

DEVELOPING STRATEGIC BENCHMARKING, INNOVATION, AND COMMUNICATION IN THE GLOBAL CERTIFICATION MARKET FOR FAIR TRADE USA

by

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TABLE OF CONTENTS

Introduction	2
Phase One	3
Landscape Assessment	3
Summary Tool	3
Developing Themes	4
Phase Two	7
FTUSA Research	7
Report Card	7
Grading Methodology	7
Development	10
Comparison	10
Key Findings	11
KPIs	12
Phase Three	13
Interviews	13
Coconut Impact Report	14
Research Findings	14
Limitations and Conclusion	15

Introduction

Fair Trade USA (FTUSA) is a 501-3C nonprofit that audits and certifies transactions between United States companies and their suppliers that are located overseas. It is a leading third party certification scheme. FTUSA's focus is on the triple bottom line (people, planet, profit) in global agricultural commodities. Their mission is to "enable sustainable development and community empowerment by cultivating a more equitable global trade model that benefits farmers, workers, fishermen, consumers, industry, and the earth" [1].

FTUSA partners with companies like Patagonia, General Mills, and Pottery Barn [2]. These brand companies pay a premium to Fair Trade USA to ensure a social and economic benefit to workers. Fair Trade USA is starting to put more emphasis on the environmental sustainability of their commodities as well. They certify product category goods such as clothing, beauty care, food and beverage, flowers, shoes and sporting goods.

In turn though, these companies and end consumers want to know what impact their additional premiums are making on the ground. Therefore, FTUSA produces impact reports on their key commodities including cocoa, coconut, sugar, and tea. FTUSA wants to ensure in these impact reports they are providing information in the best way possible to their audiences in order to stay relevant and competitive.

Angie Crone, Manager of Impact Reporting, posed the following questions to be addressed for this Master's Project:

1. What are the best practices and key performance indicators in the certification market?
2. Where does FTUSA fit in the market, what is the best content to deliver, and how will FTUSA be effective and measure their impact?
3. What is the best way to deliver FTUSA impact data to all partners that enhances commitment and engagement with a diverse range of customers?
4. What qualitative and quantitative indicators can FTUSA use to grade their performance in impact reporting?

In turn, these questions created the goal of this Master's Project which was to inform FTUSA on how to best communicate impact. Our project is divided into three phases, with deliverables within each, in order to address the aforementioned goal and questions.

- Phase 1: Corporate Social Responsibility Market Landscape Assessment
- Phase 2: Fair Trade USA Impact Benchmark Analysis
- Phase 3: Impact Report Design and Implementation

Phase One

The objective of Phase One was to conduct research on global retailers, consumer product goods (CPG) brands, and certification schemes. The main deliverables were a landscape assessment and a market benchmarking tool.

Landscape Assessment

The first step of the landscape assessment was to conduct research on retailers, brands, and certification schemes related to FTUSA certified products. FTUSA provided a list of fifteen organizations to research, analyze, and assess. It is important to note that Fair Trade USA was not included at this point in order to exclude biases within the market analysis. The following organizations were analyzed:



Figure 1. Organizations analyzed for the landscape assessment of Phase One.

- Retailers: Walmart, Marks & Spencer, ALDI, Kroger, Mondelez International
- Brands: Cargill, Hain Celestial, MARS, P&G, Hershey's
- Certifications: FairTrade International, Rainforest Alliance, IMO, CocoaAction, Bonsucro

Topics researched across all organizations were the organizations' major focus, key performance indicators (KPIs), engagement with the Sustainable Development Goals (SDGs), types of public reports, consumer facing strategy, and their reputation. This research was then organized into a sixty-page landscape assessment report.

Summary Tool

In order to visualize the findings of the landscape assessment, all research was summarized into a database to create a summary tool (Figure 2). This tool allows FTUSA to choose any organization in a drop-down menu to get a summary of the following topics the organization publically addresses:

- Mission
- Major Focus
- Size/Scope
- Partnerships
- Social Media Metrics (Facebook, Instagram, Twitter, Pinterest, LinkedIn, Youtube, and Google +)
- Focus Areas
- Reporting
- Environment
- Social
- Economic
- KPIs
- Goals
- SDGs

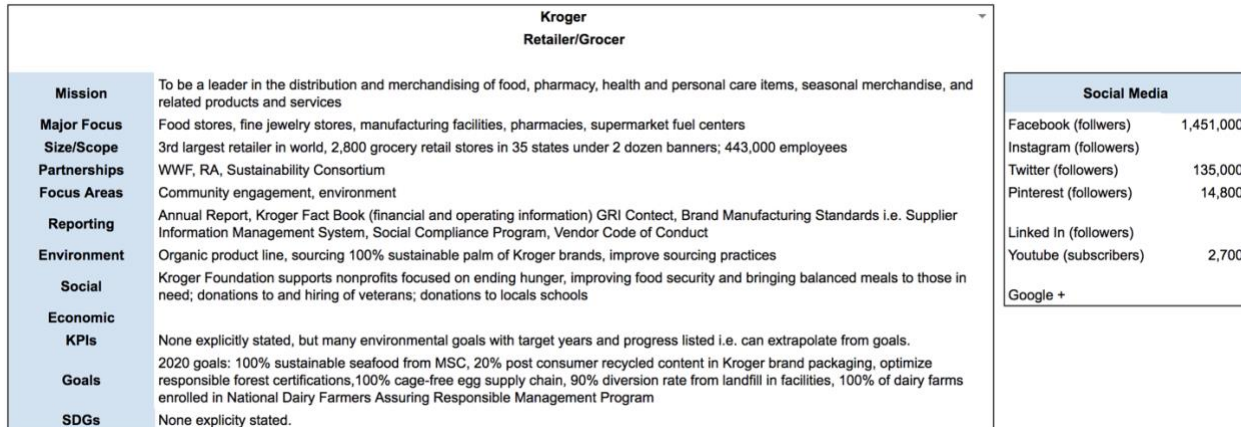


Figure 2. A screenshot of the summary tool visualizing Kroger’s information.

The intent of this tool is for any member of the FTUSA Consumer Product Goods (CPG) team or anyone in FTUSA to be able to review before a meeting and understand what is important to the chosen organization and also areas where FTUSA could be of help.

After completing the summary tool and presenting it to the client, it was necessary to take a step back and look at the organizations from a broader lens. Commonalities across the organizations were assessed and grouped into categories in order for FTUSA and the researchers to comprehend how the market was communicating impact.

Developing Themes

Once the commonalities across the organizations were established, five themes with twenty-one coinciding sub-themes were developed (Figure 3). These themes and subthemes were the topics found to be the most important in publicly communicating impact based on the landscape assessment.

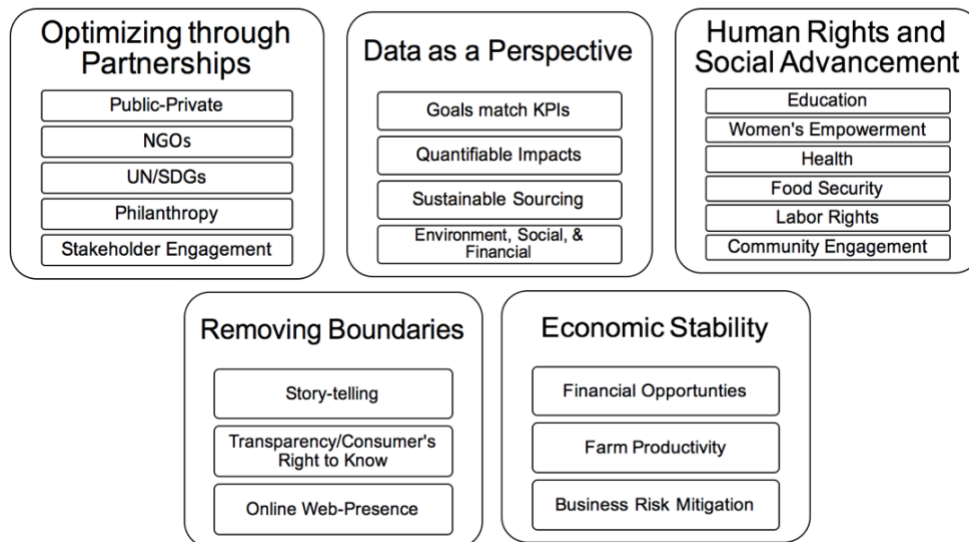


Figure 3. The five themes and corresponding twenty-one sub-themes found across all fifteen organizations in the landscape assessment of Phase One.

The first theme was optimizing through partnerships. Many organizations partnered to increase the scale of their impact. This was represented through addressing the sustainable development goals, understanding what their stakeholders expected of them, or donating to local organizations that supported their mission.

1. Optimizing through Partnerships
 - a. Public-Private
 - b. NGOs
 - c. UN/SDGs
 - d. Philanthropy
 - e. Stakeholder Engagement

The second theme, data as a perspective, highlights how organizations are using data to convey quantifiable impacts. This was often represented in all three aspects of the triple bottom line of sustainability: social, environmental, and economic. More forward thinking companies had their goals match their key performance indicators and stated this publically.

2. Data as a Perspective
 - a. Goals match KPIs
 - b. Quantifiable Impacts
 - c. Sustainable Sourcing
 - d. Environment, Social, and Financial

The third theme, human rights and social advancement, encompasses a lot of the social aspects of corporate social responsibility which for leaders in this space is no longer a compliance or risk-mitigation issue but a value-added piece of their strategy such as the sub-themes of labor rights and community engagement.

3. Human Rights and Social Advancement
 - a. Education
 - b. Women's Empowerment
 - c. Health
 - d. Food Security
 - e. Labor Rights
 - f. Community Engagement

The fourth theme is removing boundaries. Calls for transparency are increasing; consumers want to know more about a company than ever before. Additionally, they want to be emotionally connected through individual stories.

4. Removing Boundaries
 - a. Story-telling
 - b. Transparency and Consumer's Right to Know
 - c. Online Web-Presence

Our fifth and final theme is economic stability. The organizations researched need economic vitality to function and work towards their mission. A trend found though was an emphasis on giving workers, farmers and community members financial opportunities as well.

5. Economic Stability
 - a. Financial Opportunities
 - b. Farm Productivity
 - c. Business Risk Mitigation

These five themes and corresponding subthemes influenced the rest of the project, including benchmarking in Phase Two and the report design in Phase Three.

Phase Two

Phase Two of the project focused on the goal of determining how Fair Trade USA's impact reporting aligned with the market. The primary deliverable was an interactive report card that allowed for visualization and analysis of each of the five themes and twenty-one sub-themes of Phase One.

FTUSA Research

Phase One's focus intentionally excluded research on FTUSA to prevent bias during the market landscape research. But now in Phase Two, extensive analysis was conducted to better understand how FTUSA was conveying impact based on the same indicators (ex. mission, KPIs, SDGs, etc.) used in Phase One. It is critical to note that even though work throughout the project was completed with FTUSA's guidance, only publicly available information was viewed to keep the benchmarking fair. Our research utilized the following FTUSA public resources:

1. Impact Management System Framework
2. Website and online information found
3. Commodity Impact Reports including coconut, tea, and sugar
4. FTUSA's Annual Report

Summary documents were also created regarding both the FTUSA Commodity Impact Reports and Annual Report to guide decisions in Phase Three's development of the coconut Impact Report.

Report Card

A report card was developed to combine the landscape assessment in Phase One and FTUSA research. This report card encapsulated a visual model and performance standard for FTUSA. Not only does the report card compare across organizations overall, but also across each theme, subtheme, and organization type. These comparisons are accompanied by radar charts for scores of the five themes (Figure 8). The Report Card's functionality also includes direct links between each score and its corresponding justification. Ultimately, the report card was comprised of 416 data points.

Grading Methodology

Now that information was gathered for all sixteen organizations, including FTUSA, a methodology was needed to quantify their performance based on the qualitative themes and sub-themes of Phase One. This quantification was important so that all organizations could be graded against the same criteria. This allowed for a score to be assigned and performance to be compared against each organization.

Each of the sixteen organizations were graded on every subtheme. All of the organizations were able to receive a maximum of four points or a minimum of one point under each subtheme. A score of four points was given to an organization which had similar or exact language to the subtheme, a stated action associated with the subtheme, and quantified the impact of said action and/or subtheme. A score of one point was given if no information related to the subtheme was found. Below is the scoring method developed based on a point system ranging from 1 to 4.

4	Similar or exact language + stated actions + quantified impact.
3	Similar or exact language + stated actions by said organization or through partnership.
2	Similar or exact language. No stated actions.
1	Not found in reports or online.

Figure 4. The scoring method for all sub-themes addressed within the report card.

Additionally, to ensure integrity, consistency, and repeatability, each point value was associated with corresponding reasoning statements. These include why the point was assigned and a citation of what information was found and where it was found.

Each of the five themes had a total possible point value of 4 x n subthemes. For example, the theme economic stability had a total of three sub-themes, therefore an organization could obtain a possible twelve total points (4 x 3) on this theme. There was no weighting of any sub-theme or theme.

It is important to note that of the twenty-one subthemes, two were graded subjectively: storytelling and online web presence. This was due to the fact that both were based on user experience and ease of finding information on the organizations' websites. Therefore, these subthemes were graded on a scale of 1 to 4 also.

Figure 5 demonstrates the maximum point value for each theme, subtheme, overall, and the associated percentage scores, and Figure 6 displays the letter grade scale.

	Maximum Possible Points	% Value
Subthemes	4	Divided points received by total possible points.
HUMAN RIGHTS AND SOCIAL ADVANCEMENT	24	
ECONOMIC STABILITY	12	
OPTIMIZING THROUGH PARTNERSHIP	20	
REMOVING BOUNDARIES	12	
DATA AS A PERSPECTIVE	16	
Overall	84	

Figure 5. The maximum point value for each sub-theme, theme, overall, and the associated percentage scores.

After assigning points, the percentage score was calculated for each organization. This was based on the total possible points that could be received in each theme, knowing that each sub-theme could receive a maximum score of four. Each organization was then assigned an associated letter grade based on this percent score (Figure 6).

Letter Grade:	
0%	F
46%	D-
50%	D
55%	D+
59%	C-
64%	C
68%	C+
72%	B-
76%	B
80%	B+
85%	A-
90%	A

Figure 6. The letter grade scale paired with the minimum possible percentage value to receive the matched letter grade.

Development

Now that a quantitative methodology was established to score the organizations on performance, publicly available material was sought out for all twenty-one sub-themes for each of the sixteen organizations. Information was commonly found in organizational websites, annual reports, 10-Ks, and impact and sustainability reports. Once this research was complete, over 400 data points had been compiled to score each organization in order to develop the report card.

Comparison

Embedded within the full report card is a comparison tool that allows the user to make comparisons between any two organizations. In Figure 7, FTUSA is compared against certification organization, CocoaAction. At the top of the comparison tool the overall points, percentage score, and letter grade for each organization are shown. Below this, the tool further breaks down scores by theme and associated subthemes. The user can draw insights from this breakdown, such as FTUSA performs very well in the removing boundaries theme overall, but also FTUSA has room for improvement in the sub-themes of communicating impact on SDGs and matching goals and KPIs.

		ORGANIZATION 1: Fair Trade USA			ORGANIZATION 2: CocoaAction		
	Total Possible	Points Received	%	Grade	Points Received	%	Grade
OVERALL	84	65	77%	B	53	63%	C-
HUMAN RIGHTS AND SOCIAL ADVANCEMENT	24	19	79%	B	14	58%	D+
Education	4	4	100%	A	2	50%	D
Women's Empowerment	4	3	75%	B	2	50%	D
Health	4	4	100%	A	1	25%	F
Food Security	4	1	25%	F	1	25%	F
Labor Rights	4	3	75%	B	4	100%	A
Community Engagement	4	4	100%	A	4	100%	A
ECONOMIC STABILITY	12	10	83%	B+	10	83%	B+
Financial Opportunities	4	4	100%	A	4	100%	A
Farm Productivity	4	2	50%	D	4	100%	A
Business Risk Mitigation	4	4	100%	A	2	50%	D
OPTIMIZING THROUGH PARTNERSHIP	20	14	70%	C+	12	60%	C-
Public-private	4	4	100%	A	3	75%	B
NGOs	4	2	50%	D	3	75%	B
SDGs/UN	4	1	25%	F	2	50%	D
Philanthropy	4	4	100%	A	1	25%	F
Stakeholder Engagement	4	3	75%	B	3	75%	B
REMOVING BOUNDARIES	12	11	92%	A	7	58%	D+
Story-telling	4	4	100%	A	4	100%	A
Transparency/Consumer's Right to Know	4	4	100%	A	1	25%	F
Online Web Presence	4	3	75%	B	2	50%	D
DATA AS A PERSPECTIVE	16	11	69%	C+	10	63%	C-
Goals Match KPIs	4	2	50%	D	3	75%	B
Sustainable Sourcing	4	3	75%	B	3	75%	B
Significant Report Includes financial, environmental, and social	4	3	75%	B	2	50%	D
Quantifiable Impacts	4	3	75%	B	2	50%	D

Figure 7. The comparison tool embedded within the full report card comparing FTUSA and CocoaAction.

The comparison tool is fully functional and interactive, allowing the user to make comparisons between any two organizations analyzed through a drop down menu for each organization. A radar chart populated with data from the two organizations is also a helpful visual to demonstrate performance in these themes (Figure 8). In addition, a summary page was also created to display the same information as the comparison tool, but making comparisons across the three types of organizations: retailers, brands, and certifications to understand if one type of organization outperformed others. Overall, brands out performed retailers, who performed better than certifications on communicating their impact.

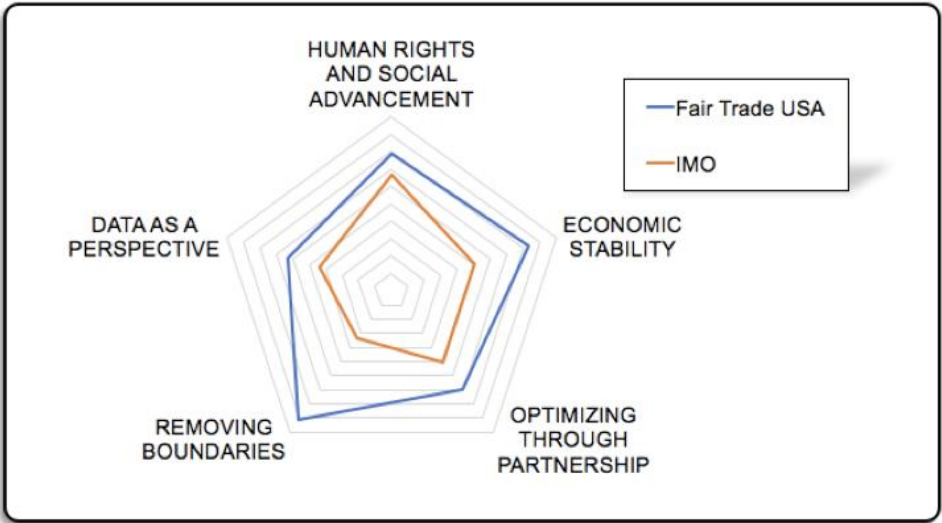


Figure 8. An example radar chart visualizing FTUSA and IMO's performance for the 5 themes.

Key Findings

Figure 9 on the next page demonstrates the findings overall from this benchmarking exercise. On the left, from top to bottom, are the letter grades each organization in that row received. Additionally, from left to right, in each row is the top performer. For example, Walmart and Hershey both received A's, but Walmart performed better than Hershey. Fair Trade USA received a B and out of all sixteen organizations was in ninth place demonstrating they had room for improvement in communicating impact.

A	    
B	      
C	  
D	

Figure 9. The overall grades for each of the sixteen organizations.

KPIs

The final deliverable for Phase Two was to develop Key Performance Indicators (KPIs) for FTUSA based on the report card and market research. FTUSA has yet to develop KPIs, but Fair Trade USA believes they are necessary and would like to implement them in the future. KPIs are:

1. Used throughout the landscape assessment as internal and publically reported tools,
2. Data/metrics used to track progress in general and towards goals, and
3. A key theme found in the market assessment research.

Fifty KPIs were developed and identified. These were based on commonly reported KPIs seen in the market that were applicable to FTUSA, as well as general indicators that FTUSA should track. Each KPI was associated with one of the five themes and a subtheme where applicable.

Finally, a tool was developed to note if brands, retailers, or certification schemes were reporting on each of these KPI. In order to make this applicable for FTUSA, a time scale road map was created (Figure 10). This road map gives FTUSA an idea of whether it would be easy to begin reporting in the near-term (person walking) or if a KPI should be a long-term goal (airplane). The longer-term goals are a focus that FTUSA can begin adapting their organizational strategy around, as it will mostly likely require more capacity.





Road Map	Meaning
	Already reporting or already tracking
	Other Certifications Doing/Low Hanging Fruit/Short-term
	Near-Term
	Long-Term/Stretch KPIs

Figure 10. Roadmap icons and associated meaning for KPIs.

Phase Three

The focus of Phase Three was to take all research findings and develop an impact report using the coconut commodity as a case study. Organizations use impact reports to effectively communicate their social, economic, and environmental work to a diverse audience, including consumers, partners, and other organizations. Fair Trade USA breaks their impact reports up by commodity.

Interviews

The first step to creating the coconut impact report was to gather information regarding what the internal team at Fair Trade USA thought of their current report techniques. Interviews were conducted with the CPG Business Development Manager, CPG Supply Chain Manager, and the Marketing Manager. Questions asked included, “What is the biggest challenge to conveying impact?” and “What do you see as an emerging topic for impact communication?” From these interviews, insights were gained for how to improve the current impact report.

Our findings from these interviews focused largely on the inability to accurately communicate impact. How do you measure this? How do you make consumers understand? How do you put the data into the context of what it means to the individual farmer? Coincidentally, it was found that FTUSA aims to utilize reporting on SDGs, environmental metrics, and effective data visualization in the near future; these topics had already been noted from the market research and highlighted as essential to include in the new impact report.

Coconut Impact Report

Phase Three culminated in a best-in-class coconut impact report. Coconut was chosen by FTUSA because it does not have a universal standard like some other commodity goods, such as cocoa and sugarcane. Fair Trade USA recognizes coconut as a new consumer trend that will have an increase in global demand in the next few years. From a consumer perspective, coconut is found in obvious products such as coconut oil and water, but also found in laundry detergents and soaps.

All previous work was incorporated into the development of the coconut impact report including the landscape assessment, FTUSA research, and the report card. Additionally, summary and opinion documents were created with comments on the content, layout, aesthetics, ease, and overall user experience of the following impact reports: West Elm's Impact Report, Honest Tea's Mission Report, Honest Tea's Origin YouTube video, Patagonia's short film, PepsiCo's #Howwillwe Campaign, CocoaAction's Annual Report, and Fair Trade USA's Almanac. Questions such as those below were answered, that ultimately influenced decisions about how to create the new coconut impact report.

1. What is pleasing about these reports or videos?
2. What are the major themes they celebrate?
3. What resonates? What is dissonant?
4. How do these align with what we know from our previous research?

From this analysis, we chose to use the software program Publitas that West Elm uses for their impact report. Publitas creates an online booklet from PDFs that allows the reader to flip through the pages. We used developed our PDFs in Canva, which was then inserted into the Publitas software.

Research Findings

The most significant research finding we found through our investigation and benchmarking exercises has been the importance of quantification. Quantifying impact with data and visual representations is what the market and consumers are asking for. Brands tend to be doing better on our criteria and we believe this is due to their capacity, position in the value chain, and financial resources. Another insight we found is that key performance indicators are a window into the organization. KPIs show what the organization is tracking and therefore its importance to them.

Lastly, we have found that impact is not readily available. Our research was conducted over countless hours with endless searches, so will the average consumer seek this information out?

Limitations and Conclusion

The overarching limitation of this project is that it is an academic project for a corporate client. We had time constraints that inhibited the scope that both FTUSA and ourselves would have liked to take. Another limitation is that our client is located in Oakland, CA so our work was done remotely. Even within our group, we worked remotely for over a semester. Lastly, we believe we are limited as we are external to the organization. We are not privy to their internal workings, but FTUSA consistently told us this was a benefit to the project and the backbone to why it was successful. We have done unbiased research as millennials, a large portion of their target audience, and they wanted an informed, new, outsider's perspective.

References

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