



Chances and challenges for the members of the Fairtrade-supply chain: a case study of Chile and Switzerland

Regina Maria Martha Förg

Universität Passau

Abstract

Conventional international trade has become discredited because of emerging conflicts on fairness on producers' economic, social & ecological situation. Aiming to provide alternatives, the Fairtrade-certification was amongst the first that incorporated solidarity within the worldwide economy. Within a few decades the certification managed to exceed its pure labelling activities and implemented a whole supply chain, representative for debates about due diligence in international supply chains. While such a partnership is vital for more fairness in supply chains, it poses challenges to its agents. This paper, based on a case study of Swiss and Chilean companies, aims to explore the complexity for members in such a Fairtrade-supply chain. To this effect, it sheds light on the social and economic chances and challenges both for producers and merchandisers participating in the Fairtrade-system. The study gives evidence that this supply chain is a cooperation on eye-level which can provide an alternative to conventional free trade. Further, it shows that motivation and cultural background play a decisive role in the chances and challenges of Fairtrade-members. Ultimately, it proves that Fairtrade can be a partner for rising legal requirements in the course of due diligence laws.

Keywords: CSR; Case study; Fairtrade; Supply chain; Due diligence.

1. Introduction

1.1. Relevance

“For at least another hundred years we must pretend to ourselves and to every one that fair is foul and foul is fair; for foul is useful and fair is not. Avarice and usury and precaution must be our gods for a little longer still. For only they can lead us out of the tunnel of economic necessity into daylight” (Keynes, 1931, p. 372).

For a long time, Keynes's call for selfish economic interests has been followed by large-scale enterprises all over the world at the expense of people who are at the mercy of those

companies (Suzianti, Atthousi, Pratama, & Hasyati, 2018; Tiffen, 2019). Until now, especially small-scale producers of the primary sector, the oldest economic sector, are being put at the lowest level of the pay scale (Audebrand & Pauchant, Juli 2009; Mookerjee, 2019). However, Keynes's 100-years-prophecy was interpreted differently when in the 1950s and 1960s criticism on conventional free trade and labor conditions in international supply chains emerged and the Fair-Trade movement found its roots (Emons, Fulda, Klen- gel, & Schietinger, 2021; Loske, 2017; Low & Davenport, 2005; Nicholls & Opal, 2005). Consequently, some companies began to include the concept of 'fairness' as an economic value into their internal business strategy and made the "fair useful" (Becchetti & Huybrechts, 2008, p. 747). Thus, in 1988 out of the cooperation between a Dutch NGO called *Max Havelaar* and a Mexican cooperative, the first coffee emerged with the certificate *Fairtrade*¹ (Lukas, 2015; Pro- qualitas Sostenibilidad). Since the late 1980s, FT-certified

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¹For the ease of reading the phrase 'Fairtrade' is from here on abbreviated as 'FT'. However, it is to be pointed out that there is a difference between

products have become more than just an extension to the product range of specialty stores: On the one hand, FT broadened its range in the course of mainstreaming, i.e., that FT-products were offered in supermarkets where they can compete directly with common, traditional brands (Cater, Collins, & Beal, 2017; Davies, Doherty, & Knox, 2010). On the other hand, in the last decades the certification implemented a whole supply chain which is representative for current debates about raising standards in international supply chains (Emons et al., 2021; Lukas, 2015). Existing research acknowledges the mainstreaming-activity of FT (Cater et al., 2017; Grant & Palakshappa, 2018; Moore, 2004; Ruggeri, Orsi, & Corsi, 2018). However, it does not necessarily include the recent development of FT as a feasible alternative to the predominant economic model and conventional supply chains (Grant & Palakshappa, 2018; Lukas, 2015).

1.2. Research gap and research question

Relevant literature has already shed light on various aspects of FT, e.g., its history, its mission or on the typologies of companies that are most likely to engage in such a trading partnership (Bezençon & Blili, 2009; Cater et al., 2017; Low & Davenport, 2005). Although these approaches make a valuable contribution to the understanding of FT and are undoubtedly important in raising awareness of the topic in the scientific field, they do not meet the recent developments of FT. The literature still lacks well-founded research on the fact that, by now, FT has exceeded its pure certification activities and established a whole supply chain (Lukas, 2015). However, little is known on the chances and challenges associated with actors' willingness to engage in such a FT-supply chain (Bezençon & Blili, 2009; Cater et al., 2017; Lukas, 2015). Moreover, following the remarks of Cater et al. (2017) there is a general lack of country-specific research on the FT-sector, especially applicable for the Latin-American region (Lernoud & Willer, 2018; Reynolds, 2012).

The underlying empirical research of qualitative nature aims to close these gaps. Looking at the big picture, it adds valuable insight to the research on FT from a supply chain-perspective by focusing on the everyday social and economic reality certified producers and merchandisers are confronted with. Going more into detail, it aims to identify converging or conflicting interests between the FT-members. Finally, this study emphasizes FT's capability to support companies in rising legal requirements in the context of due diligence laws.

The above-mentioned relevance and the research gaps lead then to the following question: How can the chances and challenges for members of a FT-supply chain be described? Thereby, the research gap that calls for more country-specific research in Latin America is addressed by the analysis of a FT-partnership between Chile and Switzerland.

'Fair Trade' and *Fairtrade*: whereas 'Fair Trade' or 'fairly traded' refers to the trading partnership per se, *Fairtrade* corresponds to the organizations, brands and products related to the official Fairtrade International organization (Parvathi & Waibel, 2018). This paper mainly focuses on the organization *Fairtrade* ('FT'). However, when referring to the general concept behind this organization ('Fair Trade'), it is made clear by writing it out completely.

1.3. Structure and content

This thesis, firstly, reviews the existing body of literature on FT-theories by contextualizing the topic into the main research fields, and subsequently, continues with its economics as a supply chain. Building on this theoretical basis, the paper continues with a methodological approach which comprises of a case study in order to answer the research question. This case study incorporates the views of two actors in a FT-supply chain and contextualizes the setting into a geographical context. After having explained the data collection and -analysis process for this case, thirdly, the findings are described. Ultimately, based on the results of the qualitative research and the theoretical background, in the discussion section the paper highlights its main theoretical and practical contributions, identifies its limitations and allows room for future research.

2. Theoretical Background

2.1. The supply chain structure of Fairtrade

2.1.1. Fair Trade – an overlap of social- and business activities

When talking about Fair Trade, the official definition refers to:

“a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade (. . .) and contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South” (FINE, 2001, p. 1).

By being at the intersection of the overlapping research fields of International Management, Social Entrepreneurship and CSR, Fair Trade has a justified significance in the academic community (Grant & Palakshappa, 2018). Firstly, since it refers to a global fair-trading partnership, its commodities are shipped all over the globe. Hence, it operates between multiple countries and is applied in a multinational environment (Luthans & Doh, 2021). Secondly, Fair Trade can be contextualized into Social Entrepreneurship because it seeks to find ways to generate social impact and implement long-term, economic and sustainable mechanisms (Cater et al., 2017; Hockerts, 2010). Thirdly, it portrays a strategic option for CSR-sensitive companies which can use the mechanisms of Fair Trade to show that their company “meets or exceeds the ethical, legal, commercial, and public expectations of stakeholders” (Cavusgil, Knight, & Riesenberger, 2012, p. 156; Low & Davenport, 2005).

Delivering on society's expectations is key for organizations that want to act in a socially responsible way (Luthans & Doh, 2021). Nowadays, companies that pro-actively implement CSR have a long-term competitive advantage as they can use their social responsibility as a form of differentiation (Giovannucci, von Hagen, & Wozniak, 2014; Mohan, 2009). One way to tackle this responsibility is by making trade fair

and by joining the Fair Trade-system which for a long time many companies around the globe have already opted into doing (Becchetti & Huybrechts, 2008).

When briefly looking at the historical cross-section, the sensibilization for the concept of Fair Trade originally emerged out of an economic, political and social movement in the 1950s and 1960s with the aim of helping producers finance a fair way of doing business (Low & Davenport, 2005; Mohan, 2009; Tiffen, 2019). The movement's objective was to address the economic injustice and imbalance between the Global North and the Global South² (Suzianti et al., 2018). Therefore, it paid attention that Adam Smith's metaphor of the *invisible hand* and the corresponding self-regulatory mechanism of the free-trade theory, does not work for countries of the Global South (Nicholls & Opal, 2005; von Hauff, 2017). What was needed was not the *invisible hand*, but the concept of cooperating hand in hand (Raynolds, 2002).

As a result, out of this movement a third-party certification emerged, the FT-certification in which certain production standards were set and communicated to the consumer through the FT-label (Castaldo, Perrini, Misani, & Tencati, 2009). It started in the Netherlands in 1988 with the first FT-labelling organization, called *Max Havelaar* (Lukas, 2015; Parvathi & Waibel, 2018). The certification incorporates voluntary sustainability standards, i.e., "independent and publicly determined standards that have, as primary criteria of compliance, multiple aspects of sustainability defined as specific social, environmental and economic guidelines" (Giovannucci et al., 2014, p. 359f.; Dragusanu, Giovannucci, & Nunn, 2014; Loske, 2017). From a scientific perspective, more than two decades ago, John Elkington (1999) already stressed the importance of the *triple bottom line*, a concept which requires a company to not only incorporate "the traditional measures of financial performance, but also social and environmental outcomes" (Nicholls & Opal, 2005, p. 217). Therefore, not surprisingly the FT-standards were based on those three pillars that ensure sustainable and fair development of small-scale producers in the Global South (Fairtrade Deutschland e.V., 2021; von Hauff, 2017). To be more precise, when buying a FT-product the consumer can be sure that the producer was paid a minimum price and a price premium on the product. Further, it complies with the standard of producers organized according to democratic principles, that labor conditions are fair and that the underlying supply chain is as short as possible by guaranteeing transparency at the same time (Darko, Lynch, & Smith, 2017; Luthans & Doh, 2021; Fairtrade International, 2021).

The lack of this last-named transparency in conventional supply chains brought European policy makers to act and to

institutionalize due diligence obligations and CSR across supply chains (Emons et al., 2021). Due diligence, in this context, means that European companies must ascertain the impact on human rights and environmental standards in their supply chains, identify measures for improvement and account for their businesses abroad (Bueno, 2020). In June 2021, for example, the so-called *Act on Corporate Due Diligence in Supply Chains* was passed in Germany which obligates German companies with more than 3000 employees to carefully monitor and guarantee transparency and working conditions that comply with human rights in their whole supply chain (Emons et al., 2021). Besides, also in Switzerland in 2020 the so-called *Swiss Responsible Business Initiative* postulated due diligence for Swiss companies (Bueno, 2020). Although it was narrowly rejected by the Swiss cantons, there is still an open debate on elevating standards in international supply chains (Bueno, 2020). Summing up, for companies in consuming countries, standards will rise and companies will be made liable for their supply chains beyond their borders (Emons et al., 2021; Lukas, 2015).

The implementation of higher economic, social and ecological standards as called for in these laws has always been in the nature of FT (von Hauff, 2017). However, during the last decades it has achieved more than just being a third-party certification which implements standards: By now, the FT-certification has become a tool that established its own supply-chain economics by setting a good example of what a transparent, sustainable, and socially responsible supply chain can look like (Lukas, 2015).

2.1.2. An exemplary Fairtrade-supply chain

There are several forms of a FT-supply chain (Loske, 2017). This paper, however, specifies on a simplified version which builds the basis for the underlying methodology in the course of this paper.

Commonly, within the FT-market a typical supply chain is of direct trade and without cost-intensive intermediaries (Loske, 2017). This compressed supply chain-length can also be considered as the main difference to conventional supply chains (Loske, 2017). All participants in a FT-supply chain need to be FT-certified so that the finished product is provided with the corresponding label (Dragusanu et al., 2014). Following the remarks of Moore (2004), the FT-supply chain can mainly be divided into producers and consumers. Nevertheless, there are more noteworthy actors cooperating within this trading partnership, as Figure 1 indicates.

On the organizational level there is the umbrella organization *Fairtrade Labelling Organizations International*, short: *Fairtrade International*, which has an advisory function and allocates the label to the respective products (Nicholls & Opal, 2005; Parvathi & Waibel, 2018). On the supply chain level, one has to divide between the producing country with its FT-cooperatives and the consuming country of those FT-products (Loske, 2017). The producers, therefore, are mostly grouped in small producer organizations, also referred to as cooperatives, i.e., organizations with democratic orientation, benefitting from an allied market presence (CEval,

²As the official definition of Fair Trade published by the FINE-network states, one of the main FT-actors are marginalized people, "especially in the South" (FINE, 2001, p. 1, underlined by author). As this phrase might be misleading when solely focusing on its geographical connotation, this paper uses the terms "Global North" and "Global South" as a classification for the countries involved in a FT-system. However, this does not refer to geographical occurrences, but classifies countries with respect to GDP, HDI, life expectancy etc. (Kowalski, 2020).

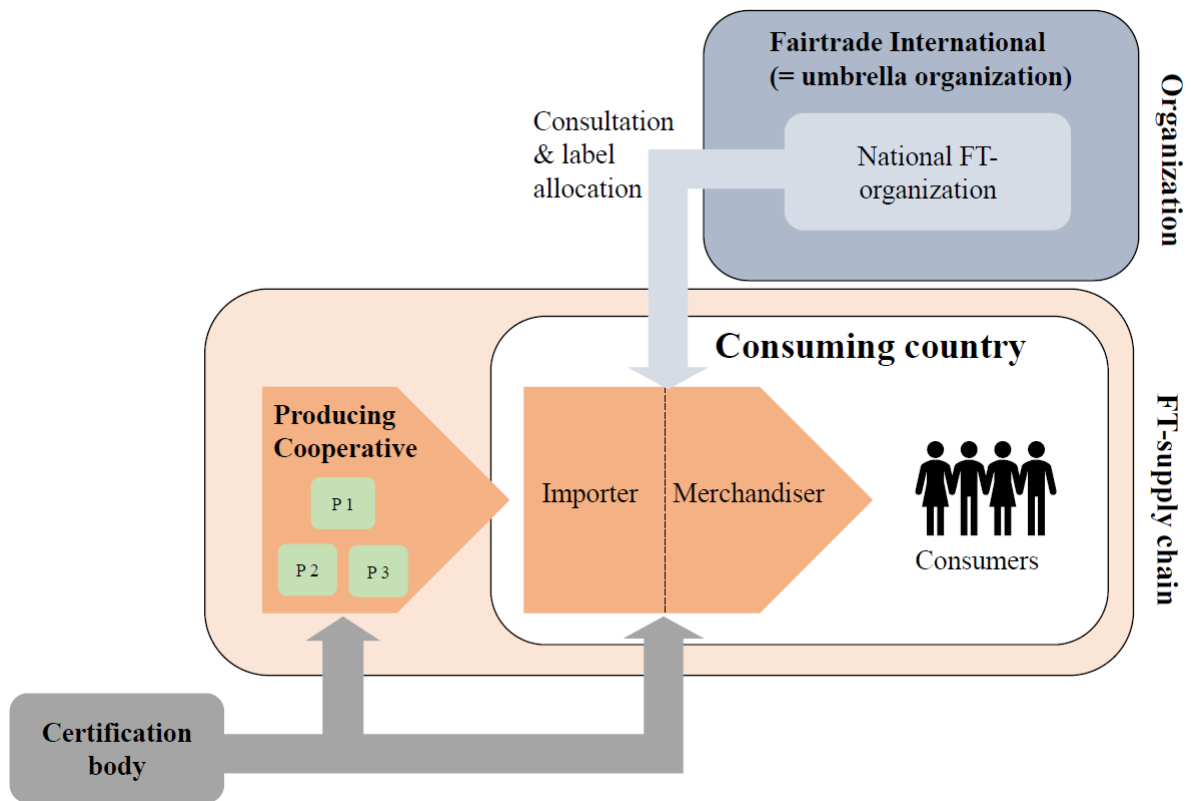


Figure 1: Exemplary FT-supply chain (own illustration following Fairtrade Max Havelaar Switzerland)

2012; Darko et al., 2017; Dragusanu, Montero, & Nunn, 2021). In order to obtain the certificate, an independent, ISO-accredited certification company is responsible for overseeing the processes and certifying the companies' products (Dragusanu et al., 2021; Parvathi & Waibel, 2018). After the FT-products are produced according to the standards set by Fairtrade International, subsequently, they are sold to importers or directly to merchandisers from wholesale or retail trade in the consuming country. Thereafter, the products are offered to the consumers in the retail (Loske, 2017).

2.2. The emergence of chances and challenges in a Fairtrade-supply chain

2.2.1. Different motivations for supply chain-actors

As already stated, a FT-supply chain consists of a heterogeneous network of different stakeholders from various parts of the world competing within the market (Doherty & Davies, 2012; Ruggeri et al., 2018). Therefore, the FT-market has to unify different needs and interests (Leiderman, 2018; Ruggeri et al., 2018). Thus, the implementation of the FT-certification is a political, cultural and logistical challenge, making the managerial practices and the implementation of such a certification very complex (Audebrand & Pauchant, Juli 2009; Bezençon & Blili, 2009; Leiderman, 2018). When and why do members of a FT-supply chain engage in this system and what do they hope and fear from it? In which aspects do stakeholders in a FT-supply chain also have converging or

conflicting opportunities and challenges? In summary, these questions contribute to the main underlying research question of this paper. There are several social as well as economic chances and challenges within the FT-supply chain for producers as well as for merchandisers (Leiderman, 2018; Lukas, 2015).

2.2.2. The impact of social and economic aspects on merchandisers and producers

FT refers to a durable and trustful trading partnership with at least two sides involved in its supply chain (Rotondaro, 2012). In this mutual relationship based on "dialogue, transparency and respect" (FINE, 2001, p. 1) all stakeholders should have the rights to decision-making and an equal say (Lukas, 2015; Fairtrade Max Havelaar Switzerland). Small-scale producers, though, often lack knowledge on how to conduct the certification process and how to implement the necessary requirements (Kohts, 2016). Hence, producers need merchandisers' help in establishing such a supply chain. Lukas (2015) and Leiderman (2018) go so far as to reinforce that there is still dispute of power and governance between FT-members, even though the certificate was implemented to eradicate this power imbalance (Suzianti et al., 2018).

FT is also influenced by cultural factors (Nicholls & Opal, 2005). As this partnership works transnationally, it is perceived distinctively from various perspectives because both producers and merchandisers have different cultural backgrounds (Rotondaro, 2012). Culture, hereby, means the

“learned, shared, and enduring orientation patterns in a society (which people express) through values, ideas, attitudes, behaviors, and symbols” (Cavusgil et al., 2012, p. 124). There is one FT-system, however, which is implemented in several systems of values all around the globe. Following the remarks of Rotondaro (2012) about cultural relativism in FT, participating in such a supply chain requires internalizing its rules. Though, the question arises of what these rules are. Firstly, the FT-certification is known to be a long-term strategic partnership which requires a lead time until it pays off in a social, environmental and economic manner (Moore, 2004; Reynolds, 2002; von Hauff, 2017). It needs an upfront liability and, for the producing side, normally takes several years of implementation leading to a time-lag between certification and the first sales (Kleemann, 2018). However, time management styles vary from country to country and impact the way of doing business (Ashkanasy, Gupta, Mayfield, & Trevor-Roberts, 2004; Rotondaro, 2012). Hence, this poses a challenge in the FT-supply chain (Rotondaro, 2012). Secondly, the communication style, in this sense especially language barriers, can be difficult (Rotondaro, 2012).

When thinking in economic terms, a company’s certification and its reliability are two interdependent factors (Meier, 2016). This means that by being FT-certified, a company provides evidence for its compliance with determined economic, social and ecological standards. Through labels like FT, both merchandisers and producers can make their engagement visible to their business environment and attract a certain consumer segment (Bezençon & Blili, 2009). This can bring competitive advantages to members of FT (Mohan, 2009).

Additionally, a certification always entails high costs in its annual fees and in the implementation (Meier, 2016). This can be a challenging financial aspect for the ones to be certified, which is even sharpened when consumers are not willing to bear these costs (Meier, 2016). Participants in the FT-system, therefore, hope for higher sales in order to pay off the costs.

However, the aspect of sale opportunities is considered to be a double-sided sword: On the one hand, the FT-certification offers producers of the Global South the chance for higher sale opportunities because it provides them with better access to new markets of the Global North (Giovannucci et al., 2014; Kohts, 2016). On the other hand, producers’ hopes for sale opportunities can easily turn into disappointment when they are confronted with the challenging task of finding a buyer for their products (Herman, 2018).

One European market with a strong focus on FT is the Swiss market, which is worth having a look at.

2.3. Comparison of the Fairtrade market structures in Switzerland and Chile

Between 2004 and 2018 the worldwide sales of FT-products increased by twelve times from 832 million EUR to 9,8 billion EUR within 15 years (Fairtrade International 2019 quoted from de.statista.com (Statista)).

Switzerland, thereby, represents the country with the worldwide highest FT-consumption, namely with 99 CHF of FT-products per capita in 2020 and with total sales of 860 million CHF in the same year (Max Havelaar-Stiftung and Swiss Fair Trade (2021) quoted from de.statista.com; Lernoud & Willer, 2018). Given that the main distributors of FT-products in Switzerland are the two biggest supermarket chains, the country is entitled to claim to be one of the best performing FT-markets in the world (Low & Davenport, 2005; Bezençon & Blili, 2009; Fairtrade International 2018 quoted from de.statista.com; Rotondaro, 2012). With the supermarkets’ long-time experience in this market they gained a lot of expertise in deciding which products are most in demand among Swiss consumers (Bezençon & Blili, 2009; Low & Davenport, 2005). The most traded FT-products on the Swiss market in 2020 were cane sugar, bananas, and, at the sixth and seventh place, also coffee beans and cacao (Nielsen 2020 quoted from de.statista.com (Statista)). However, since 2020 there is also a sharp increase in the sales of FT-nuts and dried fruits, with 25,5% more recorded sales than in the previous year (Max Havelaar Stiftung 2021 quoted from de.statista.de).

Turning to the other part of the world, to Latin America and the Caribbean, where FT-products have their origin, the region showed the most remarkable rise in FT-certified cooperatives (Dammert & Mohan, 2015). With 950 organizations certified in 2020, it represents more than half of the 1880 organizations existing in the world (Fairtrade International).

When thinking of FT-products in Latin America, it is mainly referred to banana- or coffee plantations. Consequently, there is only little association with Chile because climate conditions there are not adequate for such products. Nevertheless, there is a FT-market in Chile: The first contact with Fair Trade in Chile was initiated by three producer organizations of agricultural products (Proqualitas Sostenibilidad). Given that the small domestic Chilean market did not offer possibilities for their products, these producers searched for market options abroad where they encountered the existence of Fair Trade structures (Proqualitas Sostenibilidad). The first FT-producer became certified in 2005, leading to 18 certified Chilean cooperatives by 2022 (FLO-Cert., 2022; Herman, 2018). Nowadays, the main FT-certified product in Chile is wine grapes (Herman, 2018). In addition, honey, fresh- and dried fruits as well as nuts gained market growth in Chile (FLO-Cert., 2022; Herman, 2018).

3. Methodology: case study of Chile & Switzerland

3.1. Case Selection and Description

In order to get a deeper insight into the two previously portrayed FT-markets and to answer the underlying research question, this paper comprises of a single case study following the methodology of Yin (2018).

In terms of the technical approach, this research method was chosen because of several reasons. On the one hand,

according to Yin (2018) a case study favors research questions of 'how' and 'why', which are asked about contemporary events beyond the researcher's sphere of influence. Both apply in the present case. On the other hand, the strength of a case study is its incorporation of evidence, therefore, enabling data triangulation (Yin, 2018). By explaining the chances and challenges the members in a FT-supply chain face, several economic and social aspects intercorrelate with each other that cannot be seen separately. Thus, in addition to interviews, a wider and more objective relation to the research topic is guaranteed by including documentary information (Yin, 2018). In Yin (2018), this is referred to as "Documentation" (p. 113f.) and adds annual reports, website performances and a cultural analysis.

In terms of content, as indicated in the introduction, this paper contributes to the literature by providing a country-specific focus on the FT-supply chain (Cater et al., 2017). Therefore, the case-study integrates the views of two essential actors in this market and contextualizes this relationship against the background of a geographical setting: Hence, the main actors are FT-producers in Chile and merchandisers of FT-products operating in Switzerland. In order to guarantee an authentic view on FT, the main selection criteria for the case study were companies focusing on agricultural commodities and a supply chain which excludes cost-intensive intermediaries.

In order to explain rationales behind selecting the two countries, the following chapters will first present each country on the macro-level and then give a company-specific description on the micro-level³.

3.1.1. Selection of Chile

Choosing Chile, at first glance, might be considered counterintuitive as the country is stable regarding its economy and currency and, additionally, performs as one of the top exporting countries in South America (Herman, 2018). In 2019 the country reached an export volume of goods of 69,89 billion USD (WTO 2021 quoted from de.statista.com). However, looking behind the scenes what has caused more than half of Chile's extraordinary export performance was the fuel- and mining industry with 36,93 billion USD in the same year (WTO 2021 quoted from de.statista.com). Thus, the primary sector is underrepresented and dominated by "precarious employment and agrochemical abuse, with small producers increasingly excluded" (Herman, 2018, p. 54). Consequently, the Chilean agricultural sector is underdeveloped and highly unequal, which both creates barriers to the country's sustainable national development. Fairtrade can help producers to overcome the social injustice, the discriminatory working conditions and the economic vulnerability which structures their everyday life (Herman, 2018; Proqualitas Sostenibilidad).

³The companies' descriptions on the micro-level refers to information retrieved from the documentary information (webpage, annual report) which will be explained in chapter 3.2.

When looking at the two Chilean producers selected for the case study, they are both dedicated to the production of agricultural products and target a high level of CSR. The first producer (P1), located near Santiago de Chile, has focused on the export of organic fruits for more than 30 years. At the moment, this producer has the *Fair for Life*-certification for organic apples and is in the FT-certification process. However, given its focus on efficiency and export, the company faces some challenging considerations in doing so. The second producer (P2) is a typical FT-cooperative which consists of 20 small-scale winegrowers. It was the first cooperative in their region of Colchagua to be FT-certified in 2009 and it remains the sole certification holder in 2022. The farmers have paid the certification costs on their own and have a direct trading partnership with a company in Belgium, as well as an indirect partnership with a client in England.

3.1.2. Selection of Switzerland

On macro-level, Switzerland at the other side of the supply chain was chosen because of its already-mentioned prominent position in one of the best-performing FT-markets in the world (Bezençon & Blili, 2009). The main idea behind this selection was that the Swiss experience can be of particular benefit for countries like Chile that still lack of extensive know-how in FT. Additionally, excluding any historically conditioned relationships between the countries was an important criterion to avoid distorting results, since many existing FT-partnerships are tied to prior colonial relationships (Rotondaro, 2012). Hence, Switzerland was selected because of its non-imperialistic background and because there was no such relationship with Chile (Rotondaro, 2012).

On micro-level, the main retail- and wholesale companies are decisive for the Swiss success on the FT-market (Bezençon & Blili, 2009; Rotondaro, 2012). This case study takes a closer look at one of them (M1). As it is the largest distributor of FT-products worldwide, it consists of several retail units, but also has its own food-production facility (M2). Herein, the view of the parent company and its chocolate production company is included. Both the parent company and the division have followed a label-oriented approach in order to make their engagement in CSR visible to their customers (Bezençon & Blili, 2009). One of those labels is FT. Additionally, on the organizational level, the national FT-organization also plays an important role in Switzerland. Founded in 1992 its main tasks are to promote FT in Switzerland, to support its B2B-clients when they want to establish a new supply chain and to allocate the label. Due to its work, FT has a brand awareness of over 90% in Switzerland.

3.2. Data Collection

By conducting a single case study of Switzerland and Chile, two different methods for collecting data are included in order to enable data triangulation for this case (Yin, 2018). This was done to ensure a robust description of the FT-market and to minimize distorted results in the study. The two methods are interviews and documentation. In conjunction with

Table 1: Methods of data collection applied in case study.

Ref. ^b	Type of organization	Interviews ^a			Documentation	
		Interviewee position	Length	Date	Company -level	Country -level
C	Swiss national certification organization	Commercial Director and Member of the Board	47'	Jan 2022	Press release annual report 2021, Webpage	
M1	Swiss merchandiser 1	Head of Projects & Overseas Buying Frozen Products	1h 03'	Jan 2022	Annual report 2020 Sustainability Blog	Cultural analysis of countries' 'future orientation' based on Globe Study
M2	Swiss merchandiser 2	Project Manager Sustainability	38'	Jan 2022	Webpage	
P1	Chilean producing & exporting company	Export Manager	26'	Jan 2022	Webpage	
P2	Chilean producer cooperative	General Manager	56'	Feb 2022	Webpage	

^aInterviews were conducted in Spanish and German. For the sake of further analysis in the findings- and the discussion section, interview quotations in this paper were translated into English by the author.

^bThis reference is used in the text when referring to the respective companies and organization.

each other, they shed empirical light on the topic and incorporate different actors' perceptions in order to attain a many-faceted perspective (CEval, 2012; Yin, 2018). Table 1 will give an overview of the data collection tools applied.

As a first source of evidence, semi-structured expert interviews were conducted on the company-level with two experts, one representative for the Chilean producer side, the other one for the Swiss merchandiser side (Yin, 2018). In order to provide an overview of the topic, the perception of the Swiss national Fairtrade organization was also incorporated. The interviews were held in Spanish or German and conducted via video call and followed the characteristics of guided interviews (Flick, 2014). Hence, two subcategories of guided interviews were mixed: the semi-structured- and the expert interview (Flick, 2014). The semi-structured form was chosen as the outcome in terms of content can be valuable because of its open structure (Flick, 2014). However, by specifically focusing on the chances and challenges of the FT-supply chain, the focus on the relevant theoretical background was guaranteed. In addition, expert interviews were conducted with persons responsible for the business operating area of the FT-supply chain (Flick, 2014). The motivation was to ensure that the interviewees' answers are representative for a whole group and not just for a single person (Flick, 2014). It was possible to do so because all the interviewees hold leading position within their companies (cf. Table 1). The interviews followed a questionnaire which covers a set of

up to five open questions with two to four sub-questions, distinguishing between the persons interviewed (cf. Appendix). The interview guidelines were designed individually according to the field of interest for the certification organization, merchandisers and the producer and were sent, at the request of the interview partners, in advance. In general, they started with an open question where the interviewee was able to answer according to his immediately available knowledge. Then the interviews were led into the areas of interest in order to answer the research question (Flick, 2014).

Furthermore, as a second source of evidence, documentation is included (Yin, 2018). In addition to the interviews, for each company and organization supplementary data was collected by looking at the annual report of 2020, sustainability blogs and website performances. This was done to derive the companies' and the organization's position towards the area of sustainability, CSR and their engagement in FT. Finally, in order to contribute to the already portrayed cultural aspects in a FT-supply chain, a cultural analysis was undertaken which was based on the "Global Leadership and Organisational Behavior Effectiveness Research Program", in short: GLOBE Study (House, Hanges, Javidan, Dorfman, & Gupta, 2004). It represents the largest and latest international research project which analyses 62 nations on their cultural practices and values and consolidates the results into cultural dimensions (House et al., 2004; Rotondaro, 2012). In accordance with existing literature and the interviews, relevant for

the research question was the dimension of 'future orientation'.

3.3. Data Analysis

The data was analyzed following the methodological approach elaborated by Gioia (2013) which guarantees qualitative rigor by transferring raw data into meaningful concepts. Therefore, all the five voice records of the interviews with a duration of 26 to 63 minutes were transcribed manually into exact transcripts of the spoken words. They built, subsequently, the basis for the open coding procedure according to Gioia (2013).

In a first step, initial codes were identified which ranged between 106 to 239 codes, depending on the length of the interviews. Further, these codes were grouped in categories, i.e., first-order concepts, where the initial focus is on the informant-centric point of view and the original meaning of the interviewees' responses (Gioia, 2013). In a second step, by the means of axial coding, second-order themes were developed which include the researcher-centric point of view as well. These second-order themes combine both the first-order concepts and the researcher's knowledge on the theoretical background of the topic (Gioia, 2013). For example, the interviewees talked about not having *sale options without the certification, neither in the Chilean market nor abroad*. Additionally, they mentioned the *high demand for FT-products in markets of the Global North*. These two categories were then aggregated into a more general concept, namely into the second-order theme *sale opportunities*.

The same was done for the data analysis of the documentation part which the case study comprises of. Thereby, companies' websites, annual reports and the results of the GLOBE Study on the dimension 'future orientation' took the same process of open coding as described above. Afterwards, the data from the documentation part was aggregated into first- and second-order concepts and themes respectively, together with the concepts already derived from the interviews.

Keeping the underlying research question in mind, the second-order themes were then distilled into aggregate dimensions (Gioia, 2013). Coming back to the above-mentioned example, besides the second-order theme *sale opportunities*, *internal company processes*, *transparency* and *certification as awareness- and educational process* were grouped together into the overarching dimension of *chances*. This last step represents the basis for the following data structure in Figure 2 and generates a meaningful and well-founded response to the research question.

4. Findings

This research aims to answer the questions of the chances and challenges for members in a FT-supply chain. The insights into this topic were retrieved from a single case study including five semi-structured expert interviews and documentation leading to the following three aggregate dimensions: entrepreneurial motivations, chances, and challenges. In the following, these aspects are exemplified in more detail.

4.1. Entrepreneurial motivations

As shown in Figure 2, the entrepreneurial motivations for companies to participate in a FT supply chain are categorized into companies' *characteristics*, *internal implementation*, *objectives* and *reliability*.

Firstly, the data structure refers to the *characteristics* the examined merchandiser in Switzerland and the producers in Chile had. Following the remarks of M1 not every company can represent a commitment in FT. Considering the internal corporate policies, Swiss merchandisers and Chilean producers stressed that CSR and sustainable, long-term business relationships based upon mutual respect built the pillars of their corporate philosophy (Webpages_P1+M1; I_M2). In the interviews, all of the companies confirmed their nature of being socially responsible companies. Hypothetically spoken, in a world without certificates and labels, according to them they claim they would still engage in the principles of Fair Trade (I_P1; I_M2). With regards to their external corporate policy, M1 as a Swiss cooperative society followed a social mission and although it had an intention to make profit, it did not have the pressure to maximize it (I_M1+M2). By leaving profit orientation out of focus, M1 and M2 were able to reinvest their profits "in the form of [...] what you can give back to [...] the consumer: Prices at the end, services in the form of nice and reasonable product portfolios and reasonable outlets, service and that kind of thing" (I_M1, p.1).

Referring to the *internal implementation* of the certificate, M1 had a whole brand-management department which is dedicated to sustainability and its labels (I_M1). P1 and P2, in contrast, had their internal teams which addressed FT (I_P1+P2). All along the FT-supply chain it was necessary to work together with the FT-certification organization C in order to obtain the certificate. Due to its long-time experience and the gained knowledge, M1 used already existing structures in countries of the Global South when looking for a new cooperative and establishing the supply chain on site (Webpage_M1; I_M1+M2). The implementation on the producer side, in contrast, depended on the size and organization form and on the cooperative's product (I_C). For example, a very small cooperative without democratic organization and which produces palm-tree oil cannot be FT-certified. Since FT requires a minimum size of plantation and palm-tree oil is considered to be a critical raw material, such a cooperative would be out of certification- and product scope.

What motivated both producers and merchandisers to participate in a FT-model was that it helped them reach their *objectives*. On the one hand, all of the interviewees' companies had the willingness to change the conventional supply chain, which nowadays exists in international trade, and to compensate producers fairly for their work and creation of value. On the other hand, an important aspect, especially for producers, was opening up new options for commercialization which incentivized them to unite together as a cooperative (I_P2). Given that FT in Chile is still a niche market, P2 stressed its intention of wanting to tap into this market niche back in 2009. P1, in contrast, had a more economic point of

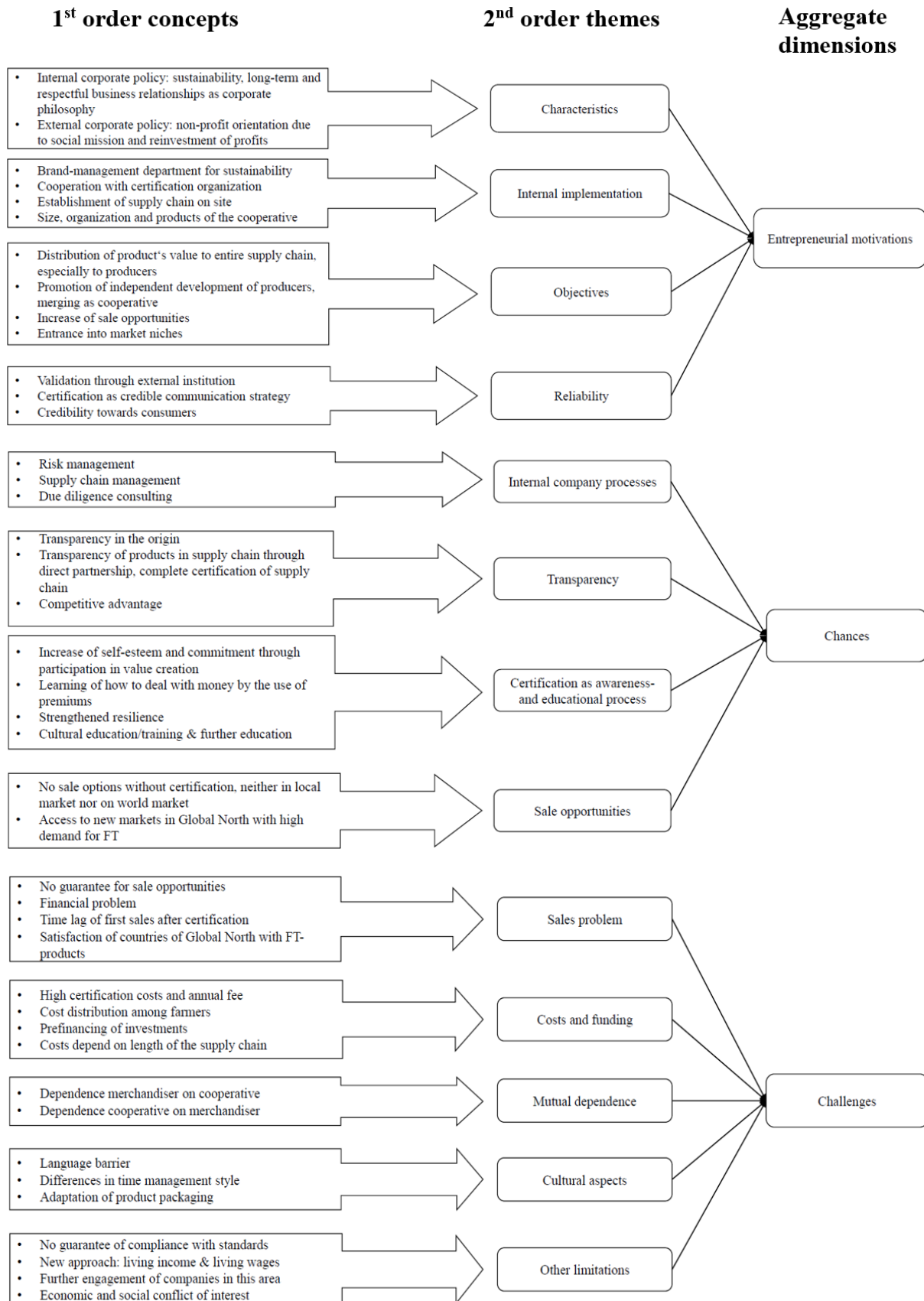


Figure 2: Data structure.

view by stating that it first wants to have demand and then, commissioning the certification.

By having a closer look into why the examined companies established or want to establish the certification, the reason was not just the label on the product. Rather, it was the *reliability* the certification offered them. As all the examined companies had a strong focus on social mission, they confirmed that they could only comply with their social mission when being proved officially by an external validation institution (I_P1; I_M1+M2). Thus, credibility in front of the consumer was of great relevance as without significant evidence consumers do not know if a company really does what it claims to do (I_P1). Even if a company engages in Fair Trade, without evidence, the consumer just has to believe in the correctness of the statements (I_C). However, with FT as a credible and proven system the consumers' "belief suddenly turned into knowledge" (I_M1, p.13). As Swiss consumers are very well informed about product sustainability and also demand this type of product, companies like M1 and M2 can credibly communicate their commitment towards customers.

4.2. Chances

Many chances that can be realized with a FT-certification are a result of the economic, social and ecological standards established by the certificate itself. According to the underlying data structure, the chances can be divided into *internal company processes, transparency, certification as awareness- and educational process and sale opportunities*.

One of the biggest chances of FT is that *internal company processes* could be improved. FT was named to be a tool for a company's risk management (I_M2). Given that M2 acts in the area of sustainability, it is exposed to a high reputation risk in case that it were to fail to meet its social and societal responsibilities as a cooperative society. Obtaining the FT-certification worked as a way to reduce this risk because M2 collaborates with the Swiss national certification organization as a reliable partner and has, therefore, a proven system on its side (I_M2).

Furthermore, FT supported M2 in terms of its supply chain management as it ensured the compliance with standards, i.e., with social conditions, human rights and due diligence in international supply chains (I_M2). Keeping in mind the German *Act on Corporate Due Diligence* or the *Swiss Responsible Business Initiative*, companies like M1 and M2 knew that regulatory requirements regarding standards in international supply chains were likely to rise. FT already has the standards and the expertise in establishing a transparent supply chain (I_C, Webpage_C). In this regard, organization C considered FT to be a future partner for companies that need to implement these new requirements in their supply chains.

Moreover, the certificate also serves for producers' internal processes: Although P1 is not yet completely FT-certified, the *Fair-for-life* certification already changed their internal processes in a way that guaranteed internal processes to be done well. For example, information about contracts or

courses of business became pellucid and farmers could be better educated for conversations with clients (I_P1).

Focusing on the big picture, i.e., on the whole supply chain, another big chance that the certification brings is that it adds *transparency* to the whole supply chain.

"But that only works if you and I buy directly from the source, or at least close enough to the source that I know exactly what's in between. The moment I have shadowy intermediary trade (.) you have a problem" (I_M1, p. 11).

Although FT's effort is to make the supply chain as short as possible, this does not mean that intermediaries are generally excluded. However, as the quotation shows, M1, and M2 respectively, were representative for their strategy of always trying to avoid intermediaries. The rationale behind their strategy was that they realized the fundamental problem of conventional supply chains: "The first stage is the one that suffers. (...) The second stage already has a good life" (I_M1, p. 4). Summing it up, the more members are participating in such a supply chain the more cost are aggregated to intermediaries that are not part of adding any value to the supply chain. Consequently, the money needs to be split among all members. Hence, according to M1, with as few intermediaries as possible the money could be directly transferred to the producing unit of the supply chain. In a broader sense, the national certification organization named several ways through which transparency in a FT-supply chain is guaranteed: All the members of the supply chain need to be FT-certified for the respective product, the external certification organization creates transparency, the source and potential intermediaries are clearly declared on the final product and, finally, the consumer can track the supply chain of the product via a digital code (I_C). For P1, for example, this transparency has led to a competitive advantage because its reliability rose compared to its competitors (I_P1).

Apart from the legal- and competitive advantages, all the interview' partners considered the *awareness- and educational process* arising through FT to be an important chance to overcome producers' strained situation. Due to their limited opportunity to act freely and self-determined, they faced severe economic consequences which often brought them into debt-bondage (I_M1). Additionally, with lack of education, it was difficult for them to be active in an entrepreneurial and sustainable way (I_M1+C). However, by means of the FT certification the producers became aware of the fact that they have options to improve their lives (I_M1+C). The general manager of P2 illustrated that, by getting certified, its farmers underwent a development "from being people who were not visualized to being part of what the territory offers today" (I_P2, p. 2). What benefited this development positively is the premium payment for those farmers which is set through the standards of the certification (Webpage_C). It accounted for 12,2 million USD of extra money generated through FT-sales in Switzerland in 2020 (Press release of annual report 2021_C). This caused producers to have 10% to

15% more income available on household level than without the certification (Sustainability blog_M1). If invested wisely, the premium contributes positively to producers' life. The example of P2 showed, how beneficial an investment of such a premium can be because it enabled them to be part of the value creation: By buying machines to make wine, those farmers developed from being mere producers of raw materials, in this case grapes, to producers of their own processed commodity (I_P2). Thus, they specialized on wine production and started to coin their own brands (I_P2). Hence, the farmers realized that they were valuable members of society:

“And that’s where you suddenly have a situation where you are lifting people up to a level or helping to lift them up to a higher level, in terms of their self-esteem. Suddenly (...) they see possibilities that they never considered before, like, ‘Gee, my kids could get an education’” (I_M1, p. 7).

Further, when referring to *awareness- and educational process*, an increasing social activity was stressed by both merchandisers and producers. As stated in the standards, producers need to be organized as a cooperative with democratic order (Webpage_C). This caused the necessity to establish internal structures for the cooperative to function: “By suddenly being together, they are a completely different interlocutor for a factory or a processor” (I_M1, p. 7). Together with the premium pay, this sense of community also strengthened their resilience and empowered them (I_C). Furthermore, what P2 described impressively was the establishment of a local culture which was mainly advanced through FT.

“We [the cooperative] give that value to the farmers and we began to generate a whole movement and development based on local culture that did not exist here in Colchagua in the past” (I_P2, p. 2).

What they finally achieved was the composition of books about the history of their farmers, the flora and fauna in the region and the regional recipes (Webpage_P2, I_P2).

As it is already made clear from the description of the mission which FT has, it shall create *sale opportunities* to producers who would otherwise not have had a chance to sell their products neither on the world market nor on the Chilean market. Both P1 and P2 stressed the necessity for them to export products because in Chile they do not have the chance to commercialize their products due to a smaller population size and different consumers' behavior. “If we were to leave Chile's production in Chile, the truth is that there would be some fruit left over and it would have to be thrown away” (I_P1, p. 3). In this sense, the FT-certification assured producers the export of products to countries of the Global North (I_M1). However, P2 already admitted that this promised guarantee on sales was not as easy in real life as it seems and can easily turn into a challenging task to accomplish.

4.3. Challenges

Besides the *sales problem*, other challenges which emanated out of the case study were *costs and funding, mutual dependences, cultural aspects and other limitations*.

Apart from the chance for high sales, finally having FT-sales was considered as one of the main challenges for members in a FT-supply chain: “I also hear this again and again when I am in the origin, that is sales, sales, sales, so the possibility to be able to sell as much as possible at FT-conditions” (I_C, p. 6). However, these sales numbers vary depending on country and product (I_C). As organization C affirmed it is a misbelief that a FT-certified cooperative sells all of its products under FT-conditions (I_C). Just to name the most common example, only one-third of the whole worldwide FT-coffee production was sold at FT-conditions, the rest needed to be sold otherwise (I_C). Whereas none of the merchandisers named sales as a challenge, both P1 and P2 focused strongly on this aspect. Both claimed that the lack of sale opportunities for their products made it difficult for them to justify the costs involved (I_P1+P2). The above-mentioned guarantee for sale opportunities stated by merchandisers did, therefore, not always apply to producers. Given the example of P2, its initial thought of quickly finding clients after being FT-certified in 2009 turned into disappointment when in the following year the company had not a single sale of its newly certified products (I_P2). This also turned into a problem when thinking in business terms: “We had to pay for the certification in 2009, and 2010 had no Fairtrade sales, and then it became a financial problem. To what extent do you manage to keep the costs of getting certified if you don't have sales?” (I_P2, p. 4).

Closely related to having sales is the challenge of bearing the *costs and the funding*. The case study revealed that the costs involved in FT emerged at two points: Firstly, within the implementation- and certification process and secondly, along the supply chain itself. Regarding the implementation- and certification costs for producers, they depend on the size of the cooperative to be certified (I_C). It consists of both the certification- and the annual fee (approximately 600 EUR and 2000 EUR, state 2022) (I_C). M1 and M2 did not mention certification costs to be challenging for them, probably because of their company size and revenue.

The evolving costs in the supply chain, however, were not as easy to quantify as the fees. There, the results of the case study showed a trade-off. On the one hand, due to a short and transparent supply chain like the one FT represents, costs could be reduced because cost-intensive intermediaries were taken out and the additional money was transferred to producers (I_M1). On the other hand, however, “[i]f you have transparency in your supply chain, then you are aware that products cost something. This, of course, prevents you from simply ignoring that reality exists” (I_M1, p. 10). Further, the question of the funding arose: For M1 and M2 costs represented something that is given and needed to be paid (I_M1+M2). For them, the certification proved its worth and helped to reach their goals in the area of sustainability

(I_M2). Therefore, they usually prefinanced any costs arising out of the producers' certification and implementation by the means of a sustainability fund with financial resources of 16,5 million CHF per year for such projects (Annual report 2020_M1; Sustainability blog_M1). Furthermore, costs emerged at the point when the company conducts projects to establish supply chains on site (I_M2). M1 and M2 were regularly abroad in these projects which also needed to be paid. Although merchandisers face a high-cost burden with FT as well, their big advantage is that they can charge these costs to their consumers (I_M2). This is possible because of the Swiss consumers' demand for having purchasing security in sustainable products (I_M1+M2). Though, it is not the rule that the merchandiser bears the overall costs: Whereas P2 financed the certification all by itself, P1 was still in the process, but will also bear the costs on itself.

Resulting from a two-sided involvement within a FT-supply chain is the emergence of mutual *dependencies*. Both for merchandisers and for producers this can result into a challenging task. As Chilean cooperatives often only had one purchaser for their products, they were dependent in terms of sales and dismissals on the part of the merchandiser (I_P2+M2). Additionally, finding a buyer who paid fair prices and who supported the cooperative in a social manner was difficult (I_M2). Merchandisers also faced dependency on the commodity in itself. Finding new producers went along with having additional effort and expenses (I_M2). However, M2 admitted that the dependency exists, though, it is "greater on the Global South than on the Global North, but that's always the problem, (...) that whoever buys is also in the driver's seat, unfortunately" (I_M2, p. 7).

Cultural aspects also portrayed an underestimated challenge in a FT-partnership. P2 stressed that the second biggest challenge, after finding a client, was the language barrier. Speaking Spanish and not English restrained the farmers not only in building up personal customer contact, but also the way they performed online on their webpage (I_P2; Webpage_P2). This led into a vicious cycle, as without being able to present themselves due to a lack of language knowledge, it was also difficult to find new clients (I_P2). Step by step they addressed this problem by, for example, translating their webpage into English (I_P2, Webpage_P2).

Additionally, as stressed by all the interview partners alike, a FT-partnership is designed for the long-run and highly future-oriented as the certification and the first sales are often facing a time lag. According to organization C, it could take about one to two years' time to comply with the requirements necessary for certification. P1, for example, was still biased regarding the FT-certification because the company focused on maximizing current profits without regard to future profits (I_P1). In contrast, the Swiss merchandisers and P2 developed a strategy with FT that combined both profits on long and short terms (I_M1+M2+P2). In a cultural context, the GLOBE Study explains this behavior with one of its dimensions which is defined as follows: Future orientation is "[t]he extent to which individuals engage in future-oriented behaviors such as delaying gratification, planning, and in-

vesting in the future" (Webpage_GLOBE Study; Ashkanasy et al., 2004). Retrieving relevant data from the GLOBE Study, Switzerland, with a practice score of 4,73, is highly future oriented whereas Latin America scores lower with 3,54 which is even beneath the average of 3,85 (Ashkanasy et al., 2004).

One last cultural aspect was the cultural adaption of products. Both M1 and M2 stressed their position within the supply chain in between the producers and consumers. This implied the necessity to adjust the product and the package to the taste of consumers in the Swiss market. "I [Head of Project Overseas] have to make the product so that it does not appear like from third world store, right? But I have to make it the way you want to have it" (I_M1, p. 7).

Finally, there are *other limitations* of the FT-certification left which caused additional challenges for members in a FT-supply chain. Firstly, partnering with a FT-certified cooperative did not guarantee a full coverage that, e.g., there is no child labor happening or that farmers are paid living wages and income (I_M2). Although in this area, FT is already about to improve its approach, there is no complete assurance that it complies with all standards (I_C). Especially for a market like Switzerland, whose consumers highly demand fair and sustainable products, FT was already a prerequisite and, thus, did not provide M1 or M2 with a big competitive advantage anymore (I_M2). Consequently, both of them needed to go even beyond FT and establish other approaches to address their social responsibility (Webpage_M2; I_C). Secondly, the FT-certification organization is not an independent institution but stands in a conflict of interest between delivering to its clients and fulfilling its social mission (I_M2). Therefore, one should not forget that Fairtrade is also a business and needs to discharge its economic interest as well (I_M1).

5. Discussion

5.1. Theoretical and practical implications

In order to answer the research question, a case study was conducted with two different sources of evidence which highlighted the principal opportunities and challenges from a supply chain-perspective (Yin, 2018). Based on the findings of this study, the discussion will reflect the study's contributions and implications both for existing literature and practical application.

Firstly, with regards to theoretical implications, this paper widely explores a variety of beneficial and challenging aspects in a FT-supply chain. As seen in the data structure (cf. Figure 2), it goes beyond the scope of mere chances and challenges and also includes the entrepreneurial motivations of companies for FT. This may be especially informative, because the way a company is motivated to become FT-certified can have consequences on the chances and challenges it faces. In relevant literature, authors have already been focusing on actors' managerial motivations to engage in a FT-business model (Bezençon & Blili, 2009; Cater et al., 2017; Low & Davenport, 2005). Following the findings of

Cater et al. (2017) the main incentives for a merchandiser to operate in FT are ethical beliefs, religious faith, shared- and business values and altruism. Thereby, Cater et al.'s study (2017) focused on small US-businesses with less than 500 employees led by social entrepreneurs. Although this paper at hand focuses on a large-scale enterprise in Switzerland, it comes to similar conclusions. Even though M1 and M2 is one of the biggest supermarket chains in Switzerland, it is led by the ethical conviction of assuming responsibility beyond their borders and would do FT even if there was no certification. This allows the potential conclusion that if a company is already about to engage in FT, then the motivations are similar across all sizes of companies.

However, the question posed by Bezençon and Blili (2009) is well-founded. They ask if a firm, which uses FT as a strategy for CSR, is “designing and implementing its CSR policy in order to appear good or is it doing it because it is good?” (p. 111, underlined by author). The difference here consists in the kind of entrepreneurial motivation. As Cater et al. (2017) described, social entrepreneurs are intrinsically motivated. However, FT is not just a social mission, but also an economic one (Mookerjee, 2019). Although M1 and M2 are considered to be proactive CSR-companies, they expect certain economic opportunities deriving from the certification (Bezençon & Blili, 2009). It then becomes clear that for producers, merchandisers and the certification organization economic considerations, like commercialization, sales and competitive advantages, are at least as important as ethical values. Thus, the first contribution this paper makes is that motivations cannot be seen separately from the chances and challenges those agents are confronted with.

Secondly, already existing research on the FT-supply chain focused mainly on consumers, producers or merchandisers, i.e., just on one side of the supply chain (Bezençon & Blili, 2009; Cater et al., 2017; CEval, 2012; Dragusanu et al., 2021). Based on their approach, valuable insights about, e.g., the right to have a say, power and governance within the FT-supply chain were derived (Leiderman, 2018; Lukas, 2015). Following Lukas (2015), the imbalance of power between the stakeholders is a barrier to transparency and trust in such a supply chain. Furthermore, producers are at merchandisers' mercy when it comes to adapting to their interests (Lukas, 2015). However, by talking about ‘power imbalance’ in Fair Trade, the very same dichotomy of Southern producers and Northern buyers is preserved and emphasized which Fair Trade actually wants to equalize (Ruggeri et al., 2018).

The findings of this paper, therefore, challenge this assumption of power imbalance in a FT-supply chain, leaning on the underlying approach which empirically analyses the whole supply chain, and not just one side of it. All of the five interview partners were asked on their experience on decision-making and interdependency within the supply chain. None of them argued that FT is dominated by Northern interest and that producer need to bow to those interest (Lukas, 2015). Rather, both merchandisers and producers stressed that especially the FT-premium gives producers

the means to decide independently and autonomously about their future (I_C). Of course, dependencies exist in the way how this extra money is invested, which is influenced by Swiss merchandisers (I_M1). In general, though, producers are involved in a participatory manner (I_C). Furthermore, the FT-standards are developed in accordance with the cooperatives. The overall aim, hereby, is to integrate the producer more into the supply chain (von Hauff, 2017). Therefore, the second contribution of this paper is to provide a better phrase for talking about this relationship: Instead of ‘power’ between producers and merchandisers the phrase ‘cooperation on eye level’ would be more adequate.

Thirdly, the question arises in which areas merchandisers and producers have converging and conflicting interests. One converging chance both sides see is that they realize self-serving benefits out of the participation in FT. For producers, FT represents a meaningful opportunity to overcome their strained financial situation. For M1 and M2, by being member of FT, they can foster a coherent communication strategy towards their consumers of being a socially responsible company (Bezençon & Blili, 2009). Additionally, FT can help merchandisers in their marketing strategy because they can use such certifications as a unique selling proposition (Kohts, 2016; Parvathi & Waibel, 2018). Since in Switzerland FT is already considered to be a prerequisite, the examined merchandisers tend to have a variety of labels and certifications in order for their products to stand out against competitors (Kohts, 2016).

With regard to sales, stakeholders' interest might differ: Chilean producers mainly hope for better access to markets of the Global North and promising sale opportunities because, e.g., Swiss consumers are willing to pay a remarkable amount of money for FT-products (Giovannucci et al., 2014; Max Havelaar-Stiftung and Swiss Fair Trade (2021) quoted from de.statista.com). Though, merchandisers rather focus on providing reasonable product portfolios to their consumers. Thereby, they need to consider the Swiss consumers' preference. For example, P2 tried to enter the Swiss market with its FT-wines but was not successful. Firstly, because the Swiss market is already saturated with its own wines, and secondly, Swiss consumers prefer regional products if they can be produced in Switzerland as well (I_P2; Hochschule Luzern 2020 as quoted from de.statista.com).

Fourthly, this paper's findings shows that cultural factors are a previously neglected factor in the literature on FT. The original focus of the analysis was on the chances and challenges of FT-members and was directed towards cultural aspects in the course of the case study. Hence, what cultural chances and challenges impact a participation in a FT-supply chain? P2 stated that the lack of foreign language represents the second biggest challenge for them, right after having sales (I_P2). Without adequate language skills factors like the response time, the quality of information or the interpersonal element suffer in a trading relation (Rotondaro, 2012). Furthermore, time management, and especially future orientation, represent one of culture's most significant values (Ashkanasy et al., 2004). In a FT-partnership, this orientation

becomes especially relevant. Countries like Switzerland that score high in this dimension are more likely to have economic success than lower-scoring countries like Chile (Ashkanasy et al., 2004). This is due to the different strategic future-orientation of the organizations in the country (Ashkanasy et al., 2004). As the results of the case study imply, M1 and M2 use FT as a long-term strategy to accomplish their sustainability objectives (I_M1). Sustainability is deep-seated in their genetics. Since their stakeholders do not require them to maximize profits, they have the time for establishing long-lasting sustainability programs (I_M1+M2). Further, M1 and M2 have the Swiss national FT-organization and the consumers on their side which all support this long-time orientation because it is in the nature of the country's culture. In Latin America, in contrast, companies are little future oriented as the GLOBE Study shows (Ashkanasy et al., 2004). They tend to have a shorter strategic orientation which also causes certifications to not have such a significance as they have in Switzerland (Ashkanasy et al., 2004). For P1 and P2 it is, therefore, remarkable having applied for a future-oriented certification like FT although their domestic market does not appreciate or support it. Finally, this country-specific time orientation leads to an additional challenge on the part of the producers. In summary, the paper's findings complement existing literature on FT by putting this partnership in relation to the cultural level.

Lastly, the discussion focuses on practical implications. For political discussions in the Global North on due diligence in international supply chains, the compliance with social, labor and environmental standards is highly relevant (Emons et al., 2021). Companies' self-commitments in the form of "codes of conducts" (p. 5) are a first step to guarantee minimum standards along the supply chain (Emons et al., 2021). However, with their noncommittal character these codes are not legally binding (Emons et al., 2021). Therefore, policymakers in various countries of the world have institutionalized those standards into national state law as portrayed in the theoretical background (Bueno, 2020; Emons et al., 2021). This causes many companies to rethink their current supply chain management and question how to adapt.

Following Emons et al. (2021) transparency regulations and CSR help to implement those legal requirements in companies' corporate policy. FT, therefore, can be an option in increasing transparency in supply chains and implementing CSR. When Switzerland discussed the due diligence obligation for companies, the national FT organization for the first time actively positioned itself with a clear statement: "With the *Business Responsibility Initiative*, we have made a bit of a fundamental decision and said that when it comes to issues, political ones that directly affect us, we want to make a statement" (I_C, p. 10). In a practical sense, with its experience FT can be a partner for companies that need to adapt to the new legal requirements. Thus, the paper at hand is addressed to actors of the private sector as well, i.e., merchandisers with little experience in due diligence might consider implementing FT as a way to keep pace with increasing standards in supply chains.

5.2. Limitations

Even though the theoretical and practical implications detailed here forward the existing literature and practices on the FT-supply chain, like every empirical research it is limited in several aspects. Firstly, despite having an exploratory approach the study focuses solely on social and economic chances and challenges, leaving ecological aspects excluded. However, they also belong to Elkington's *triple bottom line* (1999) and recently experience relevance in new FT-strategies.

Secondly, since an empirical case study was conducted the findings are highly specific for the case at hand. By focusing on the geographical scope of Chile and Switzerland, results cannot be easily transferred to other geographical settings. Especially in the case of Switzerland this is particularly evident because their "opportunities and chances are really very Swiss" (I_M1, p. 9). What Audebrand and Pauchant (Juli 2009) meant when stating that "social and ecological costs are not 'externalities' [...], but instead are *integral* costs that must be included in the sale price" (p. 348), is something that lies in the nature of Switzerland's economy. Against the background of Switzerland, there are not many countries that perform such an engagement in the FT-market. Due to this very special position Switzerland has regarding its FT-market, its companies also have special strategies. Therefore, M's strategy of direct trade and the prefinancing of all the necessary investment in the origin is not the standard procedure in FT.

Lastly, the methodological approach of a case study leaves the results limited in several ways: On the one hand, the interview transcripts were freely translated from German and Spanish into English. Consequently, the original meaning of the interviewees' responses might be lost in translation. On the other hand, the sample size of five interview partners and the respective documentation leaves the generalizability of this study limited.

5.3. Recommendations for future research

The relevance of the topic becomes particularly clear when looking at the sizable future research directions remaining. Due to its political relevance, conducting further research, specifically on FT's contribution to due diligence laws, is necessary. In this sense, it would be necessary to conduct interviews with actors outside the private sector. In particular, such an approach requires research on the organizational level, e.g., with members of the umbrella organization *Fairtrade International* or law makers responsible for the due diligence laws. Furthermore, future papers could integrate more agents and operators of the whole FT-supply chain than just producers and merchandisers. Specifically, exporters and importers of FT-products could give valuable insight to the question if challenges and chances in the supply chain change when more actors are involved. Finally, this study analyzed social and economic factors. However, the FT's standards also include environmental considerations. Hence, resulting out of the paper's limitations, conducting

research on the ecological impact FT has could expand the approaches of this study (von Hauff, 2017).

6. Conclusion

The aim of the paper at hand is to examine the chances and challenges of members in a FT-supply chain. Therefore, by means of a case study various social and economic aspects were identified. This study offers several insights into the FT-supply chain. Thereby, it sheds light on the fact that merchandisers' and producers' chances and challenges intercorrelate with the motivations they have to engage in FT. Further, the paper highlights FT as being a cooperation on eye-level that developed a feasible approach in breaking with the power imbalance of conventional international trade. Moreover, it also shows that different cultural backgrounds regarding language and time orientation of the actors in the FT-system impact those chances and challenges. Finally, the future will show if FT is able to permanently partner companies in their way of establishing higher standards and what is more to come with regards to due diligence laws in supply chains. It is obvious that FT is not an 'allrounder' that can solve all the challenges of conventional international trade. However, Keynes' 100-years prophecy has already been broken which should now be seen as an incentive to continue to spread even more fairness across all producers in this world.

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