasize the vital role of branding for ethical companies to be able to compete with large household brands in the food industry. However, at the same time
Szmigin et al. (2007) recognize the challenge that branding is directly related to marketing, an area where ethical companies are usually vastly outspent by the large household brands. Hence, ethical companies need to find ways to compete with these larger corporations that do not involve a large marketing budget.

A firm’s reputation is widely recognized as a valuable resource (Amit & Schoemaker, 1993; Barnett, 1997; Hall, 1992) directly linked with gaining considerable benefits (Dollinger et al., 1997; Fombrun and Shanley, 1990; Heil and Robertson, 1991; Weigelt and Camerer, 1988). “Firms with good reputations are more attractive to investors, customers, suppliers, and employees, and this attractiveness can yield price, cost and selection advantages (Reuber & Fischer, 2007).” Madriginal and Boush (2008) suggest that consumers are more willing to reward brands that act socially responsible. This gives ethical companies an extra resource at their disposal that large multinationals do not have.

Table 1 shows the growth of Fairtrade in European countries from 2009 to 2010. Sales of Fairtrade certified chocolate also continues to experience persistent growth globally, increasing by 50 per cent from 2008 to 2009 (Candy Industry, 2010) and are predicted to grow further (Redruello, 2010). Still, currently the sales of Fairtrade chocolate worldwide only amount to 0.1 per cent (ICCO, 2012). Sales of Fairtrade chocolate amounted to 394 tons 2010 in Sweden, corresponding to turnover of around 23.7 million Euros (Fairtrade Deutschland, 2012a). Although sales numbers are still very small, a look at the UK can show the potential for growth in sales of fair trade chocolate for both countries.

Table 1 - Comparison of Fairtrade Retail Sales in Europe (FLO, 2010)

<table>
<thead>
<tr>
<th>Country</th>
<th>2009 (in €)</th>
<th>2010 (in €)</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>72,000,000</td>
<td>87,000,000</td>
<td>21%</td>
</tr>
<tr>
<td>Belgium</td>
<td>56,431,496</td>
<td>60,243,537</td>
<td>7%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>556,540</td>
<td>2,704,370</td>
<td>386%</td>
</tr>
<tr>
<td>Denmark</td>
<td>54,436,609</td>
<td>61,837,026</td>
<td>14%</td>
</tr>
<tr>
<td>Estonia</td>
<td>205,045</td>
<td>606,247</td>
<td>105%</td>
</tr>
<tr>
<td>Finland</td>
<td>86,865,284</td>
<td>93,001,210</td>
<td>7%</td>
</tr>
<tr>
<td>France</td>
<td>287,742,792</td>
<td>303,314,314</td>
<td>5%</td>
</tr>
<tr>
<td>Germany</td>
<td>267,473,584</td>
<td>340,000,000</td>
<td>27%</td>
</tr>
<tr>
<td>Ireland</td>
<td>118,574,416</td>
<td>138,043,680</td>
<td>16%</td>
</tr>
<tr>
<td>Italy</td>
<td>43,382,860</td>
<td>49,400,006</td>
<td>14%</td>
</tr>
<tr>
<td>Latvia</td>
<td>153,500</td>
<td>425,936</td>
<td>177%</td>
</tr>
<tr>
<td>Lithuania</td>
<td>315,380</td>
<td>751,776</td>
<td>138%</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>5,327,122</td>
<td>6,200,000</td>
<td>16%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>85,818,400</td>
<td>119,000,000</td>
<td>39%</td>
</tr>
<tr>
<td>Norway</td>
<td>34,689,522</td>
<td>43,756,694</td>
<td>16%</td>
</tr>
<tr>
<td>Spain</td>
<td>8,030,724</td>
<td>14,886,675</td>
<td>85%</td>
</tr>
<tr>
<td>Sweden</td>
<td>82,662,331</td>
<td>108,477,630</td>
<td>18%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>180,160,263</td>
<td>219,018,679</td>
<td>12%</td>
</tr>
<tr>
<td>UK</td>
<td>946,540,500</td>
<td>1,345,056,837</td>
<td>40%</td>
</tr>
</tbody>
</table>

In the UK, sales of fair trade goods accounts for up to 20 per cent of total sales in several industries, among them coffee, tea, sugar, and chocolate (Fairtrade Foundation, 2012a). In the UK, the demand for Fairtrade chocolate has been driven by increasing manufacturer activity such as Cadbury’s (Redruello, 2010). Although two years ago Fairtrade chocolate was only worth 1 per cent of the UK chocolate market, it currently accounts for around 10 per cent of the UK chocolate sales. Today, there are over 120 companies in the UK marketing around 500 Fairtrade labelled chocolate confectionary products (Fairtrade Foundation, 2011b).
2.2 Problem

Existing research discusses how engaging in fair trade and using social labels such as the Fairtrade mark can contribute positively to a firm’s reputation. There are numerous reasons that persuade companies to use Fairtrade labels on products. Labelled goods can guarantee consumers that the product is in conformity to specific standards and hence, these labels can act “as a shortcut when choosing goods that meet consumer expectations”. Especially in the fast moving consumer goods market\(^1\), branded goods and Fairtrade labels are crucial as only an average of four seconds is spent by customers on examining a shelf (Low & Davenport, 2005a).

Companies can label their products in order to communicate their involvement in social and environmental topics to the customers (Nicholls, 2002). Generally, there are two different approaches for companies to embrace fair trade, either a proactive or a defensive approach. In the case of the defensive approach, they are either embedding fair trade in their strategy due to stakeholder pressure (Low & Davenport, 2005a) or as a means to repair their corporate reputation (Murray & Reynolds, 2000).

In the case of a proactive approach to embracing fair trade, they might do it either to demonstrate their social responsibility (Nicholls, 2002) or because they are a mission- and vision-driven company that use the Fairtrade mark to promote values of a sustainable environment, and assist producing communities in the Third World (Fairtrade Foundation, 2012b).

Low and Davenport (2005a) define mission- and vision-driven companies according to “the degree of embeddedness of ethical principles in their business practices and their willingness (mission) to promote fair trade principles”. Divine Chocolate \(^2\) represents such a company as their main goal is to “improve the livelihood of smallholder cocoa producers in West Africa” and even 45% of their company is owned by the farmers co-operative in West Africa (Divine, 2012).

Embracing fair trade can also be a proactive strategy for firms to convey their corporate social responsibility (CSR) focus to customers. They sell fair trade products to communicate their CSR focus on environmental and social issues. Companies implementing proactive strategies do more than just fulfil the requirements necessary for them to use social labels as is the case with companies applying defensive strategies; they act ethically even in ways not required for Fairtrade certification (Nicholls, 2002). For instance, Ben & Jerry’s have been involved in community-oriented projects and environmental friendly practices long before starting to Fairtrade certify their ingredients in 2005. Nowadays, not only all ingredients used in Europe are Fairtrade certified, but they e.g. also only use cage-free eggs and engaged in a partnership to “help [their] family farmers adopt leading-edge sustainable practices (Ben & Jerry’s, 2012).”

Clean-washing, repairing the corporate reputation, is one defensive strategy. In this instance, companies use fair trade for marketing reasons. They try to gain “positive benefits from [their] association with the fair trade movement, however, minimal [their] efforts to “live” the values” (Murray & Reynolds, 2000). For instance, there has been much criticism directed toward past unethical moves made by the giant corporation Nestlé. Hjorth (2010)

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\(^1\) Fast moving consumer goods are goods that are used on a daily basis such as groceries and toiletries

\(^2\) Formerly known as The Day Chocolate Company
suggests that Nestlé made a strategic attempt at clean-washing by Fairtrade labelling their coffee brand Zoegas, and (Low & Davenport, 2005a) changing its Nescafé brand name into Nice-café. Nestlé is not hiding that it launched a Fairtrade product due to commercial reasons to attract semi-ethical consumers3 (Doherty & Tranchell, 2005).

Another defensive strategy is that businesses start to sell fair trade products due to ongoing pressure from stakeholders and campaigning groups (Low & Davenport, 2005a). Their strategy to implement fair trade is “based on an adherence to a basic, legal, minimum standard of behaviour” (Nicholls, 2002). An example for this can be Procter & Gamble, one of the main multinational coffee producers. Only after intense pressure from a campaign by Oxfam America, Global Exchange and Co-op America did they introduce fair trade coffee under Millstone, their specialty coffee division (Global Exchange, 2012).

According to Dess and Lumpkin (2005) entrepreneurial companies are amongst other qualities said to be proactive. They explore new opportunities by either creating new resources or combining already existing ones in a new way (Ireland et al, 2001). Engaging in fair trade and using the Fairtrade label as a strategic resource could be one way to do so. Aiming to examine the relationship between the role of fair trade and entrepreneurial behaviour, only companies taking a proactive approach to engaging in fair trade are of interest.

Fairly traded chocolate has grown greatly in popularity (Fairtrade Deutschland, 2012b). Sweden shows steady growing demand in Fairtrade chocolate (Rättvisemarkt, 2010) and also Germany shows two-digit growth rates (Fairtrade Deutschland, 2012a). Thus, these markets are interesting to further examine.

Several case studies on the Day Chocolate Company 4 in the UK market have been conducted by Doherty. These represent very helpful examples as his studies cover topics such as the mainstreaming of fair trade products (Doherty & Tranchell, 2005) and gaining competitive advantage through social resources (Doherty, 2011; Doherty & Meehan, 2006).

Although of great comparative interest to this study, and of significance for further research, application of article findings are limited the UK chocolate confectionery market.

This thesis seeks to examine the reasons why companies would enter the fair trade chocolate market and how engaging in fair trade is related to being entrepreneurial. It is based on the assumptions that (a) fair trade is used as a competitive advantage by some companies; and that (b) entirely fair trade companies have different motivations and strategies from companies that sell both fair trade chocolate and non-fair trade chocolate.

2.3 Purpose

This thesis investigates the role of fair trade in entirely and partially fair trade companies’ strategy in the German and Swedish chocolate markets. It examines how the Fairtrade label contributes to a competitive advantage and in what way implementing this label is the result of entrepreneurial behaviour. This thought process is illustrated in Figure 1.

3 Semi-ethical consumers are infrequent purchasers of ethical goods who may be persuaded to buy more if the goods were made more attractive or more easily available to them (Doherty & Tranchell, 2005)

4 Now known as Divine Chocolate
Then, taking into account the company’s current stage of involvement in the fair trade movement, findings from this study may give some indication of why firms do or do not expand their Fairtrade assortment or increase their efforts to promote fair trade.

### 2.4 Research Questions

In order to fulfil the purpose, the following research questions will be answered:

**RQ 1:** What are the motivational reasons for chocolate producers to engage in fair trade? Do the motivations differ between companies that fully engage in fair trade and companies that only have a limited fair trade assortment?

**RQ 2:** Does having an entrepreneurial mindset, embracing change and passionate opportunity-seeking behaviour within the company influence engagement in fair trade? If yes, in what way?

**RQ 3:** How is the Fairtrade label as a strategic resource used in strategic positioning in order to contribute to competitive advantage?
3Frame of Reference

This chapter discusses the major subject areas and theories that form the literary background to this thesis. Figure 2 illustrates the linkages and relations between these theories – beginning with strategic entrepreneurship and ending with competitive advantage.

3.1 Structure Description

Figure 2 above illustrates the logic behind the structure of this chapter. It touches upon theories that weave through the three aspects of strategy, ethics, and entrepreneurship. The core theory underlying all aspects is strategic entrepreneurship, which when defined in section 3.2 requires both a strategic aspect and an entrepreneurial aspect. By definition, the former lays the path for the latter. Then strategy is expanded to describe strategic resources, which funnels down from social resources to one type referred to as reputational resources. In relation to the purpose, social labelling such as fair trade labels are considered reputational resources to the firm (Doherty & Meehan, 2006; Low & Davenport, 2005a) that are integrated in corporate strategy. In fact the growing fair trade movement and ethical consumerism presents a new venture opportunity, which allows the authors to examine the entrepreneurial perspective on the proactive decision for companies to engage in fair
trade. Whether a firm is entrepreneurial or not becomes evident through examining their entrepreneurial orientation and mindset. Then combining the entrepreneurial opportunity and the strategic resources allows an individual firm to strategically position itself through differentiation by targeting the narrow market of ethical consumers. The end benefit of companies choosing to adopt this new venture opportunity is then hopefully achieving competitive advantage.

### 3.2 Strategic Entrepreneurship

Hitt et al. (2011) describe the concept of strategic entrepreneurship in great detail. It is a combination of two disciplines – strategic management and entrepreneurship, which if used in a complementary manner will facilitate wealth-creation and theoretically assist a firm in upholding a sustainable competitive advantage. “Strategic entrepreneurship is the integration of entrepreneurial (i.e. opportunity-seeking behaviour) and strategic (i.e. advantage-seeking behaviour) perspectives in developing and taking actions designed to create wealth (Hitt, et al., 2001, p.481).” Entrepreneurship is defined by Ireland et al. (2001) as “a context-specific social process through which individuals and teams create wealth by bringing together unique packages of resources to exploit marketplace opportunities.” Entrepreneurship means identifying and exploiting previously unexploited opportunities. It involves being proactive and alert to recognize, select, and implement opportunities that may prove themselves as being valuable new business ventures. It is about exploring new, novel possibilities for the future. It can involve the creation of new resources or the combination of already existing resources in a new way resulting in the development and commercialization of new products, expanding the targeted group of customers, and movement into new markets. Hitt et al. (2011) state that strategic management implies efficiently utilizing the firm’s existing resources and capabilities to their fullest potential in order to generate value and ultimately wealth through creating and sustaining a competitive advantage. The strategy is adjusted to adapt to the changing external environment so that competitive advantage is not only achieved but also, more importantly, sustained. Combining these two disciplines into strategic entrepreneurship implies that the former term lays the path for the latter, resulting in wealth creation. Entrepreneurship is about creating something, whereas strategic management is about establishing and maintaining advantage from the creation (Venkataraman & Sarasvathy, 2001). According to Ireland et al. (2001) there are six domains that are of importance for companies’ efforts to create wealth (see Figure 3).
As only innovation, networks, internationalization, and resources and organizational learning are of relevance to this research, only these four domains will be further explored.

Innovation consists of the invention and its commercialization. Peter Drucker (1985) states that “innovation is the [...] means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating wealth.” Dess and Lumpkin (1996) believe that innovation is a key dimension of entrepreneurial orientation. Hence, having an entrepreneurial mindset is necessary to found a new business and rejuvenate existing ones (McGrath & MacMillan, 2000).

Networks consist of relationships with suppliers, customers, and competitors. They are of particular importance because firms can profit from additional access to resources, markets, and information (Gulati et al., 2000). Networks are often linked to the creation of wealth in large corporations as well as small firms and start up. Furthermore, networks are the main driver of internationalization. In order to successfully compete against larger and more established companies, entrepreneurial companies often realize the importance of finding both personal and formal organizational networks. “The strongest personal networks are based on trust among partners (Ireland et al., 2001).” High quality relationships among partners promote trust. Furthermore, a high trust level also increases the willingness to work together and depend on the partner rather than exploiting the partner’s skills. Hence, “an idiosyncratic trust-based relationship can be a source of competitive advantage for the partner firms (Hitt et al., 2001).” In relation to this thesis, Michael Barratt Brown (former Chair of Twin Trading) states that the creation of networks is essential for fair trade (Doherty, 2011). This statement is also backed by Davies (2009) who attributes the success of fair trade companies in the UK to supportive networks, both within company infrastructures, and alliances between them. These tight communication linkages have three major benefits in terms of wealth creation: “Competitive developments through virtual integration in which the organizations remain flexible and small while projecting size to the market; intellectual developments through the sharing of intellectual capital with a diverse network of organizations in many fields; and ideological developments through an ideological network of

\[\text{Figure 3 - Creating Wealth Through Entrepreneurial and Strategic Actions (Ireland et al., 2001)}\]

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5 Twin Trading is a leading fair trade company in the UK.
like-minded individuals by which the companies can prevent the co-opting of the original purpose of fair trade (Davies, 2009, p.109).”

Internationalization means that companies sell their products and services outside of their home countries (Ireland et al., 2001). As international transactions have become easier and international markets have opened up, smaller entrepreneurial businesses are entering international markets (Hitt et al., 1998). According to McDouall and Oviatt (2000) international entrepreneurship is defined as risk-seeking, proactive, and innovative behaviour that goes beyond national borders in order to create value in firms. In relation to the ideology of fair trade in networks described by Davies (2009), internationalization of fairly traded products simultaneously spreads awareness of its values and existence.

Resources, competencies and capabilities help companies develop sustainable competitive advantages (Amit & Schoemaker, 1993). Resources can be both tangible and intangible. However, as intangible resources are more complex and harder to both understand and imitate, they are more likely to generate competitive advantage (Barney, 1991). One significant intangible resource is the reputation of a firm (Deephouse, 2000). As customers cannot always determine the quality of a product or service in advance of their purchase, they may have to rely on a company’s good reputation as a criterion when selecting a product or service (Hitt et al., 2001). For instance, brands that are Fairtrade labelled “[indicate] non-exploitative relationships with suppliers and adherence to equitable labour relations” which builds a positive reputation in relation to that particular brand (Doherty & Meehan, 2006). In this way, the Fairtrade label is a reputational resource. Organizational learning implies that developing new knowledge and capabilities has the potential to impact behaviour and can benefit wealth-creation in a firm. This takes place through the acquisition and dissemination of information, as well as the shared interpretation of it (Ireland et al., 2001). Transferring knowledge within a company builds the employees’ capabilities and thus, contributes to better firm performance (Hitt et al., 2001). According to researchers organizational learning is connected to companies’ ability to continuously innovate as well as generate competitive advantage (Ireland et al., 2001). The next section serves to expand further on the theory of strategic resources.

3.3 Strategic Resources

The resource-based theory of entrepreneurship emphasizes firm resources that are valuable towards wealth creation and differentiates the firm from its competitors (Dollinger, 2002). This theory is widely discussed by Dollinger (2002) who defines a valuable resource to be one that “exploits opportunities or minimizes threats in the firm’s environment.” In particular, a reputational resource is a strategic resource especially relevant to this investigation. Brand loyalty or a positive corporate image fall under the rubric of reputational resources. There are many ways that firms can create a positive reputation for themselves, and one way is to express sound corporate values by acting in a socially responsible manner towards the community and environment.

Labels and brands often serve strategic purposes as they can significantly influence consumers’ purchasing decisions. It is an effective marketing tool for companies to excel in their industry and differentiate themselves. This is applicable to the chocolate industry, where only a few big companies cover 57 per cent of the entire global chocolate market (Fairtrade Foundation, 2011b). The dominating five are Kraft, Mars, Nestlé, Ferrero, and Hershey (Candy Industry, 2012 in ICCO, 2012). The chocolate market is controlled by brands, yet as these are intangible and hard to evaluate, “product ‘branding’ clearly does add value. The most valuable brands have had a long life: Mars Bars and Kit Kats, for example, have been
around since the 1930s (Tiffen, 2002).” “Consumers’ brand loyalty is strategically important for companies to obtain a sustainable competitive advantage, as it gives companies some protection from competition and increases their control in planning their marketing programs (Gounaris and Statthakopolous, 2004 in Matzler et al., 2008, p.159).” However, branding is not simply a marketing tool, but also a representation of values and means of communication between producers of raw ingredients and end consumers of finished products. “Brands and labels fulfil two main functions for consumers: they inform them about intangible product characteristics (information function, e.g. quality) and provide a value in themselves (value function, e.g. prestige) (Sammer & Wüstenhagen, 2006).” A particular label may through its established positive reputation of exceptional quality serve as the basis for consumers’ decision to purchase that specific brand (Hitt et al., 2001). The same is then true for a brand that has disappointed its customers in the past, as further disappointment will be avoided. Labels and brands also have the important quality of recognition. For instance, should a consumer wish to purchase a product from a previously untried product group, then recognizing a label with an acknowledged positive reputation will assist in the decision-making process (Zadek et al., 1998).

Fairtrade certification can be considered a strategic resource. “Certified goods offer consumers a guarantee that the product conforms to specific standards for production, use or disposal and acts as a shortcut when choosing goods that meet consumer expectations (Low & Davenport, 2005, p. 498).” By simplifying consumers’ decision-making process through a label on the packaging that represents a fairly produced and environmentally sustainable good and making the consumers feel good about their purchasing decision, a socially labelled brand may sell better than others in a product range.

Besides labels and brands, social resources, as defined by Doherty and Meehan (2006), can be used as strategic resources.

### 3.4 Social Resources

Doherty and Meehan (2006) claim that “social resources are made up of three inter-related components whose simultaneous presence underwrites the credibility of a product or service offer targeting the ‘ethical consumer’.” These three components are the following:

1. “Ethical and social commitments;
2. Connections with partners in the value network; and
3. Consistency of behaviour over time to build trust (Doherty & Meehan, 2006).”

Ethical and social commitments characterize the element of values of social resources. They include the social objectives and ethical standards that the firm sets itself and are established in the strategic objectives, mission, corporate culture and policies of the company. Ethical concerns may, for example, be reflected in the brand strategy and ethical standards can be reflected in the corporate cultures (Doherty & Meehan, 2006).

Connections with partners in the value network discuss the element of structure of social resources. “The other organisations any individual organisation chooses to contract or associate with, and the nature of those relationships, is key to its perceived credibility.” For example, what is central to a firm’s credibility from the perspective of ethical consumers is that committing to Fairtrade also includes “non-exploitative relationships with suppliers and adherence to equitable labour relations (Doherty & Meehan, 2006).”
“Consistency refers to the behavioural element of social resources over time and across all facets of an organisation’s operation.” Carefully selecting business partners, that match social credibility, and acting in accordance to the stated values “is the litmus test of an organisation’s own credibility (Doherty & Meehan, 2006).” Failing to ‘walk the talk’ is often what companies that claim to be socially responsible are being criticized for.

In order to develop social resources it is not sufficient to both embrace social and ethical commitments and develop a value network which comprises business partners that share the common commitments. Companies also have to demonstrate continually, that all facets of the company’s and the networks’ operations mirror these commitments. Consumers have gotten more demanding and it is not enough to rely on the perceived price-quality relationships, but consumers care more and more about “long-term credibility of the value network (Doherty & Meehan, 2006).”

3.5 Social Labelling

A type of label that has become increasingly widespread this past decade is the social label. Alongside this type of label are sustainability labelling and environmental labelling, all striving to communicate the value of being ethical and respecting both community and environment. Zadek, Lingayah, and Forstater (1998) define social labels as “words and symbols associated with products or organizations which seek to influence the economic decisions of one set of stakeholders by describing the impact of a business process on another group of stakeholders.”

There are two major perspectives that Zadek, Lingayah, and Forstater use to interpret a social label – as a window and a mirror. As a window, it transmits information to the consumer. As a mirror, it can provide reputational benefits, such as a consumer’s positive brand identification.

The provision of accessible and trusted knowledge of how a product was produced, how producers have been treated, and the full meaning backing the label is the window perspective. The uniform Fairtrade label is a window that the product has passed FLO criteria of fair trade, environmental sustainability, and equity in transactions.

“In its function as a mirror, the label’s effectiveness as a marketing tool is secured by being associated with the triple benefits of self-expression, ‘feel-good factor’ and positive social identity (Zadek et al., 1998).” The purchase of a Fairtrade good can make consumers feel good about themselves – giving them a feel-good factor. The Fairtrade certification guarantees that through the purchase the customer has contributed to fair trade. This is also the message Fairtrade wants to communicate. An example for that is their Fairtrade Fortnight in 2008 that states “Feel-good by changing your choices and changing people’s lives” (Granville, 2009). The overall implication is that the label informs, influences, and lets the consumer develop a shared sense of identification with the label. Carrier (2008) claims that consumers are drawn towards participating in the ethical consumption movement by using their purchase transaction as a signalling device to communicate their opinion of company practices and policies.

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6 Annual event in countries such as UK, Ireland and Canada celebrating and promoting fair trade
3.5.1 Fair Trade

By providing products with a uniform Fairtrade mark, FLO has helped Fairtrade certified products to enter the mainstream market (EFTA, 2006). This uniform Fairtrade mark is of particular value as it has successfully become recognized as a symbol of trust. Often the situation is that labels have no legal framework, such as is the case of fair trade labels, and this heightens the importance of trust. Valceschini and Nicolas (1995) describe how the Fairtrade label has successfully objectified quality, become a basis of market valorisation, and used a process of normalization to guarantee product compliance with set criteria. As a result, Fairtrade has in recent years managed to enter the mainstream market. Fairtrade labelling has been promoted through many different strategies since its start-up. “Fair trade was able to grow throughout the 1970s and early to mid-1980s by using market segmentation and targeting, appealing to its “natural” consumer constituencies: members of faith-based organizations, leftist political groups, and groups committed to “Third World” justice (Low & Davenport, 2005b, p.496).” This created a charity-based image. During its more recent developmental stages, Fairtrade labelled products were viewed upon by consumers as alternative and bohemian, and therefore attracted the types of consumers that identified themselves as being more alternative and different from the mainstream. This image of Fairtrade labelled products has undergone a vital transformation. Nowadays, the issue of fair wages and producer compensation is fundamental to fair trade (Low & Davenport, 2005b). These days, concern for fairness and justice has spread beyond the alternative communities, and they are held as universal values, such that fair trade goods are no longer considered fringe products.

3.5.2 Growth in Ethical Consumerism

Demand for fair trade products has mostly been influenced by the rise of ethical consumerism (Strong, 1996; Nicholls, 2002). While at the same time, ethically sensitive consumers have been emerging due to the increasing availability of fair trade products to substitute traditional products, and cultural changes within western society (Strong, 1996). Fletcher (1990, cited in Nicholls, 2002) suggests that there has been a shift from “self-focused consumers of the 1970s and acquisitive consumers of the 1980s” to ethical value-focused consumers. Attention is being given to ethically handling products throughout its supply chain. These cultural changes have been supported by the rising awareness and knowledge of global social issues and the provision of more information on these topics (Strong, 1996; Whysall, 2000; Nicholls, 2002; Szmigin et al., 2007). More information on global social issues is provided by both media coverage (Strong, 1996) as well as interest groups using the internet to spread information about unethical behaviour of companies (Whysall, 2000).

Ethical consumption can indicate the consumers’ moral codes and values and “shows an active concern for people and society, both local and further a field that may be affected by consumption choices (Szmigin et al., 2007).” In fact, studies by Carrier (2008) have found that consumers often use their purchase transaction as a sort of ‘signalling device’ to communicate their ethical values and support of certain companies with a positive reputation and a public image of respect for both community and environment, rather than just to signal their approval of a product’s quality. For example, customers may wish to communicate their support of fair trade values by choosing to purchase a Fairtrade marked product above one that is not fairly traded. By choosing to support fair trade and knowing their purchase can make a change, customers feel good about themselves (Granville, 2009).

Szmigin et al. (2007) state that companies should not ignore that ethical consumption is also “part of the active social process of consumption with its material and symbolic dimen-
sions as any other form of consumption.” Hence, ethical consumption should not be viewed in isolation, but companies should embrace the fact that “ethical attributes will be measured by consumers among a bundle of other brand values.” This is because ethical brands can be chosen by customers to reflect their “lifestyle choices and statements of personal identity.” In relation to the chocolate industry, fair trade has become a symbol of high quality raw ingredients. Customers wanting to purchase fair trade represent a “new and developing ethical consumer market segment” that see fair trade quality as a healthier choice. Companies targeting this growing market have great potential to gain competitive advantage (Strong, 1996). However, entering the mainstream market with an ethical brand is no simple feat.

Due to a growing concern amongst consumers regarding the extent to which ethics are considered in production processes, the demand for an increasing number of commodities such as Fairtrade marked coffee, bananas, cotton, and gold is changing (Fairtrade Foundation, 2011a). Consumers are becoming more aware of global social issues and the portrayal of social labels. For instance, the overall positive image, reputation, and popularity gained by the Fairtrade label over the years have introduced a growing trend in new ventures to engage in fair trade to differentiate themselves. The current corporate situation is that the market is shifting in two directions. Ethical companies are attempting to enter the mainstream market due to an increasing demand in ethically produced goods. Simultaneously, mainstream companies have recognized this growth in ethical consumerism and are thus progressively entering what once was a niche market dominated solely by ethical companies (Golding & Pattie, 2005).

### 3.5.3 Ethical versus Mainstream Companies

Reflecting the values of ethical consumers, ethical companies strive to emphasize ethical behaviour and values not solely within the firm but also in cooperation with the entire supply chain network. In the article “Integrating ethical brands into our consumption lives” by Szmigin et al. (2007), the topic of how ethical companies can compete with mainstream companies is discussed. This information is of direct concern to fair trade companies that strive to enter the mainstream market.

Szmigin et al. (2007) explain in what ways the experience of moving into the mainstream market is fierce. When competing with mainstream brands, ethical producers have to thoroughly consider their strategy in terms of competitive positioning and branding. Ethical brands have to differentiate themselves from other brands much more today than what was necessary in the past while having to ensure to both meet the customers’ functional requirements and their representational needs. For example, while trying to adapt as much as possible to the taste of UK customers, fulfilling the functional requirements of the customers, Divine Chocolate also had to make sure the representational dimension of its chocolate did not get lost. By entering the mainstream market, Divine Chocolate had to ensure that their message is to “raise awareness of fair trade issues (Doherty, 2011).” Companies have to carefully find a balance between these representational and functional dimensions whilst simultaneously differentiating themselves from others in a way that “will reflect consumers’ needs in terms of the motivations for the ethical choices they make (Szmigin et al., 2007).”

Ethical firms need to ensure that their customers understand the companies’ fundamental core values, so this information needs to be transferred in an efficient and effective manner. Yet, at the same time, companies need to integrate more communication approaches and methods into their strategy as they enter the mainstream market. They need to compete with big household names that have both a long history of investments and higher
marketing budgets. Fair trade brands need to both expand their market share and convey their social message (Szmigin et al., 2007).

### 3.6 Entrepreneurial Orientation

Companies that identify themselves as being entrepreneurial take on a strong entrepreneurial orientation so that certain strengths are realized and demonstrated. One potentially successful way for companies to communicate their ethical values to consumers is to clearly identify these values through their distinct entrepreneurial orientation. An entrepreneurial orientation is defined by Dess and Lumpkin (2005) as a type of strategy-making which “represents a frame of mind and a perspective about entrepreneurship that are reflective in a firm’s on-going processes and corporate culture.” It is about positioning and seeks to create a firm identity through expressing certain entrepreneurial dimensions – innovativeness, proactiveness, risk-taking, autonomy, and competitive aggressiveness. These dimensions are defined in Figure 4.

<table>
<thead>
<tr>
<th>Innovativeness</th>
<th>Proactiveness</th>
<th>Risk-taking</th>
<th>Autonomy</th>
<th>Competitive Aggressiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Introduces novelty and newness through experimentation and creative processes.”</td>
<td>Anticipating and acting on future demand.</td>
<td>Action without certain knowledge of the outcome.</td>
<td>Empowering individual employees to be creative and act independently.</td>
<td>“Intense effort to outperform industry rivals.”</td>
</tr>
</tbody>
</table>

A strong entrepreneurial orientation then implies that a firm identifies itself with a couple of these dimensions, which is also very evident from an external perspective to the firm. Much has also to do with the mindset of the firm. For instance, to be a passionate opportunity seeker means being constantly alert to new possible market ventures. McGrath and MacMillan (2000) succinctly express this mindset as “a way of thinking about your business that captures the benefits of uncertainty.”

This entrepreneurial perspective when applied to companies deciding to engage in Fairtrade certified production gives an intriguing insight into company strategy. A fruitful perspective to further understand the motivations behind different firms engaging in Fairtrade-labelling arises from this theory. Firms are adopting this proactive mindset to engage in Fairtrade production in order to seize a promising opportunity to attract a growing market for ethical consumerism. It could be an act of strategic renewal, to redefine and rejuvenate the firm identity. In essence, this action has the potential to give the firm a competitive edge.

Having an entrepreneurial mindset is a valuable characteristic, as continuous entrepreneurial behaviour is considered by Davidsson (1991) to be reflected in company growth.

### 3.7 Entrepreneurial Mindset

An entrepreneurial mindset can relate to an individual or a firm. This identification is more unusual than common because, for instance, an individual with an entrepreneurial mindset will embrace change whereas the average person does not at all appreciate the prospect of change. Similarly, firms that do not get hooked on routines and instead are keen to continuously change to adapt to a turbulent business environment are bound to be more success-
ful (McGrath & MacMillan, 2000). McGrath and MacMillan (2000) call people that have an entrepreneurial mindset *habitual entrepreneurs* and carry on to describe their distinct characteristics. Habitual entrepreneurs are passionate opportunity-seekers that take a positive view on change as a chance to make profit. They are capable of creating entirely new business models, and are disciplined in their selection and implementation of ideas. Being very proactive and alert to changing circumstances, they adapt and execute ideas quickly. A final characteristic is that habitual entrepreneurs build great networks of contacts both internal and external to the business ventures they create in order to get the most out of everybody’s capabilities and specialist knowledge in different areas (McGrath & MacMillan, 2000).

Firms with an entrepreneurial mindset are alert to changes in the market and have witnessed an increase in ethical consumerism. Therefore the relation between having an entrepreneurial mindset and the growing interest in fair trade products is recognizing that expansion into this narrow ethical market as an opportunity for growth. Taking on this opportunity, the challenge then presented is how effectively to incorporate this new idea into company strategy. Different companies have different competitive strengths. Therefore, even if Fairtrade products are not entirely new to the market, a successful strategy is created when a company combines its individual competitive strengths with the adoption of Fairtrade values. It is a matter of differentiation.

### 3.8 Strategic Positioning

A firm seeks to establish a state of having competitive advantage over its competitors in an industry in order to claim a greater market share and abnormal profits. Essentially, this state of competitive advantage is achieved through mindful strategic positioning. Porter (1996) defines strategic positioning as either “performing different activities from rivals’, or performing similar activities in different ways (Porter, 1996).” Literature surrounding this term examines the strategic positioning of firms, whether it is low cost or differentiation, whilst focusing on a broad or narrow market (Grant, 1991). The strategic positioning appropriate for a particular firm highly depends on its resource base. Interestingly, Grant’s (1991) article states that a firm may choose a differentiation strategy based on upholding a positive reputation. The linkage to this study is how companies may seek to adopt the Fairtrade label in order to clean-wash unethical past behaviour or represent their values. To further investigate this theory, Porter’s diagram of competitive strategies is used. It is here displayed in Figure 5.
According to Porter (1985) there are two ways to gain competitive advantage – low cost or differentiation – and three generic strategies are used to achieve this – cost leadership, differentiation, and focus. To adapt this theory to this study about the chocolate industry, what is meant by broad target is the mainstream market, whereas the narrow market represents the growing market of ethical consumers.

To adapt Porter’s Generic Competitive Strategies to this study, the chocolate companies Sackeus AB and Cloetta AB are used to illustrate how companies position themselves to achieve some sort of competitive advantage. An entirely Fair Trade company such as Sackeus holds the position of competing for a narrow target with a focused differentiation strategy. This focus aspect means that only ethical consumers are served. The shift in positioning that has been made possible by an increase in popularity of Fair Trade consumption, is for these fully Fair Trade companies to become more visible in the broader market, thus moving from quadrant IV to quadrant II. Then taking the example of a mainstream chocolate company such as Cloetta, they are targeting a broader market and competing on cost leadership. The authors assume that when Cloetta introduced the Fairtrade certified product Cloetta Good in 2010 (Cloetta, 2010), they attempted to expand the scope of their competition to attract the narrow market of ethical consumers.

With consumers’ attitudes having changed significantly with increased awareness of brand value over the past 30 years, so have key criteria for brands to succeed in the market. “There has been a shift from pragmatic, price and value driven imperatives towards ‘real values’ – the bundle of meanings that suggest a brand is adopting a definable position in an understood moral or ethical framework (Clifton, 2001 in Nicholls, 2002, p.9).” Therefore, due to an increased availability of substitutable brands for each type of product, a choice needs to consider this ‘real value’ as another way of differentiating between brands. The ethical values and ideology behind Fairtrade-certified chocolate is a competing advantage that differentiates itself against low-cost- and budget-based chocolate.

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Cloetta quickly ended production of Cloetta Good after it was launched.
Tiffen (2002) widely discusses the competitive situation in the chocolate industry stating that “brand values are the means by which market leaders seek to find a competitive edge among otherwise similar ranges of products.” Due to the domination of these large companies in the chocolate market, small companies experience great barriers to entry. As these large companies can afford economies of scale it is difficult for smaller companies to compete regarding distribution, price, market spending and range of products (Blythman, 2004; Tiffen, 2002). That is why they need to come up with other solutions on how to compete with these large brands.

In Europe today, around 200,000 people are employed in the chocolate industry (SIK, 2008; WCF, 2011) of which more than 90 per cent work in small companies. Clearly, there are many small players currently taking part in this industry and so there must be enough profit made by each of them in order for the industry to be attractive for new entrants. The challenge is strategically positioning the company to attract the targeted market. From an entrepreneurial perspective, entering the increasingly attractive fair trade chocolate market may be a prime example of passionate opportunity-seeking behaviour.

### 3.9 Competitive Advantage

Porter (1980) defines competitive advantage as having a differentiation advantage, an efficient focus strategy, or low costs. According to Rindell et al. (2011) a corporate brand can be used as a competitive imperative. Nowadays, brand values are the medium market leaders use to “find a competitive edge among otherwise similar ranges of products.” Some even estimate that over “12 per cent of corporate wealth is now tied up in the intangibility of brands (Tiffen, 2002).” In fact, Rust et al. (2000) suggest that the value of a brand can be increased by addressing social and ethical questions.

Byrne (2007) states that sustainable policies start from the top and that long-term brand and economic value are in line with strategies that have a positive impact on the community and the environment. The ideology of fair trade is based on values of sustainable trade partnerships with producers of commodities such as cocoa to benefit the farmers, their communities, and the future security of cocoa plantations (Fairtrade Foundation, 2012b). It is important to manage a firm’s socially responsible behaviour as the consumers’ information about a company may influence how they react to its products. For example, much attention has been given to the chocolate industry in relation to how the cocoa has been harvested under slave-like conditions; or in the case of Cadbury, they became aware in 1901 that their cocoa supplier in Sao Tome off West Africa used slave labour and thus became suddenly involved in a lengthy libel trial influencing consumers to boycott their chocolate (Satre, 2005). Managing the image of a firm and corporate branding are therefore significant strategic tasks for the management (Brown & Dacin, 1997).

It is important to understand that a firm decision to engage in Fairtrade certified production is not a source of competitive advantage in itself. As Barney (2002) explains, “a firm experiences competitive advantages when its actions in an industry or market create economic value and when few competing firms are engaging in similar actions.” The second part of this definition is of particular importance here. Many companies are choosing to engage in fair trade and other forms of ethical production. Therefore the competitive edge comes from combining this ethical action with the firm’s own strengths and image to form a product with a unique selling point. For example, a firm with an established low-cost strategic positioning such as Axfood offers Fairtrade certified chocolate as part of its own brand assortment, Aware, at a low price in line with their strategy (Axfood, 2009). The op-
portunity is for chocolate producers to engage in fair trade in their own individual ways that are in line with their corporate cultures, values, and strategies.
4 Method

This chapter describes and analyses the chosen research method. It first describes the sample, and continues with data collection. The last section of this chapter then discusses the data analysis.

This thesis takes on an inductive approach in order to analyse observations and empirical findings (Bryman, 2008) among entirely and partially fair trade companies. This allows the authors to analyse the relationship between the role of fair trade and entrepreneurial behaviour in the respective companies. Using a qualitative research strategy, various chocolate-producing companies selling chocolate on the German and Swedish market are approached and examined to explore if using fair trade in a company is related to the company being entrepreneurial (cf. Creswell, 2009). Thus, of concern is current descriptive data on several different companies, which classifies this thesis as a cross-sectional qualitative interview study. A qualitative interview study is appropriate for this thesis for four reasons: (1) interviewing more than one informant and integrating the responses gives a full detailed description, (2) integrating multiple perspectives without strict standardized questions encourages different observations of a single phenomenon, (3) it appropriately describes decision-making processes of firms in a similar industry setting, and (4) it develops a holistic impression by allowing the selection of relevant bits out of complex information for further comparison (Weiss, 1994). The authors conducted semi-structured telephone and e-mail interviews in order to extract information about the companies’ different strategies and motivations underlying their use of both fair trade and the Fairtrade label.

4.1 Sample

Due to its continued respectable growth rate and the language advantage of the authors, the fair trade chocolate industry in Sweden and Germany has been examined.

For this research, ten interviews have been conducted with different companies within the Swedish and German chocolate industry. The companies were categorized into two different groups

| A | Companies that are entirely fair trade: These are companies that produce only fair trade chocolate, no matter if it is Fairtrade labelled or not. |
| B | Companies producing a range of fair trade products: These are companies that mainly produce non-fair trade chocolate but have an assortment of fair trade chocolate. |

The companies examined are diverse regarding their size, market share, and type of business. This diversity is interesting in terms of offering a wide range of relations between fair trade in company strategy and entrepreneurial behaviour in the company.

27 chocolate companies that are available in retail stores in Sweden and/or Germany have been selected. Out of these, 16 belong to category A, and 11 to category B. In reflection of responses, out of category A, eight companies gave interviews, three were not willing to answer the questions, and five did not respond. Out of the companies in category B, two companies gave interviews, two declined to answer the questions, and seven did not re-
spond. Therefore, the qualitative data used in this thesis is based on observations and descriptions from a total of 10 interviews. Four of the interviews have been conducted via telephone and the remaining six interviews have been answered by e-mail.

The interviewed and analysed companies are the following (divided into entirely and partially fair trade):

<table>
<thead>
<tr>
<th>Company</th>
<th>Interviewee</th>
<th>Position</th>
<th>Interview method</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Entirely fair trade</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GEPA</td>
<td>Mrs. Martina Beck</td>
<td>Education Consultant</td>
<td>Email interview</td>
</tr>
<tr>
<td>Naturata</td>
<td>Mrs. Liane Maxion</td>
<td>Marketing Director</td>
<td>Email interview</td>
</tr>
<tr>
<td>Sackeus</td>
<td>Mrs. Pia Hagman</td>
<td>Marketing Coordinator</td>
<td>Phone interview</td>
</tr>
<tr>
<td>Zotter</td>
<td>Mrs. Susanne Luef</td>
<td>Marketing Coordinator</td>
<td>Email interview</td>
</tr>
<tr>
<td>Divine</td>
<td>Mrs. Charlotte Borger</td>
<td>Communications Director</td>
<td>Email interview</td>
</tr>
<tr>
<td>Lovechock</td>
<td>Mrs. Franziska Rosario</td>
<td>Co-owner</td>
<td>Phone interview</td>
</tr>
<tr>
<td>Zebeda Chocolate</td>
<td>Mrs. Kersti Lijefqvist Zebeda</td>
<td>CEO</td>
<td>Phone interview</td>
</tr>
<tr>
<td>Ananda Chocolate</td>
<td>Mr. Jeroen Kruft</td>
<td>CEO</td>
<td>Email interview</td>
</tr>
<tr>
<td><strong>Partially fair trade</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Axfood</td>
<td>Mr. Johan Neuman</td>
<td>Business Area Manager</td>
<td>Email interview</td>
</tr>
<tr>
<td>Cloetta</td>
<td>Mr. Thomas Wiesickl</td>
<td>Purchasing Manager</td>
<td>Phone interview</td>
</tr>
</tbody>
</table>

Table 2 - Interviewees and Interview Method

Refer to Appendix I for further information about all the companies that have been contacted as well as the categories they belong to. This is followed by Appendix II, which provides more general information about the ten analysed companies.

### 4.2 Data Collection

The main empirical data derives from 10 interviews with the deemed key personnel in various entirely and partially fair trade companies. Secondary data is also used, and these are articles, published interviews or information on companies’ websites. This extra information directly supports information received from interviews. Some companies found it easier to direct the authors to websites and press releases where interview questions would receive a more detailed answer.

As mentioned, the interviews have taken the form of either telephone or e-mail depending on interviewee preference. These two methods are deemed appropriate to this thesis due to the distant locations of companies approached. The customized interview plans are semi-structured, giving the authors the freedom to alter the order of the questions or ask additional questions if required (Bryman & Bell, 2007). There are two different interview plans that suit the two different categories of companies; each interview plan is then further tailored to the company being interviewed as deemed necessary. As for the email interviews, the structure was kept the same.

The questions in the interview plans are based on the research questions of this thesis. When selecting interviewees, the authors have found the company representatives with the most extensive knowledge on the company engagement in fair trade. As is outlined in Table 2, most of the interviewees are positioned in the marketing department or are the CEOs of the companies. Each phone interview took between 25 and 50 minutes. All inter-
viewees agreed to the authors’ request of tape recording the calls for transcription, except for Lovechock. For Lovechock, only notes were taken.

For the email interviews, each company was first contacted by telephone in order to find out the email address of the appropriate interviewee.

The purpose of this thesis is to examine the relation between entrepreneurial behaviour and the role of fair trade in the respective companies. In order to gather the appropriate information, the interview plans for both telephone and email interviews are divided into five sections.

1. The first section asks about the motivation of using fair trade in order to determine if there are differences between entirely fair trade companies and companies whose product assortment is only partially fair trade.
2. The second section asks about entry barriers to gain a better understanding of the company’s entrepreneurial mindset and its attitude to obstacles and challenges.
3. In the third section the interviewee is being asked to evaluate the company’s entrepreneurial orientation.
4. The fourth section asks questions about the strategy and incorporation of fair trade into the company in order to see how much fair trade influences the company’s strategy.
5. The fifth section relates to the corporate values of the firm and evaluates the relation between the corporate values and the values expressed by the fair trade movement to determine to what extent each company’s corporate values align with the values of the fair trade movement.

All interview plans have the same structure to facilitate comparison between these different cases (Bryman & Bell, 2007). Furthermore, this semi-structure simplifies the asking of follow-up questions when necessary (Saunders et al., 2003).

4.3 Data Analysis

A purposeful sampling has been adapted, as the selected cases are rich in information that can be studied in depth (Patton, 2002). The analysed companies differ not only in the depth of their engagement in fair trade but also in their sizes, market shares, and types of business. These differences support the findings in the way that due to the diversity of the firms they look at the role of fair trade from different angles and in case of homogenous replies can represent fair trade companies in general (Maxwell, 2008).

Due to the geographical scope the interviews were conducted in Swedish, English, or German, as appropriate. Hence, the transcripts for the interviews that were conducted in Swedish or German interviews were translated into English.

The responses of each company were then carefully interpreted and, if found necessary, complemented by secondary data such as information found on the companies’ websites. The relevant information to answer the research questions were then collected in the empirical findings. To make it easier to analyse the results, the authors organized the findings by whether the companies were entirely or partially fair trade within the five sections listed above.

In order to facilitate a comparison between the topics within categories A and B (cf. Maxwell, 2008) the results are then put into the following two categories: the use of fair trade and the visibility of fair trade. The relevant response information regarding the reasons to use fair
trade and information applicable to the theories of Doherty & Meehan’s (2006) *three-part model of social resources* and concerning the *Entrepreneurial & Strategic Actions for Wealth Creation* are listed in the respective column. Coding it this way helps to give an overview of the findings in a way that answers to the author’s purpose.

### 4.4 Limitations

Limitations that might occur due to the chosen method is that as only one interview per company is conducted, the perspective on the company’s motivation, strategy and performance is rather narrow and subjective. This is also true for the interview question on Entrepreneurial Orientation. Accuracy can not necessarily be ensured as the interviewees are asked to self-assess their companies. However, they are also asked to give examples which give the authors the possibility to ensure conformity between the self-assessment and the given examples.

Furthermore, the possible variation in results caused by the size, performance or maturity of the companies has not been considered in this research. However, this is a conscious decision as the authors aim to examine the role of fair trade in the respective companies in order to gain a general overview and not to find differences between each company.
5 Empirical Findings

The findings of the research will be presented in this chapter. Seven entirely fair trade companies were interviewed, out of which five are also Fairtrade certified and labelled. Additionally, three companies that only have or had a small assortment of fair trade chocolate were interviewed. The findings are backed by secondary data from information provided each company’s websites and interviews given and publicized.

5.1 The Motivations behind Engaging in Fair Trade

This section discusses the empirical findings of what companies experience as motivators to engage in fair trade. The structural separation into entirely and partially fair trade is useful to get an overview of possible differences in what motivates the degree of engagement.

5.1.1 Entirely Fair Trade Companies

Entirely fair trade companies that were interviewed seem to share similar motivations behind their decision to engage in fair trade. These motivations reflect a mission- and vision-driven approach to business.

The mission- and vision-driven objectives behind engaging in fair trade are demonstrated through the different beneficiaries firms consider. As a “pioneer in the organic market,” Naturata’s established sustainable earnings are not only used to aid social and environmental issues, but also benefit everyone involved in the company. Their corporate philosophy emphasizes the importance of “relationships with customers, suppliers and employees [that] are based on partnerships that are fair and friendly.” Naturata is engaged in several different projects, on of it being the Yacono fair trade cocoa project in the Dominican Republic. Naturata has supported this project from the beginning on by providing the farmers with cocoa seedlings at cost price and offering them advice on site (Naturata, 2012b).

GEPA not only looks at all beneficiaries involved, but on a time frame in terms of sustainability – how their help today will act as a catalyst to benefit the local cocoa farmers for generations to come. “We offer help for self-help.” For instance, they give assistance to small start-up cocoa producers to enter the local market, and any surplus is exclusively reinvested in fair trade. “Profit-maximization and profit distribution are not in line with our principles … we serve the interests of our Southern partners.” The benefits of their ethical behaviour are also realized by the consumer as “high quality products that are mainly organic, transparency with regard to the ingredients and value chain of our products, and offering inclusion into a world-wide movement for more justice in international trade.”

Divine defines itself as a mission-driven company aiming “to create a more equitable trading relationship with cocoa farmers.” The sympathy that firms feel for the cocoa farmers becomes very evident as a source of their decision to help the situation. This becomes can be seen, for instance, in the unusual business model of Divine that guarantees that the “Kuapa Kokoo cooperative owns 45% of the business, and receives 45% of the distributable profits – as well as the Fairtrade premium on every tonne of cocoa, and ‘Producer Support and Development’ funding which is 2% of [Divine’s] turnover.” GEPA has together with other committed and passionate people from church-related institutions and nongovernmental organizations such as Misereor worked hard to shape public awareness with regard to social production conditions. It is of great importance for the entirely fair trade companies studied that their decision to engage in fair trade is truly benefitting the right people. If no real impact is made where it is intended and needed, then that defeats the entire purpose of fair trade engagement. The motivating factor is the ability to contribute towards producers’ wellbeing. For example, Zotter emphasizes the importance of fair trade
for the farmers to further develop themselves. Wanting them to love doing their job and enabling them to see what an impact they have on the chocolate industry Zotter has an exchange programme with Brazilian cocoa farmers. They get invited to Zotter in Austria in order to see how their cocoa is being processed. They get motivated by that and that is also how the quality for good cocoa can be ensured (Kausl, 2010). Divine expresses their mission-driven motives as being “not about growth at any cost, and our motivation to create profit is because the farmers benefit – not disinterested shareholders or individual directors.”

These firms have been passionate about fair trade since their founding, so to engage in fair trade is seen as a given rather than a choice. Engaging in fair trade is a means of communicating to the consumers that they are empowered by information to make conscious purchasing decisions that reflect their values and opinion on how trade should be fair. For companies it is also a motivator to be able to communicate and inform consumers in this way. Sackeus proudly states that they “exist as an instigating force in the community to get this message across about fair trade.” Both Divine and Sackeus wish to communicate to other producers that driving an ethically sound business is “commercially viable on a considerable scale;” and simultaneously communicate to consumers that “choosing to buy delicious chocolate that ensures a fairer deal is possible.”

Zebeda’s main motivation is to assist in raising the living and working standards of cocoa farmers in developing countries. Carefully selected chocolate brands available for purchase at Zebeda Chocolate – “Blanxari, Plankat, Original Beans, and Madekass – [are all] more than fair trade. Blanxari has much higher demands than organic. Some have labels and others do not but it’s not the label that matters.” What motivates her brand selection is quality, values, social and environmental impact, and positive direct relationships with cocoa farmers. She further demonstrates her empathy for the cocoa producers by placing herself in their shoes: “I cannot fathom living in a world where it is possible that my children will be forcibly taken away from me and put to work on a cocoa plantation under slave-like conditions.”

Zotter’s motivation to engage in fair trade is that “it is an essential part of [their] philosophy that [they] expect the best quality for [their] raw materials – and that is why [they] are willing to pay fair prices, that are highly above the world market prices.” They pay close attention to the best quality which “can only be expected, when all partners are being paid fairly.” Also Lovechock mentions that engaging in fair trade and selling organic chocolate is not their main selling point but it is raw chocolate and the health benefits of it.

Sackeus claims there is one very distinct difference between entirely fair trade companies’ motivations and partially fair trade companies’ motivations. Entirely fair trade companies “have a vision and mission of fair trade, while [partially fair trade companies] only wish to match supply with demand because they expect to gain some sort of marketing profit from it.”

5.1.2 Partially Fair Trade Companies

There are many similarities whilst also notable differences between the motivations given by the entirely fair trade companies and the partially fair trade companies.

Being a large multinational company with a low-cost strategic positioning and broad target market, Axfood combined their observation that there was a market for Fairtrade certified goods with their low-cost strategy. Being an established large firm with vast resources, Fairtrade was a viable certification choice due to its widely recognized and accepted criteria.
and logo. “Our understanding is that the existing [Fairtrade] products on the market often were expensive, and that pricewise a good alternative would get more acceptance from consumers and therefore sell more, which would increase profit in the production line.”

Cloetta’s involvement in the fair trade movement was like Axfood’s very much adapted to fit in with the already well-established corporate strategy. The difference with Cloetta is how their demerger with Fazer in 2008 gave it the opportunity to reinvent itself in the market and where they wanted to go. In the past, when Cloetta built their production plant in Ljungsbro, the whole community “built this city with accommodation and day-care.”

Providing work and a good living environment in Ljungsbro was important for them. “To protect and preserve the local community has always been strong values for Cloetta. We felt that we had lost these values and mindset during the Cloetta Fazer years, and we wanted to get this focus back again.” According to Thomas Wiesgickl, purchasing manager of Cloetta, their main motivation was to restore old values of being a positive influence on society and the environment, and also to test something new and exciting by entering the chocolate tablet market segment. This risky but exciting venture was the launch of Cloetta Good – a Fairtrade certified chocolate tablet. To have a Fairtrade certified chocolate tablet also allowed Cloetta to differentiate and enter the chocolate tablet market segment in a niche way – as their major competitors at the time had not taken to the fair trade “trend.”

Evidently there are many different aspects that motivate companies to engage in fair trade – either entirely or to a certain degree. For some it is the basis of their existence while others have incorporated their membership in the fair trade movement as part of their corporate strategy. The decision to partake in fair trade did not come easy to many chocolate companies as they experienced various obstacles and entry barriers. Overcoming these obstacles often involved taking an entrepreneurial mindset.

5.2 Entry Barriers to Engaging in Fair Trade and the Entrepreneurial Mindset Involved

The chocolate companies examined describe various types of entry barriers encountered. Several of these involve the difficulty in finding the raw ingredients involved in producing particular goods, a limited marketing budget, consumers’ lack of awareness of the fair trade industry, competition with great multinational players, and a greater dependency on others in the production line. However, some obstacles encountered were transformed into opportunities thanks to an entrepreneurial mindset.

5.2.1 Entirely Fair Trade Companies

One of the major entry barriers for entirely fair trade companies is locating and setting up a network with suppliers of fair trade raw ingredients. This situation has improved significantly in recent years, although it was a major problem for the early pioneers daring to enter the niche fair trade market in its earliest years. GEPA, Naturata, and Sackeus were start-ups in the mid-1970s and experienced this issue first-hand.

Both Sackeus and Divine have connections to a Christian charity – Sackeus was founded by the Swedish Church and Divine partnered with Christian Aid. This provided a major boost, particularly at the point of starting up, due to the financial assistance and the grassroots support. Divine explains how “Christian Aid mobilized their extensive supporter network of around 200,000 people and asked them to go into Sainsbury’s stores and ask them to ‘stock the chock’ with a postcard about stocking Divine. So many people did it that Sainsbury’s had to take notice and stocked Divine in stores all over the country. It
meant we could say Divine was available nationwide and showed consumers that when they act together they can make things happen.” As for Sackeus, the Swedish Church missionaries realized first-hand that farmers in the coffee production were exploited and so decided to change this. Coffee was purchased at what the Swedish Church considered fair prices, and brought back to Sweden where the coffee was sold to the congregation. This raised awareness of the issue, and created a market for fair trade coffee.

This directly relates to another stated barrier that new companies in this market have to overcome – marketing and creating awareness without a marketing budget.

Divine realized that the chocolate market was “a market which was [...] competitive and dominated by the major players.” Interestingly, competition is not highlighted as a major obstacle by any of the companies investigated. Fairtrade certification started up in 1997, and entirely fair trade companies like Sackeus instantly joined the certification movement.

A barrier to entry into the fair trade business, which may often get overlooked, is the very human quality of fear. Zotter says that this barrier decidedly has to be placed to the side as “you only have to do it and dare to ask for a higher price for better quality.” Divine was told many a time that it was a “lovely idea, but it could never work” as the market is “so competitive and dominated by the major players”.

As for Zebeda, they encountered problems with certifications. As a start-up company with just four products, KRAV’s suggestion to Kersti Zebeda to certify the products seemed feasible. However, when she asked what sort of efforts this would require, KRAV replied, “first there is a monthly fee of 3000 SEK, then there is a tax at 6000 SEK, and you pay 4 per cent on sales, report to us every week on what has been sold and imported, then we have regular check-ups that nothing has been repacked are, and finally you need to tell your supplier (in Spain) to add the KRAV label to the packaging design. Other than that, there is no work involved.” Due to the enormous burden involved with certification, Kersti Zebeda lost interest in certification, and now focuses on the values and ethics of production even without a Fairtrade label.

Lovechock faces another problem that most start-up companies encounter, which is a financial constraint. This relates to their cash flow, marketing and getting enough funding.

What has presented difficulties, in particular for Sackeus, is that they do not make the products themselves. Eguale is their own brand for chocolate and coffee, while the chocolate is produced by partners in Switzerland that have proven skills in this area, and their other products are only traded. “We purchase raw coffee from different producers and prepare it at Bergman & Bergstrand Kafferosteri. That is where we have the opportunity to develop the product assortment,” otherwise product flexibility and expansion is limited. Fairtrade Sverige annually arranges an event in October called the Fairtrade Challenge where companies, schools and individuals organize a Fairtrade “fika,” or coffee break. This has become a day to shine for Sackeus. The difficulty in finding raw fair trade ingredients for new products is very discouraging for companies to attempt it. However, Sackeus managed to produce their very own chocolate muffin, which incidentally became the best suited Fairtrade “fikabröd” to eat with the Fairtrade coffee on the Fairtrade Challenge day. “So this muffin presented a great obstacle for us in its production, but was a great opportunity for us this special day.”

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8 More information is available at www.fairtradechallenge.se
Today, the major issue for an entirely fair trade chocolate producer such as Divine, who has entered the mainstream through Sainsbury’s, is to stay in the mainstream. “It’s a hard negotiation and a struggle as we don’t have the budget and economy of scale that other companies have to keep themselves on supermarket shelves.” Fortunately, the current economic climate just post-recession has proven that “people still buy chocolate even when they’ve had to knock other indulgent items off their shopping lists – and it seems that once you have started choosing to buy Fairtrade chocolate you don’t stop when the times are tougher.”

The types of entry barriers experienced by partially fair trade companies were rather different from ones mentioned above.

### 5.2.2 Partially Fair Trade Companies

The partially fair trade companies adopted fair trade into their company strategy at different points in the company lifecycle, and this has implications on the types of entry barriers they experienced.

Cloetta’s two major entry barriers into the fair trade chocolate market were in deciding what values would be represented by their new product Cloetta Good, and “the issue that we are Fairtrade certifying one of our products – what do we do with the rest of our products in our assortment?” These problems arose mainly “from an assortment perspective and brand perspective.”

As is a stated issue for many entirely fair trade companies, finding the required raw fair trade ingredients can be a difficult task. Cloetta states that the only issue with becoming certified was “to get [a] hold of Fairtrade Sugar. In the end we got our sugar from Malawi via an agent in Sweden.” As for the certification itself, “a FLO representative came to the production site and certified the product and that was that.”

In order to get more of an entrepreneurial perspective of companies examined, they were asked to rate themselves in terms of entrepreneurial orientation.

### 5.3 Entrepreneurial Orientation

Dess and Lumpkin (2005) defined an entrepreneurial orientation as involving several different dimensions – innovativeness, proactiveness, risk-taking, autonomy, and competitive aggressiveness. Representatives from chocolate companies examined were asked to rate the operations of their firms according to these dimensions, from 1 (very low) to 5 (very high). Giving examples was encouraged to support the given rating. A rating of 0 was given to non-response to a dimension, and not included as a value in calculations of averages. The graphed results of individual companies proves quite overwhelming with no decipherable patterns. This graph can be viewed in Appendix V. Therefore, companies were split into partially and entirely fair trade, and average ratings were calculated for each dimension. Figure 6 summarizes these findings.
Standard error bars give an indication where a significant difference between ratings exists. Where this difference becomes most evident by the bars not overlapping in values is for the dimensions of risk-taking and competitive aggressiveness.

5.3.1 Innovativeness

Naturata claimed to be very innovative as they “constantly offer new products – currently lactose-free chocolate and special Indian chocolate.” New and exciting offers are seen as worthy investments as there is interest for novelty in the market. Similarly, Zotter rated themselves high as they annually introduce around 60 new products. Lovechock show innovativeness by being the first to introduce raw chocolate bars. Divine is also quite innovative by being the first to introduce raw chocolate bars. Divine is also quite innovative by “doing things the Divine way.” GEPA see themselves as quite innovative in comparison to other fair trade companies as they now for instance use fair trade milk. Sackeus are very innovative when it comes to finding ways to market themselves without having an adequate marketing budget. “So we are able to make the most out of very limited resources.” Ananda consider themselves innovative as they have introduced their 100% PICO\(^9\) certifications and use biodegradable foil for their packaging.

5.3.2 Proactiveness

When it comes to being proactive and not only anticipating but acting on future expectations, Naturata is quite cautious in that they “always observe the market and decide case-by-case if we want to join new trends or not.” Zotter gave themselves an average rating, however, they believe that the market does not know what it wants and can only react to an existing offer. Zotter is proactive in the sense that they offer a great variety of chocolate and force their customers to try new things by taking out popular products and leaving exotic and untried flavours on the market (Kausl, 2010). Divine is on the same level as they do not “pour money into new product development, but can lead as a Fairtrade pioneer.” GEPA gives themselves a very low proactiveness rating. Sackeus are quite proactive in the sense that they were prepared for the great 2007 upswing in fair trade in Sweden, and had e-commerce available. However, since Sackeus do not produce all of their products, not much energy is spent on product development. They also mention the difficulty in being a

\(^9\) 100% Produced In Country of Origin
first-mover within fair trade as there is a certain dependence on FLO to set up criteria and approve raw ingredients and products.

5.3.3 Risk-taking
The degree of risk-taking is quite low for Axfod, Cloetta, Sackeus, Naturata, and GEPA. Naturata states that for them it is a “less marked” dimension, and Cloetta does not see it as relevant for them as a very mature company with a stable market share. Sackeus admit that they do not have any sizeable margins on any products, are very vulnerable, need to have utmost certainty in product decisions, and simply “cannot afford to take the risks of testing the market.” However, big risks have been taken in the past. For example, Sackeus began trading Fairtrade ice tea – an idea which a competitor soon imitated too well for Sackeus to compete with. Divine describe themselves as quite cautious, although there have been times where major risks have been appropriate to take. Zotter rate themselves higher as they claim to always take different paths than other competitors which is a large risk. Sackeus opinion of partially fair trade companies is that they are able to take more substantial risks than a small entirely fair trade company as the other assortment can take a hard hit if needed. “So if we lose out on the fair trade product, it is not a big deal, and they have other products that can bear the loss.”

Referring back to Figure 6, the degree of risk-taking is significantly greater for entirely fair trade companies than for partially fair trade companies. As individual company examples given express very different opinions of what implications risk-taking has on their operations, a clear reasoning why this difference is so significant is quite impossible.

5.3.4 Autonomy
Autonomy is a very vital dimension, especially for small and efficient companies. This is Sackeus’ opinion with only six employees driving the firm. “Since there are so few of us, everyone needs to think and everyone needs to believe in what we do. Everyone comes up with ideas, and all voices are heard here.” Naturata takes the opposite stance saying “it is not our goal…you can only collectively reach your goals.” Divine fully believe in the importance of autonomy and are proud of their independence.

5.3.5 Competitive Aggressiveness
Competitive aggressiveness is the dimension where companies gave the lowest average rating. Naturata treats it the same way as innovation – case-by-case decisions on how aggressively they need to proceed. Zotter are not aggressively competing when it comes to prices; “[We do] not [compete] by reducing prices or having any sales offers.” Divine and Sackeus both firmly state that they “collaborate rather than compete.” Sackeus emphasize how the market for fair trade is far from saturated which means that it is fully possible for existing producers and retailers within fair trade to work and exist alongside each other. Sackeus does, however, “try to be a little better than our competitors in how we meet the Fairtrade trend through double certification of Fairtrade Organic.” Lovechock do not see the need be competitive aggressive yet, as until now they have always benefited from being the first-movers in the markets they have entered. GEPA do not consider themselves aggressive in their competition either as their “company philosophy is fair trade” and competition is not the firm’s major concern.

Again, referring back to Figure 6, the partially fair trade companies have a significantly higher average than entirely fair trade companies. This seems to make sense from the individual company explanations above. A common understanding amongst entirely fair trade
companies is that they do not strive to compete, but see each other as collaborators. Cloetta and Axfood are very large companies with corporate strategies that aim for a competitive advantage.

5.4 Incorporating Fair Trade into Existing Company Strategy

As motivations differ in why companies use fair trade, so does it differ how fair trade is being incorporated both in the company and in its strategy. Although all companies use fair trade they do it due to various reasons.

5.4.1 Entirely Fair Trade Companies

What all entirely fair trade companies have in common is that they are all pioneers in the field of fair trade. Some have been the first to introduce fair trade or fairly traded chocolate in their countries. GEPA is the German market leader in fair trade and organic chocolate and also “produced the first organic and fair trade chocolate in Germany” (GEPA, 2012B). “Divine was the first 100% Fairtrade company [in the UK] – with all [...] products Fairtrade certified.” And Sackeus is the first 100% fair trade company in Sweden. The other companies excel in other fields, e.g. Naturata is the “pioneer in the organic food sector to help unite environment and humans (Naturata, 2012a)” and Zotter is the only European company with its own fair trade and organic bean-to-bar production (Zotter, 2012a). As for the companies that are not Fairtrade certified, Lovechock is the first company to sell raw organic chocolate in the Netherlands, Belgium, Germany and Austria, whereas Ananda Chocolate is trying to go even further than ‘just’ fair trade by introducing 100% PICO certifications.

Although all companies sell fairly traded chocolate, they are not necessarily positioned in the same markets. While it is only possible to find Naturata and Lovechock in organic supermarkets and organic stores, GEPA, Zotter and Sackeus can also be found in more conventional stores such as drug stores, supermarkets and department stores. Divine even collaborates with Co-op, Starbucks and can be found in supermarkets such as Sainsbury’s and Waitrose.

Yet, another aspect the firms share is that striving for high quality is embedded in the companies’ strategies. Both Naturata and GEPA state on their websites that they strive for premium quality products. Everything at Zotter revolves around high quality and variety, because “Josef Zotter is a chocolatier with all his heart – that is why he represents best quality with his name and his philosophy (Fairtrade, organic, bean-to-bar) in the products [...]” A strong relation between the endeavour for high quality and the engagement in fair trade can especially be seen at this company. They “carry out all production processes [themselves] from the cocoa beans to the finished chocolate bars.” Zotter roasts, grinds and conches the cocoa in their own manufacture in Austria. They do this in order to best respond to the raw material to make a product of highest standards. Zotter also states that they “expect the best quality for [their] raw materials”. According to Zotter the quality of raw materials can only be guaranteed when social standards for farmers are provided and this is something only Fairtrade guarantees. As the other companies, Lovechock also strives for the highest quality. That is why they insist on all ingredients being organic. However, they do not agree with the statement that Fairtrade guarantees high quality. According to them, people bought fair trade products in the past, because it was fairly traded but “the quality was awful”. This is confirmed by Sackeus stating that until 2007 the customer segment was easy and “the products themselves did not even need to be that good” to sell well. “It could be a lousy product as long as it was fair trade.” Today, that would not work
“Now the quality needs to be there and the product needs to look attractive. All this plus being Fairtrade and/or organic to be successful in this market.” According to Sackeus nowadays, “the same rules apply for the fair trade business as for the usual market. Customers are very fussy and excluding and [...] they know what they want and they want it to be good”.

The importance of fair trade in their companies is backed by their motivations and values that emphasize cooperation, sustainability and the desire to make a change.

Naturata (2012a) states in its vision, mission and values that they want to take advantage of their market position to “promote the preservation and development of a healthy co-existence between humans and the environment.” They have “a strong feeling of togetherness” and value “co-operation based on partnership”. It is their mission to work “together with [their] producers and trade partners” in order to “shape the organic market and supply it with the highest quality natural products”. They are “a fair partner for producers, trade and the end consumer and they claim to be “a sustainably profitable company which strives for the best possible efficiency and productivity.” GEPA defines its uniqueness by only offering fair trade products and through its long-term and “direct contact to trading partners, advance payment on request, investment of all profits in fair trade, premium quality products and strong accentuation on ecological sustainability” (GEPA, 2012). Divine wants “to sell delicious chocolate, and take people on a journey which they enjoy, and for some of them, changes their perception of what they buy.” Charlotte Borger, Communications Director of Divine states that their goal is not to grow at any cost, but “ensuring sustainable income for the cocoa farmers”. At the same time they “also take a responsible approach to environmental concerns – e.g. through cutting down transport miles, and packaging.” At Zotter sustainability plays a big role as they call it their “elixir of life” – not a marketing strategy, but a lived mindset starting from raw material purchasing to production to the end product.” Sackeus states that often they “have to set a good example of what it is like to run a limited company that has the vision [of fair trade] and that they are “acting [as] a role model for companies wishing to follow a similar path”. They want others to “imitate [their] business in selling fair trade products”. They are aware of the fact that it might reduce their market share, but at the same time “it also increases the market share of fair trade in relation to other commercial products.” And that is what they strive for, “they have a vision and mission of fair trade”. Sackeus indicates that “even though [they] don’t make much profit, [they] are sustainable economically and have a strategy for that.” They also “work for the social objectives” and “do it in an environmentally sustainable way.” Ananda uses sustainable packaging and is also concerned about the local economy of the cocoa producing country. Hence, they use biodegradable foil and even employ local processors for their cocoa as they “look further than just farmers”. Lovechock’s supplier engages in direct trade. Therefore, their chocolate is not Fairtrade certified, but direct trade guarantees better quality as well as higher premiums for the farmers.

Regarding the expansion strategies, only Divine, Lovechock and Ananda have mentioned plans concerning internationalization. Divine plans on “further penetration in the territories [they] are already in” which includes the US and Northern Europe after having shown significant sales increases in Northern Europe in 2009 (Divine, 2010). Lovechock has started in the Netherlands and Belgium, and just recently expanded to Germany and Austria. They plan to expand throughout Europe within next three to four years believing they will still have a first-mover advantage. Ananda first started selling in the Benelux countries, Bulgaria, Finland and the UK. They did not make any monetary profit there, but managed to break even and “positioned Ananda in the market”. They also sell to Canada and now
started selling to Germany and France. In case Ananda proves to be successful in Canada, they will also expand to the USA. Zotter, although located in a small town in Austria is very internationalized, making 45% of its turnovers abroad in both Europe and Asia (South Korea and Japan) (Zotter, 2012a)

In terms of product expansion, Divine has shown intentions “Yes we plan to expand – mainly in terms of products [...]” and as Zotter states “We currently have 350 different products in our assortment. This summer we will put a lot of new products on the market – we annually change our assortment in late summer – and about 1/3 of our products are replaced by new ones”, they change their product assortment annually.

Treating fair trade as a given and not as a strategy of differentiation, Zotter’s strategy to position themselves in the market is through variety and individuality (Kausl, 2010). This might be what differentiates Zotter from the other fair trade companies.

Fairtrade labels are used to provide customers with a trustworthy and reliable indication that the company’s products are fairly traded. Naturata has been involved in fair trade before but has introduced the Fairtrade label on its chocolate in 2009 because “the Fairtrade label is gaining more and more in importance and is now a reliable indication for end-consumers to know, that they bought a fairly traded product. Just writing on our chocolate bars that they have been fairly traded was not sufficient anymore.” Also Zotter states that although their ultimate ambition is “variety and best quality” having a Fairtrade label is very essential for them: “Without certifications it is hard for consumers to relate to our philosophy – Fairtrade gives safety – for consumers and producers”. GEPA, having been in the fair trade business for over 35 years, has reached such recognition that they are actually trying to sell more and more products without the Fairtrade label. GEPA wants consumers to see them as a fair trade company even without the Fairtrade label – and it works. Further, GEPA has started to introduce their company owned fair+ label which shows the consumers that they are more than fair, on a social, ecological and economic level. Ananda also uses its own label, which is the PICO label. They use PICO because they say it is innovative and they hope that “consumers will look it up and learn”. Further Ananda believes that “Fairtrade has its limitations, and it has been criticized a lot for working with large multinationals recently.” Divine explains the limitation of Fairtrade to be that in the UK “carrying the Fairtrade Mark no longer distinguishes us in the chocolate market – it has to be there but it doesn’t set us apart. What sets us apart is how engaging we are as a distinctive brand, how good our chocolate is, and our unique farmer-owned business model.” Yet, when it comes to other European markets, Divine admits that “where there may be fewer Fairtrade competitors, the fact that all Divine’s products are Fairtrade certified is still a distinguishing and valuable asset.”

5.4.2 Partially Fair Trade Companies

As the two interviewed companies differ in size and type of business, their strategies to engage in fair trade differ a lot. Axfod Aware as a brand of a multinational company wants to offer “value for money”. They want to offer a product with good quality for a lower price. Cloetta, a large chocolate producing company with a long history in Sweden defines their strategy to incorporate the Fairtrade labelled product “Cloetta Good” in 2010 as “a way to enter the chocolate tablet market in a niche way”. At the same time, Cloetta had just demerged with Fazer and felt the need to focus on CSR questions. With time their responsibility increased. In the past their responsibility “was very local in terms of caring for the environment and the employees in Ljungsbro. With time this boundary has broadened – regionally, nationally, and even internationally.” Cloetta believes that “to be effective in sus-
tainability, the responsibility needs to be held by everyone in the firm”. For Cloetta, susta-
inability is not embraced to clear their conscience. They try to spread the responsibility for CSR “throughout the company to make it a natural quality of [their] operations”. This is unlike their competitors. Cloetta claims that “when it comes to cocoa, our competitors often set goals for sustainability such as “by 2015 or 2020, we will only work with sustaina-
b...
fined by respect and friendliness towards one another” and all employees are driven by “an enthusiasm for a common goal”. The values Naturata holds “are firmly manifested and self-evident for every employee”. Lovechock is not Fairtrade certified, however, they are involved in direct trade and have a good relationship to their suppliers. All of their ingredients are organic, their packaging is environmentally friendly and they wish to give back to nature even more. However, in order to do so it is important for them to grow out of their start-up stage first and establish a stable basis. Zotter has always emphasized regionality and quality. Hence, they acquire their milk from regional organic mountain farmers. They do not only use organic ingredients only for their products but employees are also provided with free organic lunches. They use green electricity for their production and environmentally friendly packaging (Zotter, 2012a). Further, Zotter is involved in a lot of different project such as the “Chocolate makes you full [Schokolade macht satt]” project. For each sold unit of the “Chocolate makes you full” chocolate bar, Zotter donates a school meal to the project “Yummy! Meals at school [Yummy! Essen an Schulen]” in Mae Sot, Thailand (Zotter, 2012b). The working atmosphere is said to be really good as they have “a very respectful interaction [...] as well as a remarkably low hierarchy.” They all “focus on reaching the goals together [...] and contribute to the success of the company.” What is very practical in this low hierarchy where everyone can speak up their minds and ideas is their firm canteen. Apart from receiving organic free lunch, “there is also a big table – with about 40 seats and everything current is talked about there – also personal information – throughout all departments – hence, the information flow is kept short”.

In order to guarantee trust, fair trade companies agree on the significance of transparency. Fairtrade provides transparency regarding the ingredients, the production and the value chain (GEPA, 2012a). Going even further, Zotter states that they have a choco shop theatre which gives everyone who is interested the possibility to have a look at their production as to them “transparency is important”.

5.5.2 Partially Fair Trade Companies

While companies that fully embrace fair trade as part of their strategy and organization show strong relations between their corporate values and the fundamental values of fair trade, this is not necessarily the case for companies that only have a small assortment of Fairtrade certified chocolate. Divine states that “it is fair to say that some of the companies who have been given the Fairtrade Mark for some of their products do not necessarily buy into that aim or feel part of that [fair trade] movement.” Axfood Aware considers itself to be built on fair trade and hence, on its values. As fair trade products are mostly rather pricey, they “want to communicate to the consumers that one can buy Fairtrade products at reasonable prices. Even when Cloetta was bringing Cloetta Good on the market fair trade was not very visible in their values as their most striking values are said to be “knowledge, new-thinking, happiness, and responsibility.” However, having responsibility as one of their striking values, Cloetta is concerned “with current events in the developing world and production of cocoa”. What Cloetta mainly wants to communicate to the customer is, nevertheless happiness. “Happiness is what we represent and feel at Cloetta and this shines through our brands. When you take a product – when you eat a Plopp, a Center, or a Polly – much is about happiness. They make the consumer happy. That is one side of the coin. Another important aspect of this is that we employees within the walls of Ljungsbro feel happy – that is also a vital part.” Cloetta cares a lot about their employees’ wellbeing as they

11 An expedition for visitors into the world of chocolates with various tasting and information stations and an adventure shop (Zotter, 2012a).
believe that if they are happy at Cloetta “this mood will be reflected through [their] brands and [their] campaigns aimed towards [the] consumers.”
6Analysis

The analysis of empirical findings and secondary resources involves answering two vital questions (1) why do chocolate producers use fair trade?, and (2) how is fair trade visible in a company? In order to effectively answer the second question, Doherty and Meehan’s (2006) three claimed components of social resources are used as well as the theory of wealth creation. Imbedded in both parts are evaluations of theories and models discussed in the Frame of Reference chapter in its relation to empirical findings. A categorization of findings is provided in Table 3 at the end of this chapter.

6.1 Why Do Chocolate Producers Use Fair Trade?

Empirical findings and secondary resources such as company websites have indicated that there are different matters to consider in response to this question.

Many entirely fair trade companies such as Sackeus, Divine and GEPA claim that fair trade is not considered a resource that serves a purpose, but merely the basis for their existence. They engage in fair trade for the sake of the producers. They strive to improve the terms of trade with farmers in developing countries because they wish to influence farmers’ wellbeing in a positive way that enables them to build a better future for themselves. The entirely fair trade companies that do not engage in fair trade for the producers’ sake, are doing it for the consumers’ sake. Companies like Naturata and Lovechock are motivated to engage in fair trade based on their concern for the health benefits in consuming good quality chocolate. But also Zotter believes in high quality chocolate and views fair trade products as a source of quality insurance. Ananda prefers to certify their products with PICO, as they believe strongly that when all production takes place in the country of origin, it means directly assisting the farmers in their local community and the economy of the developing country as a whole. They believe that this is a better choice than Fairtrade certification. Some companies like Naturata and Zotter double certify their chocolate as fair trade and organic because the organic characteristic ensures high quality raw ingredients. Today 80 per cent of fair trade chocolate in Germany is double certified as organic (Fairtrade Deutschland, 2012a) so it is very ordinary, whereas in Sweden Sackeus sees double certification as a way to differentiate themselves from their competitors.

Some chocolate producers use the Fairtrade label for strategic purposes. The large partially fair trade companies, Cloetta and Axfood, have become aware of this new growing market for fair trade chocolate and have incorporated the movement into their existing strategy to position themselves differently. Referring back to Porter’s diagram in Figure 6 of section 3.5, these two companies are in the cost leadership quadrant of low-cost and broad target. They are a good representation of larger mainstream firms willing to expand their target group to include the narrow target group of growing ethical consumers. Cloetta wished to enter the chocolate tablet market segment, and so Fairtrade certified their launch product Cloetta Good in order to enter this market in a niche way. It was a way for them to differentiate their product from those of other competitors. Axfood has a strong low-cost positioning and wish to make Fairtrade certified products available for a lower price. Therefore, Cloetta and Axfood incorporated Fairtrade into their existing corporate strategies in order to differentiate their Fairtrade assortment in the market.

Using the Fairtrade label is also related to being entrepreneurial. Relating to Dess and Lumpkin’s (2005) description of identifying a firm’s entrepreneurial orientation, entirely fair trade companies have a relatively strong orientation to being innovative, proactive, and encouraging autonomy amongst their employees. Partially fair trade companies have a stronger
orientation towards being aggressively competitive, but also innovative in seeking novel ways to compete. Companies are motivated to engage in fair trade due to opportunity-seeking behaviour, which is natural for people embracing an entrepreneurial mindset. The entirely fair trade companies examined are all motivated by the opportunity to make a difference, whether it be for the benefit for cocoa producers or for the health benefits of chocolate consumers. The partially fair trade companies examined saw engaging in fair trade as a new venture opportunity appropriate to incorporate in their corporate strategies. Also, the proactive tendency of entrepreneurs is demonstrated by companies with early involvement in fair trade such as Sackeus, Naturata and GEPA in the mid-1970s. FLO was not set up until 1997, but Divine and Sackeus and others instantly got involved with Fairtrade certification in anticipation of future demand. This proactiveness prepared Sackeus for the fair trade boom in Sweden in 2007, and Divine successfully merged into the mainstream market through proactive opportunity-seeking behaviour in managing to attract the attention of Sainsbury’s’. Overall, a motivation shared by all companies examined to engage in fair trade was how it presented a positive opportunity for the firm.

The different motivations are all tied together by the desire to engage in fair trade as a means of communication. Chocolate producers such as Divine, GEPA, and Sackeus wish to communicate to other producers that it is fully possible to run a business that stands by strong fair trade values. Simultaneously they wish to communicate to consumers that they have the power of choice to make an impact on the way production is done in developing countries, and on the existing terms of trade with farmers. Original Beans, traded at Zebeda Chocolate, are very direct with this message as each chocolate tablet purchased finances the planting of one cocoa tree. Thus each purchase directly benefits farmers, and the environment. Chocolate producers also not only wish to generate awareness of cocoa producers’ working and trade conditions, but also awareness of the health benefits associated with ethically sourced and produced chocolate.

### 6.2 How Is Fair Trade Visible in a Company?

In order to help analyse how the message of fair trade comes across in companies, the model of social resources by Doherty and Meehan (2006) is used. This is appropriate as it exposes the empirical findings on the outward image of fair trade. As already mentioned in the Frame of Reference the article divides social resources into “three inter-related components whose simultaneous presence underwrites the credibility of a product/service offer targeted at the ‘ethical consumer.’ These components are (1) ethical and social commitments; (2) connections with partners in the value network; and (3) consistency of behaviour over time to build trust (Doherty & Meehan, 2006).” To round off this section, the wealth creation diagram presented in section 3.2 is reviewed.

For the first component of ethical and social commitments, they “comprise the ethical standards and social objectives the organization sets itself and are manifested in the mission, strategic objectives, policies and corporate culture (Doherty & Meehan, 2006).” What demonstrates that this applies to all entirely fair trade companies examined is how the values employees uphold are such an important part of their corporate cultures, and almost mirror values represented by fair trade. Naturata’s commitment to “promote the preservation and development of a healthy co-existence between humans and the environment” demonstrates how strong their social objectives are. The commitment of the employees in entirely fair trade companies shine through their products as companies like Sackeus for instance claim that they all chose to work there because “we all wanted to work for a company with a bigger value, a bigger meaning, a bigger mission.” Great commitment brings a
wholeness and authenticity in the values that fair trade represent, and this is visible to, and thus rewarded by, the consumer.

The second component is related to the business network relationships. “A commitment to Fairtrade entails non-exploitative relationships with suppliers and adherence to equitable labour relations, which in turn is central to the organization’s credibility in the eyes of ethically aware consumers (Doherty & Meehan, 2006).” Partnerships that companies hold with cocoa producing farmers in developing countries are respectful and fair. GEPA proudly states where their priorities lie with “for over 35 years, we have been going new ways as Fair Trade pioneers – serving the interests of our Southern partners.” Sackeus and Divine both state that they collaborate and do not compete with other companies in the fair trade chocolate industry. Zotter’s social commitment to use profits from sales to provide food for children in developing countries, and Original Beans’ replanting project, both demonstrate how companies are entrepreneurially orientated to seek innovative and proactive ways to sustainably benefit society and the environment. The relationship network is built on respect for each partner, colleague, supplier, and consumer – everyone involved. The fact that all fully fair trade companies examined have been successful in their own ways proves that they achieved solid credibility from the perspective of ethically aware consumers. Naturata and Zotter in particular experience that demand is definitely high enough to expand production and the distribution network, but their aim is not to maximize profits, but rather to ensure good quality and positive response from all ends of the business network.

The third and final component of social resources is to see that the behaviour towards the social aspiration, in this case fair trade, has been consistent. With the available gathered empirical information, the only proof that behaviour towards fair trade has been consistent with each and every company examined is the fact that none of them have been through any public scandals. Companies’ devotion to values, partnerships, and quality has kept monitoring and follow-through of all projects dependable. The longest standing fair trade companies examined – Sackeus, GEPA, and Naturata – model the consistency of their mission- and vision-driven approaches. The rise in competition has not been discouraging, but has been viewed from an entrepreneurial perspective as an opportunity for awareness of fair trade to grow much more than marketing could have achieved if such budgets had been available. Also, there has not been a case where any of the fair trade companies investigated have become engaged in the fair trade movement and then stopped temporarily. Their missions are constant, and their vision for the world to have better terms of trade than today is a lasting vision, leaving on-going room for improvement.

This analysis of key findings in the structure of the three social resource components supports how fair trade can be considered a social resource for chocolate companies. The entrepreneurial mindset of the companies is demonstrated by their passionate opportunity-seeking behaviour, proactiveness, and innovative ways of shaping their strategy in line with fair trade values. Furthermore, what also contributes to the visual aspect of fair trade is the output of combining entrepreneurial and strategic actions to use fair trade – wealth creation. This refers back to Figure 3 in section 3.2.

The relationship between companies deciding to engage in the fair trade movement through Fairtrade certification and strategic entrepreneurship is how the combination of entrepreneurial and strategic actions leads to wealth creation for countless parties in society and the environment. This is achieved through four domains. Firstly, innovative ideas on fair trade improve the chocolate production process, terms of trade, and quality of the end product. Secondly, the exceptional relationships within the business network are formed by
shared values and respect. Thirdly, these companies examined spread awareness and information about fair trade through internationalization and global expansion in the distribution of their products. Finally, the resources and organizational learning domain is achieved through the use of strategic resources – the Fairtrade certification – to develop and shape firm operations. The end result of acting on these domains is wealth creation for society and the environment, and thereby also the firm.

To conclude this analysis, a final emphasis is how relationships in the business network are based on values and respect. This effectively forms a solid and trusted firm image. Fair trade engagement is definitely an asset to chocolate producers and is the reason why many chocolate companies exist.

Table 3 - Categorization of the Role of Fair Trade

<table>
<thead>
<tr>
<th>Why Do Chocolate Producers Use Fair Trade?</th>
<th>How Is Fair Trade Visible in a Company?</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ It is the basis for their existence.</td>
<td>Doherty &amp; Meehan’s (2006) three-part model of social resources:</td>
</tr>
<tr>
<td>▪ For the sake of the producers:</td>
<td>[1] Ethical/social commitments:</td>
</tr>
<tr>
<td>Improve terms of trade with developing countries;</td>
<td>Values mirroring those of Fairtrade manifests corporate culture;</td>
</tr>
<tr>
<td>Positively influence farmers' wellbeing.</td>
<td>Mission-driven claims to “promote the preservation and development of a healthy co-existence between humans and the environment (Naturata);”</td>
</tr>
<tr>
<td>▪ For the sake of the consumers:</td>
<td>Employee commitment as “we all wanted to work for a company with a bigger value, a bigger meaning, a bigger mission (Sackeus);”</td>
</tr>
<tr>
<td>Health benefits of eating good quality chocolate.</td>
<td>Firm image has a wholeness and authenticity;</td>
</tr>
<tr>
<td>▪ Quality insurance.</td>
<td>Autonomous employees have streamlined mindset towards creating benefits for society;</td>
</tr>
<tr>
<td>▪ Strategic reasons:</td>
<td>Zotter’s social commitment uses profits to feed children in developing countries &amp; Original Beans’ re-planting strategy are innovative/proactive ways to sustainably benefit society &amp; environment.</td>
</tr>
<tr>
<td>To achieve a desirable strategic position;</td>
<td></td>
</tr>
<tr>
<td>To enter the chocolate tablet market in a niche way (Cloetta);</td>
<td></td>
</tr>
<tr>
<td>To differentiate the product.</td>
<td></td>
</tr>
<tr>
<td>Providing a low-cost Fairtrade alternative (Axfod).</td>
<td></td>
</tr>
<tr>
<td>▪ Entrepreneurial reasons:</td>
<td></td>
</tr>
<tr>
<td>Embracing an entrepreneurial mindset of opportunity-seeking behaviour;</td>
<td></td>
</tr>
<tr>
<td>Motivated by the opportunity to make a difference;</td>
<td></td>
</tr>
<tr>
<td>Proactively observing growth in ethical consumerism as a fruitful new market;</td>
<td></td>
</tr>
<tr>
<td>Seeking new venture benefits for the firm.</td>
<td></td>
</tr>
<tr>
<td>▪ Spreading awareness into the mainstream markets:</td>
<td></td>
</tr>
<tr>
<td>Divine through Sainsbury’s;</td>
<td></td>
</tr>
<tr>
<td>Sackeus through Coop’s Green Room.</td>
<td></td>
</tr>
<tr>
<td>▪ It is a means of communication</td>
<td></td>
</tr>
<tr>
<td>…to other producers:</td>
<td></td>
</tr>
<tr>
<td>Of the possibility to run a business that stands by strong fair trade values.</td>
<td></td>
</tr>
<tr>
<td>…to consumers:</td>
<td></td>
</tr>
<tr>
<td>Of their empowered choice to make a difference.</td>
<td></td>
</tr>
<tr>
<td>▪ For double certification</td>
<td></td>
</tr>
<tr>
<td>Ensures high quality raw ingredients (Naturata &amp; Lovechock);</td>
<td></td>
</tr>
<tr>
<td>Further differentiation (Sackeus).</td>
<td></td>
</tr>
</tbody>
</table>
Entrepreneurial & Strategic Actions for Wealth Creation:

- **Innovative**
  improvements in chocolate production process, terms of trade & quality;

- **Networks**
  based on shared values and respect;

- **Internationalization**
  global expansion in fair trade chocolate availability and thus awareness;

- **Resources & Organizational Learning**
  Fairtrade label used as a strategic resource.

- **Wealth Creation**
  Benefiting the firm, society, and the environment.
7 Conclusion

This chapter summarizes the most intriguing findings that have surfaced from the analysis of empirical information concerning the use of fair trade and its visibility in firms. These conclusions directly relate back to the purpose of this thesis.

There have been many interesting outcomes and findings from this study that has potential usefulness to help form an understanding of the firm perspective on engaging in the fair trade movement as a chocolate producer. The majority of companies studied are entirely fair trade, and whether they choose to certify themselves as Fairtrade or not, their corporate values and respect-based partnerships with all ends of their business network all shine through their products. An impressive wholesomeness is created by the passionate mission-and vision-driven motivations that back companies’ decision to engage in fair trade. Chocolate producers view Fairtrade labelling as a communication tool – not only targeting consumers but also to other producers. In most cases, it has been found that it is not about the label itself, but about what lies behind the label, which leaves an impression. From this, it is interesting to see if the company in question has failed or succeeded in communicating the values behind the label into something visually inspiring for consumers and producers.

Mature companies that have adopted the Fairtrade mark for a part of their assortment, long after the start-up phase in the company lifecycle, have adapted its message to suit the existing corporate strategy. This has proved somewhat successful\textsuperscript{12} for Axfood Aware, and less so for Cloetta. What may be the missing factor is how the wholeness impression of shared values epitomized by Fairtrade is not represented by all products in the company assortment. This inconsistency may confuse their image and weaken their stance on ethical production.

Fair trade chocolate is still a niche market, even in the more fair trade-influenced Swedish and German markets. Production is growing and so is the market for ethical consumerism. There is still great growth potential for the fair trade movement within the chocolate industry. This is what makes understanding the motivations behind producers’ engagement in fair trade chocolate today interesting.

In the end, as a response to the title of this study – *Fairtrade – a Competitive Imperative?* – the Fairtrade label is not a source of competitive advantage in itself. However, incorporating the Fairtrade mark and living up to the values that fair trade stands for brings a powerful impression of wholeness, shared values and goals, and beliefs amongst employees and partners. The visual result of this solid creation is wealth spread throughout society and the environment, which in its prevailing image could, potentially lead to achieving a state of competitive advantage.

\textsuperscript{12} The term *successful* here refers to if the Fairtrade assortment still exists today.
A personal reflection from the authors’ perspective is that much interesting information was acquired outside the specified research area. For instance, as the Fairtrade label relies much on trust, there have been cases in the past where criteria has not been followed and the terms of trade have not been fair despite this claim. This touches upon the remaining issue of child labour and slave-like conditions in the planting and harvesting of cocoa. For instance, in 2004 there were 109,000 children exposed to the worst child labour conditions, and nearly 10,000 were involved in human trafficking (Fairtrade Foundation, 2011b). Moreover, the authors have experienced much dispute and confusion in the terminology of fair trade versus Fairtrade, and its relation to the purpose of the thesis. Entirely and partially fair trade companies have been compared, as well as the impact of the Fairtrade label itself.

There are a few limitations that constrain the findings in this thesis. One of these is how wealth creation, as the end result of combining entrepreneurial and strategic actions in the use of fair trade, has been qualitatively measured. Wealth creation has been viewed upon as creating a respectable firm reputation, leaving a positive impact on cocoa producers as well as chocolate consumers, working towards a more sustainable environment, as well as using the Fairtrade label as a means of communication. What has not been used to measure wealth creation is the quantitative financial impact directly associated with companies engaging in fair trade. Another major limitation to this thesis has been the response rate of companies. The initial idea was to interview companies that are entirely fair trade, partially fair trade, and not fair trade. However, the non-fair trade companies proved to be the most difficult to get hold of. Because of this issue and the comparatively small fair trade market present in Sweden, the examined market had to be expanded to not only investigate the Swedish market but also the much larger German market.

The findings from this thesis have given rise to multiple other queries that could serve as potential points of investigation for further research. For instance, Doherty’s (2005; 2006; 2007; 2011) articles have contributed some valuable insights on the situation for Fairtrade chocolate in the UK. These articles have been notably useful for the purpose of this thesis based on the Swedish and German markets. However, considering an international comparison, the growth rate of Fairtrade certification has country outliers on both ends of the scale, and it would be interesting to investigate why some countries’ growth rates are much higher than others’, and what influences this growth. Also, relating to the limitations paragraph above, it would be interesting to see how results would differ with a quantitative valuation of wealth creation from engaging in fair trade. Another aspect that would be interesting to examine is if it is at all possible for large companies to change their entire non-Fairtrade assortment into Fairtrade at a mature stage in its company lifecycle. If this is indeed possible, can these firms achieve the same wholeness in values and respect that a small fully Fairtrade start-up is able to achieve? Also, given the situation that a company is motivated to engage in fair trade with pure mission- and vision-driven intentions, to what extent could this come across as an act of clean-washing? A final suggestion for future research is to compare the use of the Fairtrade label in different industries. For instance, it
has been found that some wines that fulfil all Fairtrade criteria choose not to use the label as it discourages consumption (Delmas & Grant, 2010). This gives rise to investigating whether there are more discouraging reasons as to why certified brands choose not to market it. These are some questions that arise from this thesis which have potential for future research.
References


References


References


References

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Naturata (2012b). *Cocoa from the Yacao project*. Retrieved 2012-04-20 from Naturata’s website:


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References


## Appendix I – List of Companies Contacted

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>category</th>
<th>status</th>
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<tr>
<td>Ananda Chocolate</td>
<td>NL</td>
<td>A</td>
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</tr>
<tr>
<td>Anthon Berg</td>
<td>DK</td>
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<td>no response</td>
</tr>
<tr>
<td>Axfod</td>
<td>SE</td>
<td>B</td>
<td>email interview</td>
</tr>
<tr>
<td>Bioart</td>
<td>AT</td>
<td>A</td>
<td>no response</td>
</tr>
<tr>
<td>Chocri GmbH</td>
<td>DE</td>
<td>A</td>
<td>no response</td>
</tr>
<tr>
<td>Cloetta</td>
<td>SE</td>
<td>B</td>
<td>phone interview</td>
</tr>
<tr>
<td>Confiserie Felicitas GmbH</td>
<td>DE</td>
<td>B</td>
<td>no response</td>
</tr>
<tr>
<td>COOP</td>
<td>SE</td>
<td>B</td>
<td>no response</td>
</tr>
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<td>UK</td>
<td>A</td>
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<td>Frucht &amp; Sinne Schokoladenmanufaktur GmbH</td>
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</tr>
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<td>GEPA</td>
<td>DE</td>
<td>A</td>
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</tr>
<tr>
<td>Green &amp; Blacks</td>
<td>UK</td>
<td>A</td>
<td>declined</td>
</tr>
<tr>
<td>Hans Riegelein &amp; Sohn GmbH &amp; Co. KG</td>
<td>DE</td>
<td>B</td>
<td>no response</td>
</tr>
<tr>
<td>Herza</td>
<td>DE</td>
<td>B</td>
<td>no response</td>
</tr>
<tr>
<td>Ica</td>
<td>SE</td>
<td>B</td>
<td>no response</td>
</tr>
<tr>
<td>Lovechock</td>
<td>NL</td>
<td>A</td>
<td>phone interview</td>
</tr>
<tr>
<td>Ludwig Weinrich GmbH &amp; Co. KG</td>
<td>DE</td>
<td>A</td>
<td>no response</td>
</tr>
<tr>
<td>Maestran Schwozri Schweizer Schokoladen AG</td>
<td>CH</td>
<td>B</td>
<td>declined</td>
</tr>
<tr>
<td>Malmö Chokladfabrik</td>
<td>SE</td>
<td>B</td>
<td>declined</td>
</tr>
<tr>
<td>Naturata AG</td>
<td>DE</td>
<td>A</td>
<td>email interview</td>
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<td>Zebeda Chocolate</td>
<td>SE</td>
<td>B</td>
<td>phone interview</td>
</tr>
<tr>
<td>Rapunzel Naturkost GmbH</td>
<td>DE</td>
<td>A</td>
<td>declined</td>
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<td>Sackeus</td>
<td>SE</td>
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<td>phone interview</td>
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<td>Seed &amp; Bean</td>
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<td>A</td>
<td>no response</td>
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<td>Valrhona</td>
<td>F</td>
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<td>Vivani</td>
<td>DE</td>
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<td>declined</td>
</tr>
<tr>
<td>Zotter Schokoladen Manufaktur GmbH</td>
<td>AT</td>
<td>A</td>
<td>email interview</td>
</tr>
</tbody>
</table>
## Appendix II – General Information about Companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Year Founded</th>
<th>Other Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Axfood Aware (SE)</td>
<td>2009</td>
<td>Axfood is a wholesale and retail food company with a 20 percent market share in the Swedish food retail market. Aware is an all Fairtrade certified private brand that belongs to four Nordic general dealers, of which Axfood is one, that are cooperating around purchases in the alliance United Nordic. The brand is sold at Hemköp, Willys, Willys hemma, and PrisXtra. Aware products include tea, coffee, chocolate, cocoa powder, juice, and pepper. (<a href="http://www.axfood.se">www.axfood.se</a>)</td>
</tr>
<tr>
<td>Sackeus (SE)</td>
<td>1976</td>
<td>Sackeus is a 100 percent fair trade food wholesaler that was started up by the Swedish Church missionaries. It is since 2001 85 percent owned by Bergman &amp; Bergstrand Kafferosteri, part owned by the Swedish Church, and part owned by a coffee producer in Mexico called UCIRI. 90 percent of products are Fairtrade certified and over 75 percent are organic. A small firm with 6 employees. Its own produced brand is Eguale chocolate and coffee but are also retailers of other brands such as Oxfam and Traidcraft. (<a href="http://www.sackeus.se">www.sackeus.se</a>)</td>
</tr>
<tr>
<td>Cloetta (SE)</td>
<td>1901</td>
<td>Cloetta made an attempt at engaging in Fairtrade in 2010 with the launch of their product Cloetta Good which soon proved unprofitable and was quickly removed from the assortment. Cloetta merged with Fazer in 2000 but had a demerger in 2008. Recently in December 2011, Cloetta merged with LEAF to become one of the leading Nordic confectionary corporations. (<a href="http://www.cloetta.se">www.cloetta.se</a>)</td>
</tr>
<tr>
<td>Zebeda Chocolate (SE)</td>
<td>2001</td>
<td>Zebeda Chocolate AB is a wholesale company without own production but retailer of many Fairtrade, Organic, and uncertified fair trade chocolate brands including Pacari, Blanxart, Original Beans, Madécasse, and New Tree. They are active within health awareness, chocolate tasting sessions, and organise trips to cacao farms in developing countries. (<a href="http://www.zebeda.se">www.zebeda.se</a>)</td>
</tr>
<tr>
<td>Zotter (AT)</td>
<td>1999</td>
<td>The <em>zotter</em> chocolate manufacture is run as a family business by Josef and Ulrike Zotter. Zotter is the only chocolate manufacturer in Europe that produces chocolate from bean-to-bar in organic and fair quality. (<a href="http://www.zotter.at">www.zotter.at</a>)</td>
</tr>
<tr>
<td>Divine Chocolate (UK)</td>
<td>1998</td>
<td>Divine chocolate is a Fairtrade chocolate manufacturer in the UK. 45% of the company is owned by the Kuapa Kokoo farmers co-operative in Ghana. Divine Chocolate Limited has special working relationships with the Go-op supermarket chain, and with Starbucks in the UK. (<a href="http://www.divinechocolate.com">www.divinechocolate.com</a>)</td>
</tr>
<tr>
<td>Naturata (DE)</td>
<td>1976</td>
<td>Naturata AG is a leading provider of organic and biodynamic foods. The company’s aim is to promote the preservation and the development of a healthy co-existence between humans and the environment. At Naturata relationships with customers, suppliers and employees are based on partnerships and are fair and friendly as Naturata always strive for long term relationships with partners. The NATURATA brand offers around 500 products in premium quality. The most well known NATURATA products include chocolate, hot and cold drinks, for example grain coffee or cocoa, vegetable stocks and seasonings, baked goods, sweeteners, tomato products as well as deli pasta. (<a href="http://www.naturata.de">www.naturata.de</a>)</td>
</tr>
<tr>
<td>Lovechock (NL)</td>
<td>2007</td>
<td>Producer of 100 percent raw chocolate which means that the chocolate is never exposed to a temperature above 45 degrees celsius during its production. (<a href="http://www.lovechock.nl">www.lovechock.nl</a>)</td>
</tr>
<tr>
<td>Ananda Chocolate (NL)</td>
<td>2010</td>
<td>Has 5 different chocolate tablets that were all produced locally in their country of origin - Ecuador. All ingredients are organic and cacao is purchased at fair trade prices. (<a href="http://www.anandachocolate.nl">www.anandachocolate.nl</a>)</td>
</tr>
<tr>
<td>GEPA (DE)</td>
<td>1975</td>
<td>For over 35 years now, GEPA has been standing for a trade with a compatible social and environmental impact. Today GEPA is the major European Fair Trade company with an annual turnover of 58,4 million Euros in the business year 2010/11. Business partners are producers in roundabout 190 cooperatives and marketing organizations in Africa, Asia and Latin America. At fair prices and conditions we buy from them food, handicrafts and textiles. GEPA products are on sale in 800 world shops and 6000 action groups, but also in numerous supermarkets, organic food shops, business canteens and educational institutions. (<a href="http://www.gepa.de">www.gepa.de</a>)</td>
</tr>
</tbody>
</table>
Appendix III – Interview Plan for Partially Fair Trade Company

1. Introduction of Interviewer
   - Name, Major, University: Elina Vittersand/Thao Tran, Strategic Entrepreneurship, Jönköping University
   - Overview of purpose: Finding out motivations for use of FT
   - Intended use of interview data: Comparison between different companies
   - Asking for permission for tape recording and note-taking
   - Measures taken to protect confidentiality & anonymity: This interview will only be used for the thesis and recording will be deleted afterwards
   - Introducing following topics:
     - Why and how you engage in Fair Trade.
     - What is your strategy when it comes to sustainability and changes in the market?
     - What values are most striking at your company?

2. Background Questions about Interviewee
   - Name
   - Job title
   - Time with organization
   - Responsibilities

3. Questions about Fairtrade Chocolate

<table>
<thead>
<tr>
<th>Main questions</th>
<th>Additional questions</th>
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</thead>
<tbody>
<tr>
<td>Why do you offer Fairtrade chocolate?</td>
<td>• What motivated you to engage in FT?</td>
</tr>
<tr>
<td></td>
<td>• What did you seek to achieve by offering FT? (Strategic positioning, profit, reputation)</td>
</tr>
<tr>
<td></td>
<td>• Why do you choose to keep a limited assortment of FT chocolate?</td>
</tr>
<tr>
<td></td>
<td>• Are there plans to expand the Fairtrade range?</td>
</tr>
<tr>
<td></td>
<td>• Are there barriers to expanding this assortment?</td>
</tr>
<tr>
<td>Did you encounter any barriers to entry?</td>
<td>• If yes, what were they?</td>
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<tr>
<td></td>
<td>• What motivated you to overcome the barriers?</td>
</tr>
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<td></td>
<td>• How did you overcome the barriers?</td>
</tr>
<tr>
<td></td>
<td>• Have you encountered any other business obstacles which you transformed into oppor-</td>
</tr>
<tr>
<td>On a scale from 1(strongly disagree) to 5 (strongly agree), where would you position yourself regarding:</td>
<td>tunities?</td>
</tr>
<tr>
<td>a) Innovativeness</td>
<td>• Could you please give examples?</td>
</tr>
<tr>
<td>b) Proactiveness</td>
<td></td>
</tr>
<tr>
<td>c) Risk-taking</td>
<td></td>
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<tr>
<td>d) Autonomy</td>
<td></td>
</tr>
<tr>
<td>e) Competitive aggressiveness</td>
<td></td>
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</tbody>
</table>
## Appendix

<table>
<thead>
<tr>
<th>Question</th>
<th>Related Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>How would you describe the strategy of your company?</strong></td>
<td>How big would you say is the role of sustainability in your firm?</td>
</tr>
<tr>
<td><strong>How would you say does your company's strategy differentiate itself from others?</strong></td>
<td>How is Fairtrade incorporated in your corporate strategy?</td>
</tr>
<tr>
<td></td>
<td>Does engaging in Fairtrade give you a competitive edge? How so?</td>
</tr>
<tr>
<td></td>
<td>What would you consider to be this company’s competitive strengths and weaknesses?</td>
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<td></td>
<td>How is Fairtrade chocolate branded and positioned in comparison to your other assortment?</td>
</tr>
<tr>
<td><strong>Would you say that there is a lively discussion about core values in your company?</strong></td>
<td>What are those values? (trust, customer base, loyalty, comp. advantage)</td>
</tr>
<tr>
<td><strong>How would you describe these values?</strong></td>
<td>What do you wish to communicate to the consumer?</td>
</tr>
<tr>
<td><strong>Would you say there is a relationship between your corporate values and the values expressed by the Fairtrade mark?</strong></td>
<td>Has the company image and reputation changed after introducing FT labelled chocolate?</td>
</tr>
</tbody>
</table>
Appendix IV – Interview Plan for Entirely Fair Trade Company

1. Introduction of Interviewer
   • Name, Major, University: Elina Vettersand/Thao Tran, Strategic Entrepreneurship, Jönköping University
   • Overview of purpose: Finding out motivations for use of FT
   • Intended use of interview data: Comparison between different companies
   • Asking for permission for tape recording and note-taking
   • Measures taken to protect confidentiality & anonymity: This interview will only be used for the thesis and recording will be deleted afterwards
   • Introducing following topics:
     o Why and how you engage in Fair Trade.
     o What is your strategy when it comes to sustainability and changes in the market?
     o What values are most striking at your company?

2. Background Questions about Interviewee
   • Name
   • Job title
   • Time with organization
   • Responsibilities

3. Questions about Fair Trade Chocolate

<table>
<thead>
<tr>
<th>Main questions</th>
<th>Additional questions</th>
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<tbody>
<tr>
<td>Why do you offer Fair Trade chocolate?</td>
<td>What motivated you to engage in FT?</td>
</tr>
<tr>
<td>How is your company engaged in Fair Trade?</td>
<td>What did you seek to achieve by offering FT? (Strategic positioning, profit, reputation)</td>
</tr>
<tr>
<td>Did you encounter any barriers to entry?</td>
<td>Are there any expansion plans?</td>
</tr>
<tr>
<td></td>
<td>Are there barriers to expanding?</td>
</tr>
<tr>
<td>On a scale from 1 (strongly disagree) to 5 (strongly agree), where would you position yourself regarding:</td>
<td>If yes, what were they?</td>
</tr>
<tr>
<td>a) Innovativeness</td>
<td>What motivated you to overcome the barriers?</td>
</tr>
<tr>
<td>b) Proactiveness</td>
<td>How did you overcome the barriers?</td>
</tr>
<tr>
<td>c) Risk-taking</td>
<td>Have you encountered any other business obstacles which you transformed into opportunities?</td>
</tr>
<tr>
<td>d) Autonomy</td>
<td>Could you please give examples?</td>
</tr>
<tr>
<td>e) Competitive aggressiveness</td>
<td></td>
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<tr>
<td>How would you describe the strategy of your company?</td>
<td>How big would you say is the role of sustainability in your firm?</td>
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<tr>
<td></td>
<td>How is fair trade incorporated in your cor-</td>
</tr>
<tr>
<td>How would you say does your company’s strategy differentiate itself from others?</td>
<td>Corporate strategy?</td>
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<tr>
<td>• Does engaging in fair trade give you a competitive edge? How so?</td>
<td></td>
</tr>
<tr>
<td>• What would you consider to be this company’s competitive strengths and weaknesses?</td>
<td></td>
</tr>
<tr>
<td>Would you say that there is a lively discussion about core values in your company?</td>
<td>What are those values? (trust, customer base, loyalty, comp. advantage)</td>
</tr>
<tr>
<td>How would you describe these values?</td>
<td>What do you wish to communicate to the consumer?</td>
</tr>
<tr>
<td>Would you say there is a relationship between your corporate values and the values expressed by the Fairtrade mark?</td>
<td>What would you say is the influence of the Fairtrade label on your company image and reputation?</td>
</tr>
</tbody>
</table>
Appendix V – Entrepreneurial Orientation Results

Overwhelming chart of individual company ratings:

Recall: Where a rating is not given, a value of zero is displayed.
Appendix VI – Ananda Chocolate

(Email interview on April 28, 2012 with Jeroen Kruft, CEO)

1. The Motivations Behind Engaging in Fair Trade

What motivated you to engage in fair trade?

We were already doing coffee from Ecuador, and wanted to add another product…
the logical product is chocolate (good cacao in Ecuador and it goes well with coffee).
The biodegradable foil makes Ananda special. We don't have fair trade certification.
Organic because it is healthy for earth, consumers and it has a market.

What did you seek to achieve by offering fairly traded and organic chocolate?
An interesting product that generates money and health.

2. Entry Barriers to Engaging in Fair Trade and the Entrepreneurial Mindset Involved

When you first brought Ananda Chocolate on the market, were there any barriers to entry?

New brand needs positioning; this can be considered a barrier. Also: 0,42 cents per kg of sugar in the product tax, but that is not a big problem.

What motivated you to overcome these barriers?
Lots of promotion.

3. Entrepreneurial Orientation

a) Innovativeness - 5
b) Proactiveness - 3
c) Risk-taking - 5
d) Autonomy - 5
e) Competitive Aggressiveness - 4

Could you please give examples?

We are innovative regarding the 100% PICO concept and biodegradable foil, take risk as it's the company's own money at stake and we are not always as proactive as we should be in getting new clients, or maintaining good client-relationship. For example, we lost the UK client due to little attention paid to this client.

4. Incorporating Fair Trade into Existing Company Strategy

What are your expansion plans?

We started well with Benelux, Bulgaria, Finland and UK, but sales were not as expected and we had to give 20% away recently. So we didn't make any monetary profit, but broke even and positioned Ananda in the market, at least! We also sell directly to Canada, no losses here but less margin and not sure if they will continue. Now we spread to Germany and France. The Canadian lady wants to expand to USA but it first has to become a success in Canada, where price is the problem.

How would you describe the strategy of your company in terms of differentiation?

We are small, very alternative, nice products with ultra-transparency and ecological packaging.

Does engaging in fair trade and organic products give you a competitive edge? How so?

Yes, you can have organic wholesalers as client.

What are your strengths and weaknesses?

Strength: personal contact with producers, knowledge of the whole chain. Weakness: limited resources, finances and thus limited reach and service for our clients.
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Why have you chosen PICO instead of Fairtrade certification?

PICO is innovative, it involves local processors which is good for the local economy; we look further than just farmers. The benefit of PICO is that it is different. Fairtrade has its limitations. And it has been criticized a lot for working with large multinationals since recently.

5. Relation of Fair Trade to Corporate Values

Would you say there is a lively discussion about core values in your company?

Yes. 100% PICO versus processing in Europe (less hassle).

Would you say there is a relationship between your corporate values and the values expressed by the fair trade and organic movement?

Yes; we support organic and Fairtrade.

What do you wish to communicate to your customers?

That with us they go further than organic and Fairtrade: we have organic ingredients but also org packaging, we pay fair trade prices to farmers but also involve local processors and designers. We are organic 2.0 and Fairtrade 2.0! The organic logo is needed for the consumer confidence. As described earlier, we don’t carry the Fairtrade logo, but PICO logo and hope the consumer will look it up and learn!
Appendix VII – Axfood

(Email interview on April 26, 2012 with Johan Neuman, Business Area Manager)

1. The Motivations Behind Engaging in Fair Trade
   What motivated you to engage in fair trade?
   Aware is a private brand that belongs to four Nordic general dealers, of which Axfood is one, that are cooperating around purchases in the alliance United Nordic. In Axfood, just as in the other three firms in the alliance United Nordic, there was an interest to establish a price-worthy Fairtrade certified assortment. In Axfood there is an all-embracing sustainability policy that amongst other things states that we want to develop our sales of Fairtrade certified goods. Our understanding is that the existing products on the market often were expensive, and that pricewise a good alternative would get more acceptance from consumers and therefore sell more, which would increase profit in the production line.

2. Entry Barriers to Engaging in Fair Trade and the Entrepreneurial Mindset Involved
   Were there any barriers to entry?
   No, actually there were not.

3. Entrepreneurial Orientation
   a) Innovativeness - 3
   b) Proactiveness - 4
   c) Risk-taking - 2
   d) Autonomy - ?
   e) Competitive Aggressiveness - 4

4. Incorporating Fair Trade into Existing Company Strategy
   What are your expansion plans?
   Due to cost considerations we decided to only invest in products that would reach a certain volume. No current plans for expanding the range of Fairtrade.
   How would you describe the strategy of your company in terms of differentiation?
   The strategy for Aware is ”value for money” – good quality for a lower price. Aware only has Fairtrade labelled products, so the Fairtrade label itself is an advantage.
   What are your strengths and weaknesses?
   Strengths: Good quality at a lower price and this is achieved through bulk purchasing and low costs in the value chain.
   Weaknesses: Aware is not a strong brand, but that is a consequence of a low-cost strategy. Also, the volumes are relatively small.

5. Relation of Fair Trade to Corporate Values
   Would you say there is a relationship between your corporate values and the values expressed by the fair trade and organic movement?
   Aware builds on Fairtrade and therefore on its values. Aware limits itself, when it comes to sustainability, to social situations at the production site.
   What do you wish to communicate to your customers?
   That one can buy Fairtrade products at reasonable prices.
Appendix

Appendix VIII – Cloetta

(Phone interview on April 24, 2012 with Thomas Wiesgickl, Purchasing Manager)

1. The Motivations Behind Engaging in Fair Trade

What motivated you to engage in fair trade?

In 2008 we had a demerger from Fazer. After that we were a new corporation and we were wondering how to position ourselves in the market. There were many discussions, thoughts, and ideas. One, amongst these, was to focus more on the chocolate tablet segment. That is an area where the old Cloetta brands had not covered in a long time, and we felt like trying something new. So we launched the brand Tarragona. That was one of the actions taken, and we also launched the brand Good. It was around the same time. Good may have been slightly earlier. But both were part of the same launch theme of chocolate tablets. So from a market perspective, Good was a way to enter from the chocolate tablet side. However, there is Kraft Foods to compete with that hold an extremely strong market share in the segment of tablets. Despite this, very large products in this segment was not Fairtrade or Rainforest Alliance certified, so it was one way of differentiating in this market segment. We then discussed what this new Cloetta launch would represent, and there was a focus on sustainability and CSR. If you take a historical perspective, Cloetta has always worked with the CSR train. When the production plant was built in 1901, there was nothing in Ljungsbro. They built this city with accommodation and day-care. That was one of the first day cares in Sweden. They erected a small hospital and post office, and all these were taken care of by the whole community. To protect and preserve the local community has always been strong values for Cloetta. We felt that we had lost these values and mindset during the Cloetta Fazer years, and we wanted to get this focus back again.

For how long were you merged with Fazer?

From 2000 until 2008. So we questioned ourselves, what are our key raw ingredients? Well cocoa. And what can we do with this in relation to sustainability? One way is to engage with Fairtrade. There are many other labels and ways to incorporate sustainability, but we wanted to test and see what this could lead to – with Cloetta Good.

2. Entry Barriers to Engaging in Fair Trade and the Entrepreneurial Mindset Involved

Were there any barriers to entry into the fair trade market?

Yes. There certainly were. One issue was in deciding what does this all represent? Also, there was the issue that we are Fairtrade certifying one of our products – what do we do with the rest of our products in our assortment? These were questions that we threw back and forth for quite some time. The certification process itself was not problematic at all. A FLO representative came to the production site and certified the product and that was that. The problems were mainly from an assortment perspective and brand perspective. Fairtrade certification was no problem for us. The only issue on that front was to get hold of Fairtrade sugar – that wasn’t a simple feat. In the end we got our sugar from Malawi via an agent in Sweden.

Why did you end production of Cloetta Good?

It sold too poorly.

3. Entrepreneurial Orientation

a) Innovativeness

- 4
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b) Proactiveness - 4
c) Risk-taking - 2
d) Autonomy - 4
e) Competitive Aggressiveness - 3

Could you please give examples?

What you need to keep in mind for these questions is that I am answering from an “old” Cloetta perspective. I don’t have the perspective or knowledge to relate these questions to the new company. We haven’t started working on these questions in the new company but I expect that they will come soon.

When you talk about the new Cloetta, what do you mean?

Well the new Cloetta is what I refer to when I mean Cloetta after its demerger with Fazer in 2008. And the newest Cloetta is after its December 2011 merger with LEAF, which made it one of the Nordic confectionery leaders.

4. Incorporating Fair Trade into Existing Company Strategy

How did you incorporate Fairtrade into your existing strategy?

Two things. Firstly, we had to find a way to enter the chocolate tablet market in a niche way. Secondly, we had to focus on CSR questions when we became the new Cloetta again – the part of us we felt we had left behind. So those were the two major points in our strategy.

How would you describe the strategy of your company in terms of sustainability?

We have been built on a solid respectable history, but the responsibility back then was very local in terms of caring for the environment and the employees in Ljungsbro. With time this boundary has broadened – regionally, nationally, and even internationally. We have programmes in how we work with sustainability questions, about cocoa production in its land of origin. We have a programme in how we handle sustainable palm oil and its development in Malaysia and Indonesia. We have a programme in how we work with animal welfare – the ingredients that have an animal origin used in our products. This is monitored to see that our suppliers do it in a good way. We also look closely at additives. We come from a time where many additives were accepted. When we need additives today we thoroughly evaluate the cost and benefits of additives so that their purpose is clear to everyone and only used when deemed essential. This strives toward a clean label image – which we also have a programme for. When it comes to questions about sustainability, we are organized at the company in something that is called Företagsansvarsråd [Company Responsibility Group/Advice]. No single employee is responsible for CSR. We try to spread this responsibility throughout the company to make it a natural quality of our operations. This is so that each employee will feel that sustainability concerns is something rooted in your DNA as an employee at Cloetta. We find that to be effective in sustainability, this responsibility needs to be held by everyone in the firm. We have a meeting every quarter where we look at the different projects we are running and the follow-up monitoring of them. Also there is discussion towards new projects. Everyone carries this information onwards, and contacts different departments without hierarchy barriers.

How do you differentiate yourselves from your competitors?

When it comes to cocoa, our competitors often set goals for sustainability such as “by 2015, or 2020, we will only work with sustainable cocoa.” (i.e. Mars Sweden aims for sustainable cocoa by 2020 – from Mars Website) In my opinion, they declare this statement of future change to buy themselves time and clear their conscience. We don’t want to imitate this method. We look at sustainability from a different direction. This chosen direction is to look at the issue of sustainability together with other organ-
izations and run our own projects together with cocoa farmers. We prefer this direct method.

*What are your strengths and weaknesses?*

Strength: Our brands. They are based on the values that employees uphold at this company. Brand loyalty is everything. Without our brands we are nothing.

5. **Relation of Fair Trade to Corporate Values**

*What would you say are Cloetta's most striking corporate values?*

That is quite easy. They are knowledge, new-thinking, happiness, and responsibility. They are the four headings that we have grouped our values under.

**Happiness** is what we represent and feel at Cloetta and this shines through our brands. When you take a product – when you eat a Plopp, a Center, or a Polly – much is about happiness. They make the consumer happy. That is one side of the coin. Another important aspect of this is that we employees within the walls of Ljungsbro feel happy – that is also a vital part. We believe that if we at Cloetta are happy, this mood will be reflected through our brands and our campaigns aimed towards our consumers. Happiness must begin internally with us, otherwise nothing will happen.

**Responsibility** is how we feel through our history a very local responsibility, which has spread outward with time as I mentioned earlier. We concern ourselves with current events in the developing world and production of cocoa. Also what is happening for instance in Malaysia and Indonesia when it comes to palm oil. It is also a value applicable to internal projects, that one takes responsibility for the monitoring and follow-through of new ventures whilst taking responsibility to uphold a sustainable vision.

**New-thinking** is about doing the unexpected. I see it in a way that it is linked to customers and consumers. It is also applicable internally in the way that we seek new ways in becoming more efficient in terms of reducing the energy usage in the production plant. In what new innovative ways can we better ourselves in efficiency? With that type of mindset, one can get far.

*What did you wish to communicate to your customers with Cloetta Good?*

Good linked to it being a good product and how it took a greater responsibility than the other products we offer.
Appendix IX – Divine Chocolate

(Email interview on April 17, 2012 with Charlotte Borger, Communications Director)

1. The Motivations Behind Engaging in Fair Trade

What motivated you to engage in fair trade?

You need to recognize a big difference between chocolate companies who offer some Fairtrade products and a company like Divine which only exists in order to pay cocoa farmers the Fairtrade price – we are a mission driven company aiming to create a more equitable trading relationship with cocoa farmers and prove this is commercially viable on a considerable scale.

Divine Chocolate was the idea of cocoa farmers in Ghana who could see that the big money was in chocolate rather than in cocoa – and owning their own chocolate company was a way of accessing some of the value of the chocolate market for themselves. The Kuapa Kokoo cooperative owns 45% of the business, and receives 45% of the distributable profits – as well as the Fairtrade premium on every tonne of cocoa, and ‘Producer Support and Development’ funding which is 2% of our turnover. Divine is therefore Fairtrade because we believe there is a better way to do trade, and we have worked hard over the last 13 years as a business to let people know more about the farmers behind the treat that they love, and that choosing to buy delicious chocolate that ensures a fairer deal is possible.

Working so closely with the farmers of Kuapa Kokoo, and seeing the impact Divine has made on their lives, and the awareness of consumers all across UK and beyond is what still motivates us today. It’s very different working for a company like this!

What is your opinion on fair trade expansion into the mainstream?

Big chocolate companies are starting to offer some Fairtrade products first because there is a market for them now (which Divine has helped create), so it can make them money, and to show they are doing something to help cocoa farmers. It is not a major part of their business – and most of their cocoa is not bought on Fairtrade terms.

2. Entry Barriers to Engaging in Fair Trade and the Entrepreneurial Mindset Involved

Were there any barriers to entry?

Green & Blacks offered the first Fairtrade chocolate bar on the market, but Divine was the first 100% Fairtrade company – with all our products Fairtrade certified. When we launched there were many people who said “Lovely idea, but it could never work” – it was very bold to enter a market that was so competitive and dominated by the major players.

The main objective from the start was to achieve distribution around the country so we were available to anyone who wanted to try the product. One of our partners, Christian Aid, mobilized there big supporter network (200,000 people) and asked them to go into Sainsbury’s stores and ask them to ‘stock the choc’ with a postcard about stocking Divine. So many people did it that Sainsbury’s had to take notice and stocked Divine in stores all over the country. It meant we could say Divine was available nationwide and it showed consumers that when they act together they can make things happen. We have never had marketing budgets like the big companies (who spend £millions every year on advertising) so we have always grown brand awareness through great brand alliances, collaborations, and goodwill – people who have really liked our story and given us their creative talents for payment in kind.
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We always have to think creatively. Today the hardest thing is still to keep us stocked in the main supermarkets where people buy their chocolate. It’s a hard negotiation and a struggle as we don’t have the budget and economy of scale that other companies have to keep themselves on supermarket shelves. The current economic climate is perhaps more a challenge to us – and it has been problematical buying in Euros and selling in Sterling and US Dollars – because of fluctuating exchange rates. We have had to be good at forward buying Euros. Fortunately people still buy chocolate even when they’ve had to knock other indulgent items off their shopping lists – and it seems that once you have started choosing to buy Fairtrade chocolate you don’t stop when times are tougher.

3. Entrepreneurial Orientation
   a) Innovativeness - 4
      (doing things the Divine way – which no other chocolate company can do)
   b) Proactiveness - 3.5
      (this is harder for us as we can’t pour money into NPD, but we can lead as a Fairtrade pioneer.)
   c) Risk-taking - 3.5
      (we have to be cautious, but there are times we’ve had to take big risks)
   d) Autonomy - 5
      (we are independent and proud of it)
   e) Competitive Aggressiveness - 3.5
      (we collaborate rather than compete!)

4. Incorporating Fair Trade into Existing Company Strategy

What are your expansion plans?
Yes we plan to expand – mainly in terms of products and further penetration in the territories we are already in – i.e. mainly Northern Europe and USA. Where other companies like us would probably be looking to sell to a major buyer in order to really experience a step-change in growth – that is not an obvious way forward for us as our business model is based around the farmer-ownership and any kind of sale or major investment would have to maintain that structure.
Our sales are very positive across Scandinavia and Holland. The increases this year are not as big but still very encouraging. Our chocolate is very popular there – and particularly our seasonal products. We are sold in Sweden via http://www.housefairtrade.se/. They sell through to shops and supermarkets in Sweden. If your local stores are not selling Divine you can request that they do and give them the details of House of Fair Trade!!

How would you describe the strategy of your company in terms of differentiation?
To sell delicious chocolate, and take people on a journey that they enjoy, and for some of them, changes their perception of what they buy. We are not about growth at any cost, and our motivation to create profit is because the farmers benefit – not disinterested shareholders or individual directors. We are independent and collaborative, rather than corporate and competitive.

Do you believe that engaging in fair trade gives you a competitive edge?
Carrying the Fairtrade Mark no longer distinguishes us in the chocolate market – it has to be there but it doesn’t set us apart. What sets us apart is how engaging we are as a distinctive brand, how good our chocolate is, and our unique farmer-owned business model. In some areas of Europe where there may be fewer Fairtrade competitors the fact that all Divine’s products are Fairtrade certified is still a distinguishing and valuable asset.

Does sustainability play a role in your firm?
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Ensuring sustainable income for the cocoa farmers is top of our agenda, and we also take a responsible approach to environmental concerns – e.g. through cutting down transport miles, and packaging.

**How is fair trade incorporated in your strategy?**

It is fundamental to it – if we were not paying the Fairtrade price we would not be here.

**What are your strengths and weaknesses?**

Strengths: collaborative, independent/farmer-owned, personal/real, cherished, nimble, creative.

Weaknesses: less power with the supermarkets.

5. **Relation of Fair Trade to Corporate Values**

**Would you say there is a lively discussion about core values in your company?**

Divine was born as a Fairtrade brand because the team that created the company wanted to be part of a movement campaigning for terms of trade to change worldwide – especially for smallholder farmers. It is fair to say that some of the companies who have been given the Fairtrade Mark for some of their products do not necessarily buy into that aim or feel part of that movement. Our values are pretty much the same as the strengths listed above. Our values are our strengths, and our strengths are our values.

**Would you say there is a relationship between your corporate values and the values expressed by the fair trade movement?**

The values of the Divine brand are the same as the values of the Divine company. This also may not be true of major companies who only have a few Fairtrade certified products.

**What do you wish to communicate to your customers?**

We want consumers to choose Divine because they love it as great chocolate. We hope that if they find out more about our story they will come not just to love Divine, but to cherish it as a brand trying to do things better.
Appendix X – GEPA

(Email interview on April 24, 2012 with Martina Beck, Education Consultant)

1. The Motivations Behind Engaging in Fair Trade

What motivated you to engage in fair trade?

GEPA is 100% fair trade – fair trade is the purpose of our organization. With a lot of volunteers we have from the beginning been part of the fair trade movement in Germany and various other countries. Fair trade is the mission of our company. We have Christian partners and invest all our profits in fair trade. GEPA stands for fair trade – worldwide.

What is your opinion on fair trade expansion into the mainstream?

“Personally I have always felt that every gram of coffee we sell helps people in the countries where coffee is grown – and that is what it’s all about.”

“The GEPA doesn’t just have high ethical expectations of its products; we also demand them from our partners. We completely distance ourselves from discounters like Lidl and Schlecker, since our understanding of fairness does not include taking advantage of workers in Germany. When McDonalds approached us because they wanted to buy our raw coffee, we also refused. There are other firms we really enjoy working with though. By now GEPA products are available in over 5,000 supermarkets in Germany including REWE and Edeka.”

Rainer Sakic, Head of Bulk Consumer Department of GEPA since 1982 in an interview with Eva-Maria Verfürth in Digital Development Debates, Issue 2, 2010

2. Entry Barriers to Engaging in Fair Trade and the Entrepreneurial Mindset Involved

Were there any barriers to entry?

There have been a lot of barriers, also in the domain of product quality, raw material procurement.

3. Entrepreneurial Orientation

a) Innovativeness - 4
   (in comparison to other fair trade companies: e.g. using fair trade milk)

b) Proactiveness - 3
   (hard to compare with non-fair trade companies)

c) Risk-taking - 2
   (rather low)

d) Autonomy - ?

e) Competitive Aggressiveness - 1
   (It is hard to compare a company like GEPA with others as our company philosophy is fair trade. It is as if you were comparing apples to pears. In my opinion, GEPA is not showing any competitive aggressiveness, but of course do our employees go to trade fairs to see what the market has come up with/to.)

4. Incorporating Fair Trade into Existing Company Strategy

How would you describe the strategy of your company in terms of differentiation?

In comparison to other German fair trade companies, GEPA has the biggest chocolate assortment. GEPA also wants consumers to see them as a fair trade company even without a Fairtrade label, hence more and more products are now being sold
without that label. And it works. Introducing fair+ label, GEPA owned label, showing consumers that they are more than fair, on a social, ecological and economic label.

*Does sustainability play a role in your firm?*
It has always been part of our company strategy.

5. **Relation of Fair Trade to Corporate Values**

*Would you say there is a relationship between your corporate values and the values expressed by the fair trade movement?*

Social and ecological responsibility is very important. We use the Fairtrade logo, but also our own GEPA logo. The GEPA logo stands for partnership, quality products, fair trade, and fair prices.

*What do you wish to communicate to your customers?*

GEPA wants to be seen as a fair trade company even without the Fairtrade label. Hence, we have started to take off the Fairtrade label from various products.
Appendix XI – Lovechock

(Phone interview on May 2, 2012 with Franziska Rosario, Co-owner)

1. The Motivations Behind Engaging in Fair Trade

What motivated you to engage in fair trade?

Fair trade & organic not the main selling point, but raw chocolate and the health benefits of it is. Lovechock wants good quality cocoa. Supplier does not believe in Fairtrade conditions because the conditions to which he is acquiring the cocoa right now is better. They are involved in direct trade through him, which gives farmers even better premium than fair trade.

2. Entry Barriers to Engaging in Fair Trade and the Entrepreneurial Mindset Involved

Were there any barriers to entry?

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3. Entrepreneurial Orientation

a) Innovativeness - 5
   (first to introduce raw chocolate bar, companies before were always conching chocolate, have big chunks and pieces in their chocolate)

b) Proactiveness - 5
   (since first in the field)

c) Risk-taking - 5
   (left jobs, 3 owners, Fran joined 1 ½ years ago, new start-up, always a risk)

d) Autonomy - ?

e) Competitive Aggressiveness - 1
   (no real competition yet as they have had first-mover advantage in all countries they have entered so far. Expect that to continue to be the case with the other European countries)

4. Incorporating Fair Trade into Existing Company Strategy

How would you describe the strategy of your company in terms of differentiation?

Raw chocolate (not roasted, less grinded than others, not conched)
Retains antioxidants, vitamins
No milk, no soy, no gluten
They process ingredients themselves
No normal sugar, but coconut blossom sugar
   Healthier than normal chocolate
   For people eating raw food
   For people with allergies

5. Relation of Fair Trade to Corporate Values

Would you say there is a lively discussion about core values in your company?

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Appendix
Appendix XII – Naturata

(Email interview on April 25, 2012 with Liane Masion, Marketing Director)

1. The Motivations Behind Engaging in Fair Trade
   What motivated you to engage in fair trade?
   We have the Fairtrade label on our chocolate since 2009. The raw materials have always been acquired through fair trade. Reasons for that are easy: It is imbedded in our corporate philosophy. Why we have decided to use Fairtrade labels since 2009 is easily explained. The Fairtrade label is gaining more and more in importance and is now a reliable indication for end-consumers to know, that they bought a fairly traded product. Just writing on our chocolate bars that they have been fairly traded was not sufficient anymore.

2. Entry Barriers to Engaging in Fair Trade and the Entrepreneurial Mindset Involved
   Were there any barriers to entry?
   There were close to no barriers at all. It was partly harder to get certain fairly traded raw materials, but this has improved for the better in the recent years.

3. Entrepreneurial Orientation
   a) Innovativeness - 5
      (Constantly new products (currently lactose-free chocolate or special chocolate from India) always attract attention and interest on the market.)
   b) Proactiveness - 3
      (As mentioned before we always observe the market and decide case-by-case if we want to join new trends or not.)
   c) Risk-taking - 2
      (Less marked in our company)
   d) Autonomy - 1
      (It is not our goal. We believe that you can only collectively reach your goals.)
   e) Competitive Aggressiveness - 3
      (Of course we are exposed to hard competition. Similar to when it comes to innovations we decide case-by-case how we want to handle competition and how aggressive we want to proceed.)

4. Incorporating Fair Trade into Existing Company Strategy
   How would you describe the strategy of your company in terms of differentiation?
   Our products are exclusively available in organic stores and supermarkets. That is why it is not possible to compare our chocolate to fair trade chocolate that is available in ordinary supermarkets. However, our chocolate is well-known and also popular in organic stores and supermarkets due to its good quality. Our assortment is constantly monitored – as well as the developments in the market. That is why we annually add new products and remove old products. A bigger expansion is currently not in planned. There are no barriers to expand to new products.
   How is fair trade incorporated in your strategy?
   Our corporate values give good answers to all of the questions above (see website).

5. Relation of Fair Trade to Corporate Values
   What are your most striking values at Naturata?
   You can get more details about our values at:
   http://www.naturata.de/de,3a84cf2aa98d36a76a858a35593c151,b8853s3b145a0dd0a431f62f10315c.html
The customer is at the centre of all our actions – Our customers have the uppermost priority in our work. We are always friendly and open to our customers.

Naturata products for enjoyment and great taste – Authentic taste for perfect enjoyment defines Naturata products.

The highest quality in our products – We stand for the highest quality in all areas. Our products meet only the highest quality standards. This high quality is the result of natural ingredients and gentle preparation methods.

A strong feeling of togetherness – All employees are dedicated individuals who act with sole responsibility. Our co-operation is defined by respect and friendliness towards one another. An enthusiasm for a common goal is what drives each of our employees.

Co-operation based on partnership – Relationships with customers, suppliers and employees are based on partnerships and are fair and friendly. We strive for long term relationships with partners to receive the best possible raw materials at competitive prices.

Sustainability from A to Z – Sustainable economic management along the entire value creation process is very important to us. We use our status as a pioneer in the organic market to achieve sustainable earnings which we use to promote social and environment related issues and for the benefit of everyone involved in the company.

Would you say there is a lively discussion at Naturata about values?

We don’t have a lively discussion about our values. They are firmly manifested and self-evident for every employee. You can clearly see the connection between your corporate values and Fairtrade. This is also due to the health food movement. From the beginning on we have connected healthy products with a healthy cooperation. We are involved in the health food movement from its start and as one of the pioneers, we have shaped the topic ‘collective trading’.

Concrete examples of how we live our corporate values can be seen in our raw material projects: http://www.naturata.de/de,fa843326b767ca2f6ab98b4865b47acd.html
Appendix XIII – Sackeus

*(Phone interview on April 13, 2012 with Pia Hagman, Marketing Coordinator)*

1. The Motivations Behind Engaging in Fair Trade

*What is the story behind Sackeus and its fair trade strategy?*

Sackeus started up in 1976 and since then it’s been concerned with fairly traded products. It is probably important to note that I am not using “Fairtrade” as one word, but “fair trade,” because Fairtrade is the Fairtrade mark which did not exist until 1997 for products. We have always worked with fair trade, as in the movement for fair trade. Just so as there is no confusion. But most of our products, let’s say 90% of our products are Fairtrade marked and the others are fair trade with another system which is called WFTO which is another system for fair trade. We are a World Fair Trade Organization of which there are numerous. For us, the basic principles and values back our start in 1976. We were a start-up of the Swedish Church. They had just began their missionary trips, and discovered that the coffee trade was not done in a nice way. They thought that this needs to be changed, and it also had to do with handicrafts. So what they did was, they bought some products for a fair price and brought them back to Sweden. There were missionaries from lots of different countries and they all did the same thing, bringing back fairly purchased products to their home countries. The coffee and products were introduced and spread through community congregations. Soon it became too much for the Church itself to handle, so the company Sackeus was started. It was run by the Church for some time. Not until 2001 did the Swedish Church sell the majority of Sackeus to an organization called Bergman & Bergstrand Kaffeverkställningar which now own 85% of the firm. 5% of the firm is still owned by Svenska Kyrkans Förvaltnings AB to keep this strong value base on which the business was shaped. We are also partly owned by a coffee cooperative in Mexico called UCIRI (main supplier of coffee beans). It is very unusual to have a part owner in a developing country of a firm situated in a developed country. This is something that we are particularly proud of. It also reminds us of why we started in the very beginning. It was to show the consumer that there are alternatives to the traditional trade. This alternative is fair trade. Mind you, this is long before the Fairtrade mark came along. It was introduced in 1997 to Sweden and we were the first firm to hook on to the movement of becoming certified. Today we are seen as a very small company that many people haven’t heard of. If companies and individuals have questions about fair trade today, my guess is that they turn to Fairtrade Sweden for advice. However, Sackeus is still used as a good example representative of the fair trade movement.

*What motivated you to engage in fair trade?*

The thing is, when we started, our company exists for a reason, and it is that we want to promote and bring forward the question of fair trade, and act as lobbyists for fair trade. We exist as an instigating force in the community to get this message across about fair trade.

*What is your opinion on fair trade expansion into the mainstream?*

There are companies today with just one or two Fairtrade products in their whole assortment. Those competitors have appeared in recent years as they’ve realized the value of having an alternative Fairtrade product to offer. This difference is something one has to be very clear about, because for us fair trade is not a choice, it is a given. It is the reason why we exist. We do not exist in order to make great profits, but to bring forward this idea of fair trade and make things better for producers, and build a larger
market of fair trade products. All this sounds very lovely and wonderful, but it is the reasoning and basis behind our existence.

2. Entry Barriers to Engaging in Fair Trade and the Entrepreneurial Mindset Involved

Were there any barriers to entry?

For a long time, business was difficult, one could say until 2007. It took about 10 years for Fairtrade to become a hit in Sweden. In 2007 there was a great upswing in fair trade consumption and we experienced this through a sudden increase in e-commerce. Business went really well as we were almost the only firm that was available to offer Fairtrade products. The recession only really broke out in Sweden in 2008. But, yes, so it was in 2007 that fair trade’s attractiveness boomed in Sweden. Our turnover was doubled from the previous year. It took some time for competitors to catch on, around one year. But pretty soon other companies discovered that this was an attractive market and fair trade began appearing in the mainstream. There were competitors before the fair trade boom, but they weren’t many and they were not very commercial as they are today with just one or two Fairtrade products in their whole assortment.

Have you encountered any business obstacles which you then transformed into opportunities?

There have been a lot of obstacles on the way since we started with fair trade. Since we have been one of the first companies working with fair trade, we have encountered lots of obstacles. We have also taken part in the process of finding new products that we would like to have criteria for. In the beginning there was only coffee and chocolate, but since then the range available has grown. We, and other European companies similar to us have been eager to expand the movement by pressuring Fairtrade to have criteria for ingredients to allow more Fairtrade products. So this product group expansion can be viewed as an opportunity. It may seem like an obstacle, but it is really an opportunity because not all products have been made yet. So the increase in Fairtrade ingredients presents a great opportunity in expanding the product range that doesn’t exist in the marketplace yet. This is probably more relevant for our trading partners in Europe as they are product developing more than we do – but we are always pushing for more products to be Fairtrade. We are not bound to a specific product group as for instance chocolate companies are bound to only having Fairtrade chocolate bars. Meanwhile, we can have drinks, and we can have chocolate, for instance we made the first Fairtrade Organic Swedish muffin on the market. And that was quite an obstacle because it was difficult to find ingredients, etc. Then we made it one of our top products in the Fairtrade Challenge during the fall. Fairtrade Challenge is one day where you’re supposed to drink Fairtrade coffee and eat Fairtrade products. Then you’re supposed to report to Fairtrade Sweden how many you’ve been at your fika. Everyone can report, like private persons, companies, schools, organisations. And a lot of schools and universities take this as an opportunity to put the fair trade discussion on the agenda. So this is a really important day for us. In fact many municipalities purchased our muffin because it is the perfect fika with the coffee. So this muffin presented a great obstacle for us in its production, but was a great opportunity for us this special day. Also, on the topic of competition, it is a challenge but also presents a great opportunity at the same time. Even though we met great competition in 2008, this competition was one way for us to spread our name, because then Fairtrade was really put on the agenda, and we could not have done this ourselves. We needed the help from other competitors. So that was actually good on the one hand, and on the other hand it was an obstacle of course because we did not have the same share as before. Many compa-
nies were not aware of Fairtrade before, and now suddenly they had a clue. It became easier for us to spread the word because there was an interest and a demand for fair trade. So that was an obstacle that became an opportunity for us.

3. **Entrepreneurial Orientation**

   a) **Innovativeness**
      
      (I would say since we are a very small company that we are limited by the lack of strength, time, and capacity. But we are definitely innovative when it comes to marketing ourselves when we don't have any marketing money, for example. So we are able to make the most out of very limited resources.)

   b) **Proactiveness**
      
      (We have been proactive in the fair trade question. We didn't respond to the demand of fair trade products because we already had them. That was how we doubled our turnover in 2007, because all of a sudden people wanted our products, and we had them there as we were the first to. But in terms of product development, since we are not actually producing anything ourselves, it is difficult to continue to be proactive. What also makes it difficult is that when you are working in the fair trade business, you need criteria for new products, so you cannot really start up with a product that doesn't exist. In that way, I think Fairtrade tries to look at where there is possible demand and what is available, then sets up the criteria for a certain product. This makes it difficult for us as a fair trade company to be proactive without much flexibility in our dependence on the Fairtrade Organization. We try to be alert and discover new trends, but as a small company it is quite difficult to be the first in anything new.)

   c) **Risk-taking**
      
      (This is also an obstacle for us, because we can't really take big risks. We don't have any products that can bear a loss. As a fair trade company, and a company that doesn't exist to make a profit in the end, we do not have big margins on our products. In this way our business is quite vulnerable. We cannot afford to make any risks with any of our products, actually, and cannot take the risks of testing the market – we need to be quite certain. This isn't to say that we never have! For instance, with fair trade ice tea, we were the first ones to test the product on the market. However, it did not go as well as we hoped. A competitor took over the idea. But we tried. And we try to be proactive and take risks, but we cannot do it on a large scale. This isn’t to say that other competitors have bigger margins than we have, but they do have other assortments as well that can take a hit. So if they lose out on the fair trade product it is not a big deal. They have other products that can bear the loss.)

   d) **Autonomy**
      
      (I would say that this is really vital in this company. Since there are so few of us, everyone needs to think and everyone needs to believe in what we do. It is vital that everyone comes up with ideas. Everyone's voices are really heard here. That is fact. Those of us in the office tend to come up with more ideas that those in the warehouse, but that's kind of normal.)

   e) **Competitive Aggressiveness**
      
      (There are not too many Fairtrade products in the market. So we can work alongside our competitors, and exist alongside our competitors. There was a time in 2011 when the amount of Fairtrade products sold in Sweden amounted to 1.2 billion which equalled 120 SEK per person per year. Which is very very small. So the possibility to have more varieties of the same product is still possible. The market is not stagnated. Even though we do have milk chocolate and dark chocolate and our competitors have the same, it is still...we try to be a little bit better than everybody else. Because we try to have Fairtrade Organic products which is quite unusual. Most of the companies do either or. We do double certified products. Now I am talking about our own brand Eguale because the other products we only trade. We are trying to be double certified and decrease the amount of additives and unnatural stuff in our products, so we only work with natural fair trade organic products. So we are trying to be a little bit more.. a little bit more good – a little bit better – in how we meet the fair trade trend. So we are trying to attract the people that care about what they are eating and buying.)

4. **Incorporating Fair Trade into Existing Company Strategy**

   **What are your expansion plans?**

   We are a household brand and an entirely fair trade company and only working with 100% fair trade products. We have about 150 different products within chocolate, cof-
fee, and confectionery. We are 6 employees. So we are a very small firm, but a very unique firm in being 100% fair trade. We work very closely with other members of the WFTO. In Europe there are several of these organizations – Oxfam, Traidcraft, and so on – that are also 100% fair trade and working with WFTO. For instance, the new beverage that you’ve seen on our website is something we’re bringing in from Germany from a firm that also started up in the 1970s that are also 100% fair trade.

We try to have product news. We are a small company that does not do its own production. We purchase raw coffee from different producers and prepare it at Bergman & Bergstrand Kafferosteri. That is where we have the opportunity to develop the product assortment. However, the chocolate that we have is produced in Switzerland as they are very skilled and competent in making chocolate, and are a partner of ours.

We did manage to launch a new chocolate tablet this fall of 2011, and soon we are introducing a new coffee. But as we don’t produce everything ourselves and are dependent on others, it is difficult to expand.

When it comes to Fairtrade, we actually cover most of the product groups that exist in terms of food. These are chocolate, tea, coffee, and confectionary. Then beyond these there are fresh foods like roses, bananas and oranges. And Fairtrade is also concerned with gold, wood, rubber, and cotton. We focus on storable foods. What is interesting is that the variety of Fairtrade fruits are increasing so there is more possibilities of producing different confectionary and flavours. We already cover the available Fairtrade product range within our food focus. What is valuable for us is to keep in touch with other Fairtrade organisations in Europe that I mentioned earlier – for instance with Germany that has a significantly larger fair trade market. Compared to Germany, Sweden is a very small fair trade market. By staying updated on their assortment, we can then imitate ideas and purchase a selection of their fair trade assortment. So not only do we sell our own brand, but also others’ brands.

What is the story behind your presence in Coop Forum’s Green Room?

Well the Green Room is basically a store within Coop Forum Sisjön in Gothenburg that only sells organic products. They started about two years ago and that is one place we sell our products. Green Room sales are going really well. I’m not really sure who approached whom. Sometimes retailers find us and sometimes we find them.

Have your limited resources ever challenged your existence?

No, I wouldn’t say that. Not yet, at least. We’ve been a solid company for a long time, and we have solid owners. But we haven’t made any profit worth mentioning for the last few years. We did make a profit in 2007 and we used it mainly to pay back the fair trade cooperative in Mexico. They got their share of the profit as a shareholder. Since then we have made almost nothing in profit but manage to be solid still.

How would you describe the strategy of your company in terms of differentiation?

We are 100% fair trade. Our mission is to work towards a world where all trade is fair. But as you know, that’s a vision. But that is what we are trying to communicate and that’s important for us. So if you consider fair trade a trend – and I’m not sure you can, because it’s been around for so long. Consumers are become increasingly aware of what they are eating, and becoming more health conscious about what they are buying. But if in this case you do consider it a trend, even though the trend may drop or disappear, we will never stop what we do.

I think the market for fair trade is getting broader and broader. But fair trade and the organic market are both still quite small. Of course in the beginning it was really really narrow. Then 2007 was such a big year. Back then, we were selling really well, and the products themselves did not even need to be that good. It could be a lousy product as long as it was fair trade. We had an easy customer segment. But today that would nev-
er work. Now the quality needs to be there and the product needs to look attractive. All this plus being Fairtrade and/or organic to be successful in this market. The same rules apply for the fair trade business as for the usual market. Customers are very fussy and excluding. I think they know what they want and they want it to be good. That is my own understanding.

Do you believe that having double certified products gives you a competitive edge?

Yes that is probably one of them. I think we have different strengths, but that is one – how we work parallel with Organic and Fairtrade.

Does sustainability play a role in your firm?

I want to add something about environmental sustainability. Organic sustainability and the environment are very important to us. We are working with the Triple Bottom Line as a standard and model for us. These important aspects are present throughout the company. Even though we don’t make much profit, we are sustainable economically and have a strategy for that, and that we also do it in an environmentally sustainable way. We work for the social objectives as well.

How is fair trade incorporated in your strategy?

Many times we have been in a situation of acting a role model for companies wishing to follow a similar path, so we know that we have to set a good example of what it is like to run a limited company that has this vision. Therefore we welcome other companies to imitate our business in selling fair trade products. Obviously this reduces our market share, but it also increases the market share of fair trade in relation to other commercial products. This is what we strive for, and the effect we want.

What are your strengths and weaknesses?

Strength: What we need to communicate better to our customers is that we are a 100% fair trade company, which makes us unique. It is one of our unique selling points. We really do need to communicate that better because there is a distinct difference between a company that works with this because they have a vision and mission of fair trade, and a company that only wishes to match supply with demand because they gain some sort of marketing profit from it to take advantage. Because for instance, when the fair trade trend drops, those companies will probably stop selling fair trade products, and we would never do that. We will work to overcome all obstacles because that is what we have done this whole time.

5. Relation of Fair Trade to Corporate Values

Would you say there is a relationship between your corporate values and the values expressed by the fair trade movement?

Yes I would definitely say that this is so. I was searching for a business that worked both for the social and environmental aspects of life, and I think all of us working here did just that. We wanted to work for a company with a bigger value, a bigger meaning, a bigger mission. Not only being a trader but having another aim and objective as well. I believe that the values behind fair trade is reflected in each person working here. This is what we believe in and that is why we work here. I think it would have been like a gimmick if it wasn’t like this – hollow like. If it was the case that we didn’t believe in fair trade whilst promoting it. I think our passion shines through.

What do you wish to communicate to your customers?

We would like to communicate that it is possible to have a working company, a limited business, that also have a positive impact on others. To communicate that there are ways for a company to exist without just making money. That is what I believe in. I think for the consumer… I think they can relate to our values, but I don’t think they are aware of them.
Appendix XIV – Zebeda Chocolate

(Phone interview on April 24, 2012 with Kersti Liljeqvist Zebeda, CEO)

1. The Motivations Behind Engaging in Fair Trade

How mature is your wholesale company?

Depending on how you look at it, we have been around for the past 11 years. In the beginning we weren’t called Zebeda Chocolate. We have had the current website since 2006, and before that we had a different one. When we started 11 years ago we were called HB Chocolate Göteborg. Then many different companies took similar names so once we became a limited company we changed the name to Zebeda Chocolate.

What is your opinion of Fairtrade certification?

To use organic and Fairtrade labels is too expensive and unnecessarily complicated for all parties involved. I want to remove the entire certification process and the Fairtrade label itself. That products need to be fairly traded should be a given. I don’t want to live in a world where my children can be kidnapped or forced to work under the worst conditions imaginable. In fact, with certification it should be the other way around. All products that have not been produced in an ethical way and treated everyone involved in the production process fairly should bear a label representing a skull or other poison-mark. It is not right that companies using unnatural ingredients or other additives are allowed to sell as broadly as they do.

We are not focused on the certification labels at all. We focus on the knowledge and information backing the origin of each chocolate product. The labels only cost lots of money and the price mark-up does not benefit the right people. The money goes to the wrong places and not where it is intended. This is no secret. You only have to observe the digits which many people don’t do. Blanxari, Plankat, Original Beans, and Madekass – all are more than fair trade. Blanxari has much higher demands than organic. Some have labels and others don’t but it’s not the label that matters.

2. Entry Barriers to Engaging in Fair Trade and the Entrepreneurial Mindset Involved

Were there any barriers to entry?

Our suppliers sorted out the labels, we are only trading. In our first years, KRAV was pressuring us to get the KRAV label. As we only had four products, it didn’t seem like a bad investment so we said “Sure, we can KRAV-label our products. What does that imply?” And they replied “Oh it’s not that much. First there is a monthly fee of 3000, then there’s tax at 6000, and you pay 4% on sales of these products, and then every week you will get a paper from us where you will report how much you have imported of each product and how much you have sold. Then we will control this matter from time to time to see that you don’t repack the products. Then you need to make a picture of the new packaging with the label on it and sent it to Spain (in this case) for them to change the packaging. Other than that, there’s no work at all involved.” So this was a very expensive price to pay, and then to change the entire packaging in Spain – they might not want to do it! There are major costs involved. Then the price they are requesting, that money does not go to Ghana, Congo, Ecuador, or cacao farmers. That money goes to the KRAV organization in Sweden. So this is completely wrong in my opinion. They use the finances to maintain the KRAV company, their wages, and all the trips they make to hold inspections in producing countries. I would rather put a lower price on the products so that we sell more so that the farmers get more – which we do. Some products are not profitable at all but our product range is
Appendix

able to bear the loss of these products. We arrange trips to Ecuador so that people can go there and see how the production works. 3000 SEK per month is a lot of money and plus 4% on sales is a lot of money. It’s much better that we pay this money directly to the farmers to help them in different ways.

3. **Entrepreneurial Orientation**

   a) Innovativeness - 5
   b) Proactiveness - ?
      (We often go against common trends. For example, a couple of years ago, competitors were making pralines that were just getting smaller and smaller in size. Whereas we went the other direction and made our pralines gigantic. We try to differentiate ourselves from our competitors by trying ideas against the common trend.)
   c) Risk-taking - 4
   d) Autonomy - 4
   e) Competitive Aggressiveness - 2
      (That’s a difficult one. We see our competitors as colleagues. We do our own thing.)

4. **Incorporating Fair Trade into Existing Company Strategy**

   **Have you responded to any market changes?**
   No year has stood out as a major change in market trends. If anything we have experienced a gradual growth in ethical consumerism through the years with sales increasing with time. So sales are higher now than ever before. We have always been active in fair trade so for us this is nothing new. When you are so into the mindset yourself, it is difficult to see what everybody else is thinking.

   **What are your expansion plans?**
   Pralines are a much bigger thing in Europe than here, but it’s growing more and more.

   **How would you describe the strategy of your company in terms of differentiation?**
   We do a lot of work with health. We work very actively and directly with the cacao farmers. We work with many different brands: Blanxari, Plankat, Original Beans, Madekass, etc.

5. **Relation of Fair Trade to Corporate Values**

   **Would you say there is a lively discussion about core values in your company?**
   Yes of course, but not noticeably because they are everywhere all the time.

   **Are you a mission- and vision-driven company?**
   Yes, some products we stick with even though there is no profit in them. We support the cacao farmers. We often hold chocolate tasting events and spread the word to consumers that everyone needs to do something and contribute for the world to function. So we work differently than others, not only to get profit.
Appendix XV – Zotter

*(Email interview on April 26, 2012 with Susanne Luef, Marketing Coordinator)*

1. **The Motivations Behind Engaging in Fair Trade**
   
   *What motivated you to engage in fair trade?*
   
   We do not only sell Fairtrade chocolate, but we produce Chocolate with ingredients solely from fair trade, with the Fairtrade label. Since we carry out all production processes ourselves from the cocoa beans to the finished chocolate bars, it is of significant advantage. We roast, grind and conch the cocoa in our own manufacture. Therefore we can best react to the raw material and produce a product of highest requirements. It is an essential part of our philosophy that we expect the best quality for our raw materials – and that is why we are willing to pay fair prices, that are highly above the world market prices. Not the cheapest price is important, but the best quality. And this quality can only be expected, when all partners are being paid fairly. But we do not only place value on a Fairtrade label, but all raw materials also have to carry an organic certification.

   What awakes passion on one side, creates suffering on the other. The aftertaste of chocolate can be very bitter, if you consider that cocoa farmers work under the worst conditions while others profit from their work. That is why we would like to contribute a bit to the wellbeing of the people that do not live on the better side of life by paying fair prices. Since 2004, Zotter is a steady license partner of FAIRTRADE Austria. The basic raw materials like cocoa and cane sugar are obtained in organic quality through fair trade. According to Josef Zotter “we as a cocoa processing firm have to take responsibility for the living and working conditions of cocoa farmers in the third world. Fair trade offers a chance for small farmers and plantation workers in the producing countries. They can emancipate themselves from world market prices and build up a safe and autonomous life, where child labour and exploitation of the environment are unknown.” *(Zotter, 2012a)*

2. **Entry Barriers to Engaging in Fair Trade and the Entrepreneurial Mindset Involved**
   
   *Were there any barriers to entry?*
   
   No, it was very easy – you only have to do it – and dare to ask for a higher price for better quality. It was important to transform the whole production plant to Fairtrade, because just a bit ‘fair’ is not what we believe in. Either you fully do something – or you keep your hands off it.

3. **Entrepreneurial Orientation**
   
   a) Innovativeness - 5
   b) Proactiveness - 3
      (the market doesn’t know what it wants, it can only react to an existent offer (assortment/product), but cannot define what it wants.)
   c) Risk-taking - 5
      (we always take different paths than others, that is a risk)
   d) Autonomy - ?

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e) Competitive Aggressiveness - 1  
(not at all – especially not by reducing prices or having any sales offers)

4. Incorporating Fair Trade into Existing Company Strategy

What are your expansion plans?
This summer we will put a lot of new products on the market – we annually change our assortment in late summer – and about 1/3 of our products are replaced by new ones. Variety and best quality are our ultimate ambition. Considering that only 5% of the world cocoa harvest is fairly traded – and only a small part of it is available in organic quality – we are only a very small producer.

How would you describe the strategy of your company in terms of differentiation?
Josef Zotter is a chocolatier with all his heart – that is why he represents best quality with his name and his philosophy (Fairtrade, organic, bean-to-bar) in the products, that is exceptional.

Do you believe that engaging in fair trade gives you a competitive edge?
Yes, because more and more consumers are interested in how products are being produced – and chocolate plays a very important topic, because thankfully there are a lot of reports about the terrible working conditions in conventional chocolate production. Only Fairtrade guarantees social standards in third countries.

Does sustainability play a role in your firm?
This is our ‘elixir of life’ – no marketing strategy, but a lived mindset starting from raw material purchasing to production to the end product. We are a company that has ways made out of glass through our production – we like to show what we do – and that’s why we are already in the Top 5 of the most popular tourist attractions in Steiermark. Transparency is important.

How is fair trade incorporated in your strategy?
All our products are made from Fairtrade certified raw materials. We don’t engage in market research, so it is hard to say if Fairtrade sells better than non-Fairtrade. We do not orient ourselves by products on the market – it is quite the opposite, we only cover a small segment with our products – in a niche market. We currently have 350 different products in our assortment.

5. Relation of Fair Trade to Corporate Values

Would you say there is a lively discussion about core values in your company?
No, rather not, that’s because we have a really good working atmosphere, you don’t need to discuss values. We have a very respectful interaction and working atmosphere – as well as a remarkably low hierarchy. Everyone says directly what s/he needs and what is planned – the instructions come from the boss and all others focus on reaching the goals together. Everyone has their own tasks – and contribute to the success of the company. What is very practical is our firm canteen. Every employee receives free lunch every day – with soup, fresh main dishes, and fresh salad – all in organic quality. There is also a big table – with about 40 seats and everything current is talked about there – also personal information – throughout all departments – hence, the information flow is kept short, that is very advantageous.

Would you say there is a relationship between your corporate values and the values expressed by the fair trade movement?
Yes, of course – social standards and fair payment should be a given.

What is the benefit of double-certification?
Organic and fair – the whole Zotter assortment is organic and fair traded.
Appendix

“It was important for us not to only have an assortment with an organic label, but to integrate organic ingredients into all assortments. Since we have been emphasizing quality and regionality from the beginning on and have always abstained from using preservatives, artificial flavours or any other chemicals, organic ingredients were a consequent path for us.”

What do you wish to communicate to consumers?

Without certifications it is hard for consumers to relate to our philosophy – Fairtrade gives safety – for consumers and producers.