

Developing world suppliers



Activities which involve Traidcraft visiting and working directly with its developing world suppliers falls under three key areas:

1. Product development, design and sourcing

Whilst it is possible that this work can be undertaken directly from Traidcraft's UK headquarters, there is still a need to understand producer capacity, capability and skill which allows greater depth and understanding of the product development process.

Given that the majority of non-food products are commissioned according to market requirements rather than selected from suppliers' own samples there is a need to visit suppliers frequently to assist in new product development.

Whilst this activity is by no means unique to fair trade organisations, such visits are undertaken as part of Traidcraft's approach to fair trade which includes entering into long term relationships with each of its core suppliers.

Activities undertaken in 2006/07

Staff involved with product development or sourcing undertook 10 visits covering 21 suppliers in India, Kenya, Zambia, Malawi, Bangladesh, Peru, Bolivia and South Africa as well as exploring a number of potential new suppliers.

2. Quality Assurance

Traidcraft is sometimes very forgiving when it comes to dealing with suppliers who fail to meet the specification which is developed for each product it orders and will prefer to enable suppliers to improve rather than cease trading with them.

Traidcraft's approach is therefore to offer objective feedback together with practical advice and assistance and to visit a supplier where need is identified. Whilst this activity is by no means unique to fair trade organisations, such visits are undertaken as part of Traidcraft's approach to fair trade which includes entering into long term relationships with each of its core suppliers.

Activities undertaken in 2006/7

The quality assurance manager undertook four visits covering 10 suppliers in India, Bangladesh and Thailand.

3. Supplier Support

The Supplier Support team coordinate the Partnership Review Process with Traidcraft's fair trade suppliers, a process of dialogue by which we try to:

- Ensure fairness in the way we trade with our suppliers.
- Monitor compliance with our purchasing policy.
- Build understanding of the rights and responsibilities of workers and producers in our fair trade supply chains.
- Understand the impact of our trading relationships and fair trade more broadly.
- Provide support to enable our suppliers to achieve greater sustainability.

We aim to renew Partnership Agreements on a three yearly basis, and having introduced the system in 2003/4 are now starting on the second cycle of such agreements.

The team are also responsible for managing relationships with suppliers for licensed products, those where we source fair trade products to be marketed under a third party brand or for another manufacturer.

Activities undertaken in 2006/7

a) Partnership Reviews

The team of supplier support co-ordinators was increased from two to three members during the year reflecting Traidcraft's continued commitment to this area of work.

Between them, 17 formal Partnership Reviews were undertaken covering suppliers in Kenya, Chile, Peru, Bolivia, Sri Lanka, Thailand, Bangladesh and India. In addition three suppliers were visited in South Africa and Cuba in connection with Traidcraft's licensing arrangement on juice products.

In addition to these, numerous visits were made to suppliers to build relationships, or to follow up on previous Partnership Review commitments.

b) Support to Suppliers

In addition to managing trading partnerships with our suppliers, the team is also responsible for coordinating support to enable them to strengthen their businesses and where appropriate access new markets and customers.

This support is above and beyond the embedded services provided by Traidcraft like product development or quality assistance and is intended to support the development of the supplier to meet their own business objectives rather than Traidcraft's.

This year we have provided or facilitated support to 18 suppliers. Activities included:

- market research
- market awareness consultancies
- management training
- workshops on fair trade
- business mentoring consultancies
- product diversification assistance
- production efficiency consultancies
- wider design and product development consultancies, and
- assistance to repair and improve production equipment.

Approximately £60,000 was spent on these additional support activities in 2006-2007. Much of Traidcraft's supplier support activities are funded by Traidcraft plc, although during this period £20,000 came from other sources, in part from a specific donation from a participant of a Meet the People tour, and in part from proceeds raised from a special product promotion.

It is planned that the breadth and depth of support offered can be increased by developing further access to external funding.

4. Orders to suppliers

Traidcraft enters into Partnership Agreements with each of its core suppliers which formalises both commercial and support activities.



One of the target commitments for a high proportion of core non-food suppliers is to ensure continuity of orders year on year. The target for purchases from such suppliers is to endeavour to achieve at least 75% of the average value of purchases in the previous three years, but dependent on market and business efficiencies being commercially acceptable.

Fulfilling these targets has proved difficult to control owing to the lack of coordination in product development and product selection, as well as the complexities of measurement against such a target.

This issue was highlighted in the Social Accounts of 2005-2006 and therefore much effort has been put into developing better tools to deal with these difficulties (see below), although the benefits of this work will only be flow through in the next social accounts period.

Order level commitments have also been difficult to control owing to two other factors.

Firstly we are not able to visit each supplier every year to give product development inputs and there is sometimes a direct relationship between a personal visit and the level of resultant orders.

Secondly, some orders are made on behalf of other customers and therefore the levels of orders we give is not directly within the control of our product development and selection processes.

For the period 2006/7, and bearing in mind the difficulties outlined above, the following was achieved:

For 43 core suppliers for non-food:

- 24 suppliers received orders which exceeded the target purchase commitments as outlined above.
- For 6 suppliers, the targets were not applicable due to the following reasons:
 - The product from the supplier was licensed therefore purchases not directly administered by Traidcraft.
 - The supplier had an agreed exit strategy with Traidcraft in place.
 - The supplier purchases were consolidated through a single exporter and the levels of purchases were difficult to verify.
- 13 suppliers received orders less than the target purchase commitment. This was due to the following:
 - Lack of coordination between product development and product selection (5 suppliers).
 - Problems with quality (2 suppliers).
 - Market conditions prevented such targets being achieved (6 suppliers).

As well as the development of better tools, we will reflect further during 2007-2008 on indicators for commercial commitments contained in Partnership Agreements, recognising the limitations of merely focusing on purchase order volumes.

Changes to systems and approach

Having completed the first round of Partnership Reviews during 2005-2006, much of our focus in 2006-2007 has been on further developing, refining and trialling our Partnership Review tools and processes, as well as developing organisational tools to enable greater understanding of our suppliers situation and how best to allocate resources to support activities.

The Social Accounts of 2005-2006 highlighted this area and specifically recommended that Traidcraft develop a more systematic approach to identifying and reporting impacts and benefits.

As a response we have undertaken the following activities:

The development of a programme of producer evaluation in which the following needed to be key drivers

- A need to develop a process that gives Traidcraft confidence in the quality of information that is gathered, in relation to compliance with fair trade standards, especially where that producer is not covered by certified Fairtrade standards
- A need to build on the relationship element of the partnership review
- A need to develop an evaluation process that informs Traidcraft's support and development plans
- A desire to reduce the burden on producers of audits from other trading partners covering the same areas. For this reason we have collaborated with EFTA and IFAT to ensure compatibility of approach.

The Supplier Support team developed an initial pilot format for interviews across an organisation which was trialled in Peru and Chile. Based on learning from this as well as from inputs from EFTA colleagues, a revised format was trialled in Western India. Similar trials were conducted by members of EFTA to provide information for their organisations.

Some of the key issues that arose from this trial are as follows:

- The need to work with local people to help plan, provide context and language, and to potentially mentor follow up activities
- To maintain a participatory process or dialogue, that producers understand and support
- To accept that the time needed to complete a full evaluation of a large organisation may involve more than one visit
- To ensure confidentiality especially where problems are identified
- To aim for cooperation with other fair trade organisations where follow up is needed

The refining of tools for the more "developmental" aspects of Partnership Review is in various stages of development.

Business diagnostic tools are still to be developed, although a trial of a newly developed impact assessment tool was conducted with one of our new South African suppliers during the year.

In view of the issues highlighted under "order commitments to suppliers" above, a new centralised system has been developed which captures all key information about core suppliers, both commercial data as well as fair trade information.

This has been developed not only to enable product development and product selection to take account of ongoing supplier commitments, but to ensure that all support activities to suppliers are coordinated and owned across the organisation.

The system will roll out during 2007-2008 although, sadly, this new approach has not been able to impact the 2006-2007 period. A cross organisational team called the Producer Review Group will manage this process.

The table below shows the changes in order patterns with our developing world suppliers, and this gives some sense of how well we are doing in our commitment to keep up the regularity of orders:

	2003	2004	2005	2006	2007
No. of producers with order	51	47	50	50	53
No. where spend has fallen	19	28	24	23	31
No. where spend has increased (or new order)	41	28	33	31	29
No. where spend has fallen by 50% or more	2	15	11	10	10
No. where order last year but none in this	8	8	5	4	7
No. where spend has increased by 50% or more	20	9	15	14	13
No. where first order in this year	10	4	9	4	5

The picture here is similar to last year.

Directors' comment

The quality of our relationships with producers is a fundamental aspect of Traidcraft plc's work, and one of the aspects of our work that should distinguish us from many of the new commercial entrants into fair trade.

The work that has been carried out this year in further systematising the nature of our producer support activities is therefore of great significance. The system is currently being implemented and we hope the benefits will be seen by producers in future years.

We shall seek to represent the voice of producers more fully in future social accounts.

We have also decided that in future we will be more active in seeking additional external funding of producer support activities that do not relate directly to trading with Traidcraft (which we should continue to pay ourselves) in order to allow us to scale up this wider aspect of building producer sustainability.

Further, we shall continue to work closely with EFTA and IFAT to develop monitoring standards.

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