

Growing a Wholesale Business with Integrity

Presentations by Robert Chase, President of SERRV International (www.serrv.org) and Kevin Ward, Co-Founder of Global Crafts (www.globalcraftsb2b.com). Please do not publish or cite without attribution.

This is but one of many fair trade strategies. It happens to be the one we feel is appropriate for us. Growing with integrity is never easy and the temptations and pressures to cut corners on your values are ever present and growing.

Case Study - Global Crafts

More detailed info can be found at www.globalcrafts.info. Please enter the site using the Guest feature.

Historical Perspective

2002 – Sole Proprietor Business – Primarily a Bricks and Mortar Retail Store with Internet Store – Sales \$73,300 – Importing from Kenya – Joined FTF

2003 – Continuation of Retail and a small home based wholesale business – Sales \$196,000 – Importing from Kenya

2004 – Sold Retail Store – Moved to a rented 1,000 sq ft warehouse – first employee – Sales \$339,000 – Importing from several African Countries (Kenya , Uganda, South Africa) Incorporated as a S Corp

2005 - Sales \$490,000 – Started seeking producers from other parts of the world – focus on IFAT producers.

2006 – Sales \$651,000 - Purchased 2500 sq ft warehouse – Joined IFAT – In new product selection we placed a strong emphasis on the environment and recycling.

2007 – Sales \$875,000 – Achieved FTO status with IFAT. Trademarked Global Crafts – In 2007 our Retail sales were less than 4% of sales.

2008 – Budgeted sales \$1.1 Million (30% growth) – as of March 31st 2008 showing 22% growth - Purchased additional 3750 sq ft of warehouse space (2500 of which is currently rented to a tenant) Launched Gifts With Humanity as a retail brand.

Focuses that we believe have enabled growth

- Messaging - Working closely with producer partners on social values and producing materials to enable retailers to pass these values on to consumers. Examples include Tags , Point of Sale Cards
- Systems – When we have a problem we do not just fix it, we examine the process and put systems in place to prevent it happening again.
Example : In 2006 we started seeing high error rates in packing and introduced Bar Code System. In 2007 we estimate that we issued \$1422.91 refunds on \$875,000 in sales. Approx 0.02% - This keeps costs down, customers happy and us profitable.
- Customer Service – It is far cheaper to keep customers than it is to seek new ones. Never argue about a faulty product – always refund; no questions – etc Fast shipping enables more order turns. Online Rewards Points.
- Employee Retention and Development – We currently have 4 full time employees plus myself and Renice. In the 4 years we have been an employer, no employee has left. We provide Health Care, Education allowance, IRA, more than local wages, holidays etc.
- Marketing – We are aggressive and getting more aggressive in marketing. Our marketing includes – direct (sending products, regular newsletters) , Google marketing (currently \$1500 per month) , print in wholesale publications (New Age Retailer, MSA, Museums & More, MSA Product News, E Magazine (retail)

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- Transparency – We firmly believe that our role is to support our partners, we post as much info as we can on our .info website. This openness not only supports our values but it provides customers with confidence and often leads to increased direct sales for our producer partners. We think that on balance this strategy increases our sales.
- Cash Flow – We have been willing to take risks – we have not had a positive bank balance since the end of 2005 – traditional credit lines from our bank provide around \$250,000 in available credit. Long term strategy is to use the buildings as collateral for extending lines of credit.
- Emphasis on cost reduction (in USA) and flexibility – We seek to reduce costs in our US operations – we make our own Tags – systems to reduce errors – aggressively negotiate shipping discounts. We do not produce catalogs or attend shows. Online ordering and stock maintenance prevents – backordering or out of stock issues.

Specific Examples of things that have worked and that have not worked

Failures

- In 2007 we spent \$6000 having a commercial produced and played at The Summer Of Love Concert in LA – Resulting orders ZERO
- In 2004 we produced several thousand catalogs – they fast became out of date and ended up in the trash.
- A general failure is our lack of capacity to design new products. We rely on producer partners ...

Successes

- Increased Google AdWords, in April 2007 we refocused our marketing on wholesale – rather than seeking to attract buyers through our retail front end. We increased Google spend on wholesale related keywords to \$1500 from \$500 – The summer of 2007 saw year on year increases of 60-80% per month.
- Wholesale Print Ads – mixed results but the ones that have worked have worked well
- Online Rewards Points – We issue electronic rewards points with orders that can be cashed in for specific items, vouchers, or donations.
- Without doubt the cheapest and most successful thing we do is a regular e-newsletter to wholesale prospects and customers signed up online. On average we get a 50% increase in business the day we send a newsletter, even if we are not offering any discount. Customers want to feel part of something bigger, we try hard to share our values, introduce producer partners etc.

Summary

We believe that a strong market exists for Fair Trade goods, both within the narrowly defined Fair Trade sector and within a much bigger socially conscious marketplace. The advantage and strength Fair Traders have over others is our values, customers want to buy in to these values. If we live these values and present them with confidence, we both maintain our integrity and grow. We currently work with around 40 producer partners in 12 countries and supply at least 600 stores on a regular basis. Our wholesale website has over 5000 customers registered. On average we get 15 new customer signups a day and in the first 3 months of 2008 50% of our orders are from new customers. While conditions will be difficult through 2008 we believe that despite the economic conditions the market is there for expansion, we also recognize that in the scheme of US businesses we are very small and have long way to go.

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Case Study – SERRV International

More detailed info can be found at www.serrv.org.

Historical Perspective

1947 – Started as outreach program of the Church of the Brethren General Board. Imported crafts made by refugees in Europe and sold them at sales held by local churches.

1952 – Store established in New Windsor, Maryland

1960 – Program becomes ecumenical through partnership with the National Council of churches. Program focus moves to developing countries and to working with refugees, many fleeing mainland China.

1970s – Regional distribution Centers established, focus continues to consignment sales through local congregations of various denominations.

1989 – SERRV begins wholesaling to stores, mostly nonprofit “fair trade” stores. Total sales approximately \$2,900,000. SERRV is member of NAATO, the predecessor to FTF. SERRV is founding member of IFAT.

1990 – SERRV begins distribution of direct mail catalog.

1991 – Sales approximately \$3,600,000 of which only about 15% is wholesale to retailers.

1995 – SERRV and CRS partner to promote fair trade with a focus on handicrafts.

1998 – SERRV and LWR partner to promote fair trade with a focus on handicrafts

1999 – SERRV is spun off by the Church of the Brethren General Board and becomes an independent nonprofit organization.

2001 – SERRV increasingly focuses on the developmental impact of its work with 95 producers \partners in 36 countries. Moves administrative, international development, marketing, sales and product development and merchandising departments to Madison, Wisconsin. Sales \$6,400,000.

2007 – SERRV is certified as a fair trade organization by IFAT and successfully completes external monitoring process.

2008 - Revenue budget \$12,000,000 of which 27% is to come from wholesale to retailers (mostly fair trade shops) and 40% from wholesale and consignment to churches of many denominations including Lutheran, Catholic, Unitarian, Presbyterian, UCC, Methodist and many more. SERRV continues to emphasize working through a fair trade supply chain all the way to the consumer.

Structure, Staff and Facilities: Nonprofit Organization incorporated in the state of Maryland. 10 Member Board of Directors from throughout the US, Approximately 32 full time permanent employees in two locations, 15-75 seasonal and part-time employees, 50,000 sq. feet of warehouse space, 8000 sq feet of office space, two corporate stores. Permanent Employees receive full benefits including health, dental, disability and life insurance, vacation, sick pay, flexible spending accounts and pension.

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Focuses that we believe have enabled growth

Given our commitment to work through a sourcing and distribution chain where all parties are committed to similar values, we are clear that there is nothing more important than being clear about our mission, approaching all of our work with integrity even when it has a negative short term financial impact and communicating clearly and continuously our mission to our customers and potential customers

- **Mission and Core Values...**keep it simple, review it often and make sure your staff knows and believes in it. It must be clear the organization lives the mission on a daily basis and makes decisions based on the mission. Regular meetings with staff at all levels to review the mission and its implications are essential.
- **Use your Values ...every day...**as we prioritize our daily work, make decisions related to everything from packaging, to product development to personnel policies we strive to stay true to our core values. Employees, volunteers, donors, customers, supporters, family members recognize authenticity...and its absence. You can't fake it for long.
- **Communicate what makes your unique clearly**, continuously, in all you do. Remember that your wholesale customers want to be perceived as being socially responsible also..let them share and be part of the story.

There are a million ways to do it...some of them are:

- Make sure your web site sells your mission and values as well as your products
 - Promote your customers.. help people find them.
 - A newsletter, both electronic and paper, that focuses on your impact, your values with personal impact stories differentiates
 - Invite your customers in...make them aware how much you need them, ask them for advice and input and be clear you are "in business together".
 - Connect your products to your mission every chance you get. Hang tags, web, and catalog stories and most importantly in person and on the phone...
- Quality Counts in everything: products, packaging, shipping, invoicing. Make it clear to your employees and customers that your goal is to be the very best.
 - Make good on your commitments...if you screw up, own and fix it, no matter what it costs..Word will get around.
 - Ask for referrals from your customers...a satisfied customer can be your best sales person.
 - Even in the electronic age, nothing beats personal contact. You are never too busy to talk to your customers about your mission, your new products, about their problems and challenges.
 - Ask for feedback continuously and make it clear you want to hear the bad stuff. - and then react to it.
 - Talk to your customers in language they understand. Your values and mission shouldn't change, but how you tell the story should.
 - Be flexible and nimble. You've got to react to changing conditions and you have to react fast...and if you haven't been talking to your customers you are going to be flying blind when you react.

Summary

In today's world we have to get it all right: Clarity of mission, authenticity, uniqueness, good products and clarity about who our target customer is; and, because our values generally prevent us from cutting corners and impose additional operating requirements on us. We need to work harder than our competitors and have to focus on customers who share our values and care enough to support them.