

What Future for Traidcraft?

Richard Higginson in Conversation with Ram Gidoomal and Robin Roth

The UK's leading fair trade organisation, Traidcraft, recently announced a major reduction in its activities. Richard Higginson, who used to be a Traidcraft Foundation Trustee, went to see Traidcraft Chairman Ram Gidoomal and Chief Executive Robin Roth to find out why. He also asked them how they evaluated the achievements of the fair trade movement to date.

RH: Ram and Robin, thank you for your time. Let's get straight to the point. I hear Traidcraft is to cut 50 jobs reducing its core staff to just 12 people. This sounds extremely drastic. Why are you doing this?

RR: Actually, I think it was long overdue. It was time for Traidcraft to get real, become more business-like and escape its more charity way of thinking. We had to wise up to the real world. We realised we have to be more efficient – it sounds cruel but just because you're a nice company doesn't mean you get special treatment in the world.

RG: For a long time now I've felt there was a need to revise staff levels. When I joined the board eight years

ago the disproportionate ratio of staff to level of business was something I commented on. Quite simply, we were overweight for the amount of business we had. I was told the company had already gone through one significant round of redundancies, and we wanted to give the new strategy a chance. But year on year over the last ten years sales have declined. Radical steps were needed.

RH: Can you elaborate on the figures? What is the level of decline?

RG: The peak of Traidcraft sales was around £17m in 2007; there has been a gradual decline ever since the banking crisis. How do you turn a business like this around? It's not

easy with a company that has an established culture and way of doing things. But we got to the point where either you have to cut decisively and make a fresh start or face the consequences, as has happened to Woolworth's among many other companies which have closed.

RH: So the company has now been reduced to a staff of 12?

RR: At present we are now in a bridging situation. We are working towards a core staff of 12 but we have not yet outsourced everything we intend to – we still have approximately 24 people with some employed in IT & warehousing. Selling the second warehouse in Gateshead will bring in another



£800,000. We're en route to becoming a real reduced company.

RH: When was it that you made the major decision? Wasn't there an earlier announcement that Traidcraft would close altogether?

RR: Yes, we made an announcement to the world in mid-September indicating that was likely. We experienced a major sales slump over the summer of 20% and we had a serious cash-flow problem. I was looking at my obligations, the size of my stock and the potential costs of restructuring. At that time the Board and I were genuinely not sure we could manage the situation, and a likely scenario could well have been closure.

RH: So what happened? Has there been some improvement since then?

RR: Yes, we put in place a recovery plan. I don't want to make this sound preordained but the plan we put in place in September has worked out almost to the last penny. We sold enough stock to make enough money and avoid our being hounded by creditors. We now have cash in the bank, are much reduced in terms of stock and staff but we are rather healthy compared with where we were in September. Our cash flow situation is much better. It's gone well.

RH: Have your sales increased? Or have you just managed stock appropriately?

RR: Sales have stabilised. In the first 5-6 months of 2018 our sales were down 20%. In three months after announcing to the world we had a problem, our sales stabilised so that they were very close to the previous year, which is therefore an enormous improvement on the trend. Bearing in mind that November was a truly dreadful month for many retailers in the UK, we've done incredibly well.

RH: Good. Are you confident that the new model you're operating can really work?

RR: Yes, I am. On an operational level, a classic business level, the costs and sales are now in balance. The more fundamental philosophical question is why should it survive. That's a question we're beginning to answer now – we're looking at our strategy. Unless we are relevant there is no reason why Traidcraft should survive in the long run.

RG: Robin, could you say something about the whole area of transparency which we've tried to make part of our thinking?

RR: Yes, when we were in trouble we asked supporters for ideas and we received a large number of emails. Three themes kept coming up:

- (i) Please stop selling handicrafts – we genuinely don't know what to do with them; we don't need these any more. Enough is enough. That was an interesting piece of feedback. Oxfam are actually continuing with many of the crafts producers. We are selling a much reduced range of products.
- (ii) Why on earth are you a PLC? It seems incredibly cumbersome and doesn't seem appropriate. Why not consider an alternative corporate structure, like a cooperative or community base? That's something we've picked up.
- (iii) We trust Traidcraft. You have an extraordinary brand name and we expect you to do things differently and be transparent. That challenged us because we haven't been as transparent about all aspects of the business as we might have been. So we've done some more thinking about this. What we've discovered is that transparency is about a great deal more than paying producers a higher price. Our supporters want to understand more about the supply chain, the costs of package, shipping and so on. How are people in those areas being treated? Supporters are asking: are you being screwed by the middlemen?

RR: Yes, some big cooperatives do that. There are coffee and banana cooperatives which started 40 years ago as just a few entrepreneurial souls without resource, networks or access to cash. With Traidcraft's help they have gradually grown strong enough to operate independently.

RH: That's interesting – it sounds like very valuable comeback. On the

second point, are you moving away from being a PLC?

RR: The journey to becoming a cooperative will take a while. The first priority was just to survive. The board members and shareholders would need to discuss and agree the cooperative idea. There's a genuine debate to be had about this. I'm talking to an organisation called Cooperative UK over what's involved in such a transition. I want to do this properly and not rush it. I'd like to combine it with developing a membership culture. So I would like people who want Traidcraft to survive to be paying members rather than shareholders. In return they would have access to greater transparency and better prices. It's a meaty subject and I want to get my teeth into it.

RH: You talk about 'middlemen'. In a sense Traidcraft is a middleman. Is there actually a place in the fair trade market for an intermediary company like Traidcraft? Wouldn't it be more straightforward for producers in the Global South to deal directly with retailers in the West? An example would be someone I've visited, Chino Henriquez in Chile, whose company Apicoop sells his honey directly to The Coop. That's where I buy my fair trade honey!

RR: Yes, some big cooperatives do that. There are coffee and banana cooperatives which started 40 years ago as just a few entrepreneurial souls without resource, networks or access to cash. With Traidcraft's help they have gradually grown strong enough to operate independently.

RG: There continue to be small producers who still need help in developing. We work with the excluded, those on the margins who have not yet made it into the mainstream; we help develop them so they can enter the mainstream and then let them have the freedom to supply whoever they wish to contract with. We never say we own them. There are honey producers in Kenya

who are an example of this. They're just starting – we've encouraged them to develop honey as part of a product diversification programme alongside passionfruit. They're trading locally but it's a start.

RR: There's another side to your question. If there wasn't Traidcraft, would fair trade be any different? Traidcraft is also needed to point out that fair trade has only made limited impact. International trade has become far more concentrated in the hands of a few multinational companies. We still have a role of pointing out that institutionalised fair trade has not achieved its goals. Fair trade has actually been a miserable failure in terms of radically changing the fundamental structures of global trade.

RG: Another aspect is the way we're structured. We have a very different pay ratio compared with most companies. The pay of the highest person in Traidcraft cannot be more than six times the pay of the lowest paid person. This was a live issue at the time we appointed Robin as Chief Executive. There is a whole range of principles that we operate under, which are challenging and sometimes make life almost impossible, but we stick by them – including limited staff pay ratio.

RR: It's worth adding that I have now taken a pay cut. We are currently operating with a 1.8:1 ratio.

RG: When Richard Adams set up Traidcraft in 1979 the ratio was 2.5:1. We're getting back to our roots! That is certainly radical.

RH: That's interesting. You say Traidcraft hasn't made much of an impact. But isn't part of Traidcraft's problem that fair trade has become relatively mainstream, so people who want to buy fair trade products now do so more cheaply at their local supermarket?

RR: Yes, it's a complex story to tell. In some ways the fair trade story has been fantastically successful. Just

enormous for what it is, bearing in mind Traidcraft started as a little company in Newcastle. It is the story of a lifetime; it has changed shopping in the UK forever. We're talking about a paradox. What I mean is that the overall impact has been marginal. It is more of a change of hearts story than a true change of trade. The big multinationals involved in fair trade are 'playing around'. It doesn't really affect the way they do business generally. It's a 1% luxury – that's the proportion of their total sales. We have not corrected fundamental injustice in the trading system.

RH: You mean fair trade is a minor niche market for supermarkets?

RR: Exactly. Fair trade is a case of great success and great failure in the same breath.

RH: Would you tar all the big supermarkets with the same brush, or are some better or worse than others?

RR: The key players are the big multinationals which operate behind the supermarkets and control international trade. When it comes to them, the big multinationals that you and I don't normally hear about, I would tar them all with the same brush.

RH: That brings me to another question. Does the involvement of big supermarkets and chains – maybe the multinational companies behind them – actually dilute standards and threaten the integrity of the fair trade movement?

RG: Absolutely yes, without a shadow of doubt. The pressure they exert is huge. They muscle into organisations, come around the table as the largest payers and seek to modify kitemarks. That's where the dilution starts happening. They talk in terms of 85% or 90% fair trade rather than 100%. That is just not acceptable. It is not fair play or indeed fair trade, because where will you then draw the line?

RH: Does this affect the Fair Trade Foundation in its role of setting standards and offering certification?

RR: Yes, they are in a very difficult situation. They're supposed to be engaged in the mainstream and also not supposed to get their hands dirty. That's no criticism of them – it's just the way the world is.

RH: Some people are sceptical about fair trade, about whether it does any good. For instance, some economists think it encourages over-production and distorts the market for particular goods. What do you say to that?

RR: Given the tiny size of fair trade, to describe it as a market distorter is actually ludicrous. Locally it can have distorting effects – but multinationals have much more of a distorting effect in the other direction. As for efficiency, farmers need a generation of learning and knowledge to make the move from inefficiency to efficiency. We help farmers to be more efficient. Ideally direct trade is better than fair trade, but Traidcraft has direct relationships with producers which can help bring about improvements.

RH: So does fair trade genuinely make producers better off? Do they have more money in their pockets as a result?

RR: Occasionally. The real difference fair trade makes is not in the first generation but with producers' children – for instance through better access to education as a result of the social premium we pay. Fair trade prices fluctuate.

RG: If I may add something by way of personal anecdote, when MP Stephen Timms and I visited Bangladesh, we observed farms and projects which had engaged with Traidcraft and made a comparison with those that hadn't. We could see a stark difference between fair trade producers and others, with regard to the quality and finish of the homes they lived in, for example. The

women we talked to certainly testified to the difference. I've seen something similar happen with a group in Kenya who have set up their own cooperative. They use electronic weighing scales to manage payments to farm workers involved in tea picking. They are well organised and have minute books and attendance registers for their meetings. They have become much more disciplined. That has helped make them better off. The anecdotal evidence is strong.

RH: Yes, in answer to my own question I certainly saw the social premium having made a major difference among fair trade producers during visits I made to Chile, Kenya and India. They've started new health centres and schools in their communities.

RR: A producer group can definitely use fair trade as an opportunity to structure itself and make community improvements. That drive has to come from within – then marvellous things can happen.

RH: Why does the fair trade label only apply to a relatively small number of retail goods? Why haven't we got beyond coffee and chocolate?

RR: I'm convinced that this is a branding issue. People cannot emotionally associate fair trade with other products. You just don't think of fair trade cars. It works for coffee and for chocolate and not for much else. The trouble is that fair trade as a movement hasn't invested sufficiently in the brand.

RH: There is another category of ethical trade which is used about other products. Why fair trade for some and ethical trade for others?

RG: Attempts have been made with some success to fair trade other products. There's fairly traded charcoal. This sells well at the Coop. You can overcome mental obstacles

to some extent. But a new product development often needs substantial investment – both in terms of finance and marketing. Palm oil is another challenging area which Traidcraft has pioneered, but with limited success because of the lack of availability of the investment funds needed.

RH: Is the distinction between fair trade and ethical trade that they focus on different issues – one mainly on price, the other on labour conditions and human rights issues?

RG: Yes, there's something in that. There are issues like gender, organic and anti-slavery aspects that are now important to both producers and customers. They figure largely with ethical trade.

RH: Finally, Traidcraft has always been known as a Christian organisation. What difference has that made in practice?

RG: When I joined eight years ago I asked questions about Traidcraft's Christian foundations. 'A Christian response to poverty' is part of our mission statement and publicity. What has happened over the last three or four years under the pressure of events is that less attention has been given to prioritising the Christian roots of Traidcraft publicly. The proportion of Christian

staff has reduced, so that few now come to any organised prayer meetings. The Traidcraft Foundation trustees play a critical role in overseeing the Christian ethos. It is part of their responsibility to ensure that the Christian identity of the company is maintained. We intend to enshrine this in TC2, as we're calling the new version of the company – Traidcraft 2. We've therefore asked

the Foundation trustees what it is that they expect in practical terms.

RH: Has the Christian element just been a matter of motivation or has it made a difference to the content of what Traidcraft does?

RG: A Christian understanding of justice has certainly been strong in the work of Traidcraft Exchange, the campaigning and consultancy arm of

Traidcraft. It remains so. Fair play and the dignity of work, stemming from a Christian understanding of humanity, are fundamental convictions that drive the work of Traidcraft Exchange. You've probably seen the 'Who picked my tea?' campaign, drawing attention to the poor conditions of tea

workers in Assam, India. The Exchange has worked hard to keep the Grocery Code Adjudicator, which oversees supermarkets' treatment of their suppliers, up to the mark. That's founded on Christian convictions about sticking up for those in danger of being exploited.

RH: So is the work of the Exchange continuing in much the same way?

RG: Yes, Traidcraft Exchange continues to do well. The reserves are healthy and the Exchange is in receipt of substantial grants.

RH: I know Traidcraft has always felt that running a company alongside a charity gives credibility to its campaigning work. Do you feel that's still the case?

RG: Yes, that is still the case, even if the size of the company is much reduced. Traidcraft Exchange continues undeterred. We are for example exploring the possibility of setting up a European office in Amsterdam post-Brexit.

RH: Robin and Ram, thanks very much for your time. Keep up the good work! I pray and wish God's blessing on you for the future. 🙏



Ram Gidoomal



Robin Roth