

Fair Trade Fashion: A business model analysis

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Fair Trade (FT) is an alternative social justice-based trading model that works with marginalized communities in developing countries to promote global equity, fair price, safe working conditions, and abolish poverty. The Fair Trade Fashion (FTF) supply chain is increasingly complex and distributed worldwide, making it difficult to establish reliable suppliers (Littrell et al., 2005). The market for FTF has been growing in recent years as consumers have become more aware of the social and environmental impact of the fashion industry. The global ethical and sustainable fashion market is expected to reach 9.81 billion dollars by 2025, with a compound annual growth rate of 9.81% from 2019 to 2025 (“Sustainable Fashion Market Analysis,” 2020). However, it is important to note that the FTF still represents a relatively small portion of the overall fashion market, and there are challenges associated with FTF production and distribution. In addition, the Covid -19 pandemic has significantly impacted the fashion industry, including FTF, as supply chains have been disrupted and consumer demand has shifted. Limited research that focuses on FTF businesses exists in academic literature. Hence, the purpose of this research is to identify and investigate the essential components of FTF businesses from a business model perspective and explore the challenges and opportunities for FTF businesses.

Osterwalder and Pigneur’s (2010) business model canvas was used as an analytical framework to analyze the operations of the FTF businesses. The nine specific components of the business framework include: key resources, key activities, customer segments, value proposition, channels, customer relationships, revenue streams, key partnerships, and cost structure. A qualitative interview method was adopted to understand better the unique FTF business context. A convenience sample of FTF business owners and store managers was solicited using an email invitation and snowballing technique was used to recruit additional participants. Primary data was collected using six in-depth semi-structured interviews of FTF businesses located in multiple states in the United States. As the study was exploratory in nature, the smaller sample size enabled a deeper assessment of the FTF business framework (Crouch & McKenzie, 2006). The interviews included questions based on the business model followed by questions on the impact of the Covid-19 pandemic and key challenges of the FTF businesses. The interview responses were transcribed verbatim and analyzed by the researchers.

The results of the study based on the components of the Osterwalder and Pigneur’s (2010) business model are summarized as follows. In addition to the typical activities of the traditional fashion businesses, the key activities of the FTF respondents include collaborating with artisans in design and production, primarily from developing countries. Personal

relationships with suppliers and artisan groups are the key resources of the FTF business respondents who travel to the sourcing destinations and interact with them. The respondents usually operated without formal contracts with suppliers through trust and communication daily. The interview responses suggest that the customers are generally socially conscious middle-aged and baby boomer women with disposable income and are looking for items which meet their social justice values. Most of the respondents sold textile and leather products such as pillows, dresses, aprons, shawls, scarves, bags of all sizes, baskets, handcrafted home decor items, and jewelry that are unique and generally made of upcycled or recycled materials. The FTF respondents believe in social impact and support indigenous women artisans by providing them access to the global market and financial resources for business growth.

The interview data also suggests that FTF businesses have both physical and e-commerce platforms as their channels of distribution. They regularly participate in wholesale trade shows and organize a range of local community events such as holiday fairs and pop-up shops. FTF businesses engage in communication with customers through behind-the-scenes storytelling that the products are made by artisans and do live sales using social media platforms. Some of the respondents seek to convert their customers into potential donors through donor programs due to their non-profit business structure. The key sources of revenue are sales in trade shows within the business-to-business context and through physical stores, websites, social commerce, and pop-up shops. The FTF respondents generally sourced from their key partner artisan groups in African, Asian, and Latin American countries including Brazil, Cambodia, Ecuador, Kenya, Mexico, Nepal, Sri Lanka, and Uganda. Although the costs involved are like traditional fashion businesses, the FTF respondents stated that the labor, travel, and shipping are usually high expenses.

The findings of our study reveal that communication, developing relationships with the artisan groups, and being sensitive to their needs are significant to FTF businesses. Additionally, the respondents stated that the recent economic uncertainty due to the pandemic had slowed their business hence seeking additional revenue streams through grants and partnerships with mainstream businesses may be beneficial for FTF businesses as an economically and socially sustainable business model. Furthermore, FTF businesses could develop marketing strategies to increase consumer awareness and target other demographics, specifically young adults which is one of the fastest growing consumer markets.

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