

cafédirect®

“Good Business Makes Business Sense”

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Background

Started in 1991 off the back of the crash in global coffee prices. Traidcraft, Oxfam and two other partners buying a container of coffee, bypassing the global market and launching one ground coffee SKU.

Today Cafédirect has 42 SKUs and is the largest and leading FairTrade hot drinks company with 22% of the sector. They are the 6th largest UK coffee brand and 3rd largest in ground coffee with £18m turnover. They have 33 producers in 11 countries, the business has a positive impact on 250k growers. Currently expanding into Out of Home with 2,000 outlets: cafés, restaurants and higher education ... not least through vending.

Cafédirect pay a 10% “social premium” on world prices and Cafédirect buyers actively encourage producers to use other routes to market. 2004 premiums paid to growers amounted to £2.4m, 8% of gross profits. The business is now a plc; following a £5m fully subscribed share-issue last year the business has 4,500 shareholders.

The Market for Fairtrade

Whilst the ethical (eg Free Range eggs) and fairtrade markets have grown dramatically over recent years, IGD research highlights that most people are not interested in altruism. This is the result of ignorance, apathy or the belief that it is industry’s responsibility to be sustainable/fair. In other words, shoppers do not want to compromise on quality and will only pay a slim premium once they trust the quality.

“Excellent” is now included in the branding and Cafédirect only operates at between a 10 and 15% premium on non-Fairtrade brands. The business has to challenge the status quo with a relatively small marketing budget. The hot retail drinks category is itself in decline (sales displacing to foodservice?) and this leaves Cafédirect fighting for a larger share of a shrinking market.

Recent Market Activity

Decaffeinated tea launched from Kiegoi in Kenya.

Integrated Daily Mail ads with request that "acts of decency" be reported on their website (prize = tea for 2 at the Ritz).

5065 liFT activity at Edinburgh Festival – generating PR.

"Take the plunge" with money off Bodum products

Sampling at hypermarkets (car park trailer) and English Heritage concerts.

The focus over the next year is on deepening the connection between consumers and growers, some growers are visiting the UK as part of this programme.

Summary compiled by

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