

Norwegian University
of Life Sciences

Master Thesis 2017
Faculty of Social Sciences
School of Economics and Business
30 credits

Information Sharing and Market Orientation in Direct Supply Chains

A Case Study of Direct Trade in the Tea Industry

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Master degree in Entrepreneurship and Innovation

Title: Information Sharing and Market Orientation
in Direct Supply Chains: A Case Study of Direct
Trade in the Tea Industry

Thesis submitted for master's degree in
entrepreneurship and innovation, School of
Economics and Business, Faculty of Social
Sciences, Norwegian University of Life Sciences

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Print: Studentskipnaden i Ås, Rotator

Preface

This thesis is the final chapter of my master studies in entrepreneurship and innovation at the Norwegian University of Life Sciences.

I've been fascinated and inspired by the history, culture, aroma, and flavour that *Camellia sinensis* has to offer ever since I started working for a specialty tea retailer in Oslo in 2012. It felt like discovering a whole new world as there was so much to learn. One of the first things I learned is that you can never know everything about tea. A Chinese proverb states that the world of tea simply contains so many varieties and so much knowledge that you cannot learn it all in one lifetime. This became very clear while working with this thesis. The tea industry is old, widespread, and complex, and it can be difficult to navigate, no matter how much experience with the industry you have. I have also learned that this industry is facing a number of challenges, and so this study is a humble attempt to shed light on some of the aspects of this complex industry that is centred around an evergreen which has given me many memories, many friends, and lots of caffeine. The latter part was an essential part of the writing of this thesis.

I would like to thank these friends and my colleagues who share my passion for tea and have been engaged in many conversations and discussions, wanting to understand as much about this industry as we can. I would also like to thank all the participants of this study who were all very enthusiastic and knowledgeable. We all share a passion for this industry. My advisor at NMBU, Elin Kubberød, deserves gratitude for keeping her cool and patiently guiding me through all the ups and downs that this writing process put me through. Finally, I owe my biggest thanks to Henrik, who is a wordsmith, a rock, and the cooker of dinners that fuelled my brain and provided much needed breaks between long hours of work.

Sammendrag

Formålet med denne studien har vært å øke forståelsen av relasjoner i direkte verdikjeder og hvordan nære relasjoner mellom leddene i slike kjeder kan føre til økt informasjonsflyt. Fenomenet undersøkes gjennom direkte handel i te-industrien, nærmere bestemt i det segmentet som i bransjen kalles “specialty tea”. Videre utforsker studien hvordan økt informasjonsflyt kan påvirke leddenes markedsorientering, både individuelt og som verdikjede. Resultatene av disse undersøkelsene utgjør grunnlaget for å kunne besvare studiens problemstilling: På hvilke måter kan direkte handel skape en fordelaktig relasjon for informasjonsdeling og hvordan påvirker informasjonsdeling markedsorienteringen til firmaer som handler direkte?

Studien belyser viktigheten ved informasjonsflyt og beskriver de relasjonelle aspektene som karakteriserer nære forbindelser mellom produsenter og distributører i “specialty tea”-sektoren ved å benytte teori om “supply chain learning” og “supply chain orientation”. Videre er teori om markedsorientering benyttet for å utforske hvordan leddene i verdikjeden utnytter informasjonen de deler seg i mellom.

Gjennom et eksplorativt fler-case-studie har fire dybdeintervjuer blitt gjennomført med to forskjellige produsenter og to forskjellige distributører som alle praktiserer direkte handel. Dataen danner et bilde av hvilke relasjoner som oppstår i en direkte verdikjede, hva slags informasjon som deles mellom aktørene i slike relasjoner og hvordan denne informasjonen kan påvirke aktørenes markedsorientering.

De empiriske funnene viser at aktører som praktiserer direkte handel har tette relasjoner og tillit til sine partnere, og at de samarbeider om å sikre informasjonsflyt i verdikjeden. Aktørene fokuserer mest på å spre informasjon som tillegger produktet mer verdi. Funnene bekrefter tidligere forskning som har funnet at produsenters markedsorientering har en innvirkning på distributørers markedsorientering, og at markedsorienterte firmaer har tette relasjoner til sine partnere til dels grunnet deres hyppige informasjonsdeling. Videre viser funnene at markedsorienteringens tre komponenter, generering, spredning og respons til markedsdata, ikke nødvendigvis er av like stor viktighet for alle leddene i en verdikjede.

Abstract

The aim of this study has been to increase the understanding of relationships in direct supply chains and how closer relationships between links might lead to increased flow of information. The study does so by exploring the phenomenon of direct trade in the specialty tea industry. It explores how increased information flow influences the degree of market orientation in the supply chain as a whole and for the individual links. The results of this investigation are employed to answer the following problem statement: In what way does direct trade create a beneficial relationship for information sharing and how does information sharing influence the market orientation of companies engaging in direct trade?

By employing the literature on supply chain learning and supply chain orientation, this study sheds light on the importance of information flow and describes the relational aspects that characterise close relationships between producers and distributors within the specialty tea sector. Literature on market orientation is employed to explore how the information shared between upstream and downstream actors is utilised.

The study was designed as an explorative multiple case study, and four in-depth interviews with two different producers and two different distributors who engage in direct trade were conducted. The resulting data creates an image of the type of relationship that arises in a direct supply chain, what information is typically shared in these relationships, and how this information influences the subjects' market orientation.

The empirical findings show that actors engaging in direct trade have strong supplier-distributor relationships with a high level of trust, and that they collaborate to ensure information flow. In particular, their efforts are focused on disseminating information that adds to the value of the product. The findings support notions in existing literature suggesting that producers' market orientation can affect distributors' market orientation, and that market oriented firms have strong relationships due to their high degree of information sharing. Furthermore, the findings suggest that all three components of market orientation, generation, dissemination and responsiveness of market information, may not be of equal importance for all links in a supply chain.

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1 Introduction

1.1 Introduction and problem statement

“Coffee is now where wine was ten years ago.”¹ This was stated by the chief buyer for a major coffee retailer in the United Kingdom in 2004 and describes what is called the “third wave” movement in the coffee industry. In general, the “third wave” can be defined as the stage when specialty retailers, distributors, and customers are starting to view products such as coffee as an artisanal handcrafted product rather than solely a commodity.² The third wave coffee movement has gained more recognition since 2004, and now, in 2017, as tea is following in the footsteps of coffee, it can be said that tea is now where coffee was ten years ago. In an interview with the *San Francisco Magazine* in the spring of 2014, the founder of Samovar, a contemporary tea lounge in San Francisco, Jesse Jacobs proudly announced the arrival of the third tea wave in the tea industry with the words “Fancy contraptions, minimalist storefront, and Chinese production—It’s not the Apple Store, it’s third wave tea”.³

In the third wave movement products like coffee and tea are becoming “de-commodified”. When a product becomes de-commodified it is reaching a state when, according to Robert Fitter and Raphael Kaplinsky, quality is valued over quantity, and a product’s origin, producers and production methods become important factors in the differentiation of the product, comparable to product differentiation in the wine industry.⁴ In the third wave many distributors are not marketing their own brand name, but rather the origin of the product. Their brand recognition is built by their ability to source high quality teas, the way they handle their social responsibilities, and the transparency of their supply chain.

In the third wave we find “direct trade”: a response to market trends concerning quality, supply chain transparency, and ethical trade. Direct trade may be understood as a minimal supply chain, consisting only of three links: the producer, the distributor and the consumer.

¹ Robert Fitter and Raphael Kaplinsky, “Technology and Globalisation: Who Gains When Commodities Are De-commodified?”, *International Journal of Technology and Globalisation* 1, no. 1 (2004), pp. 5–28, q. at p. 7.

² Stuart Jeffries, “It’s the Third Wave of Coffee!”, *Guardian*, 16 March 2009, <https://www.theguardian.com/theguardian/2009/mar/16/best-barista-britain-coffee>.

³ Rebecca Flint Marx, “Fancy Contraptions, Minimalist Storefront, and Chinese Production—It’s Not the Apple Store, It’s Third Wave Tea”, *San Francisco Magazine*, 1 July 2014, <http://www.modernluxury.com/san-francisco/story/fancy-contraptions-minimalist-storefront-and-chinese-production-its-not-the-appl>.

⁴ Fitter and Kaplinsky, “Who Gains When Commodities Are De-commodified?”, p. 7.

By cutting intermediaries, distributors and producers engage in direct relationships with each other. Direct trade can therefore be seen as a way of trade that facilitates information flow by allowing for closer collaboration between producers and distributors. Cutting intermediaries and allowing for information flow can possibly provide better market orientation for both parties. Still, there is a limited amount of studies on this recent development in the coffee market, and none in the context of the tea industry. Hence, we do not know what effects direct trade has on the tea supply chain. The present study addresses this lack of knowledge by attempting to answer the following question:

In what way does direct trade create a beneficial relationship for information sharing and how does information sharing influence the market orientation of companies engaging in direct trade?

1.2 The tea industry today

Tea, a product derived from varieties of the plant named *Camellia sinensis*, is produced in over 50 countries. Tea exports accounts for a large part of the economy of many Asian and African countries, employing over 13 million people worldwide.⁵ The industry is growing by approximately 5% every year.⁶ There are a number of issues facing the industry, and these issues are growing more complex and pressing concurrently with increasing sales and production. The Intergovernmental Group on Tea (IGG) under the Food and Agricultural Organization of the United Nation (FAO) states that around 60% of the total global tea production is produced by smallholders.⁷ This makes up around 8 million farmers.⁸ Even though the smallholders dominate the supply chain in terms of total production, many of

⁵ Jason Potts, Matthew Lynch, Ann Wilkings, Gabriel Huppé Maxine Cunningham, and Vivek Voora, *The State of Sustainability Initiatives Review 2014* (Winnipeg: International Institute of Sustainable Development, 2014), pp. 297–321, p. 297. Accessed 10 May 2017, http://www.iisd.org/pdf/2014/ssi_2014.pdf.

⁶ Food and Agriculture Organization of the United Nations, *Smallholder Tea Producers Benefit from Harmonized Safety Standards*, accessed 20 March 2017, <http://www.fao.org/in-action/smallholder-tea-producers-benefit-from-harmonize-safety-standards/en/>.

⁷ From the report of the 22nd meeting (25 May 2016) with the Intergovernmental Group on Tea, a subgroup of Food and Agriculture Organization of the United Nations, “Working Group on Smallholders: Proposed Action Plan for the Confederation of International Tea Smallholders”, <http://www.fao.org/economic/est/est-commodities/tea/tea-meetings/tea22/en/>.

⁸ *Ethical Tea Partnership*, “Smallholder Tea Farmers”, accessed 20 March 2017, <http://www.ethicalteapartnership.org/category/key-areas/smallholder-tea-farmers/>.

these upstream actors often have little power and knowledge about the market as a whole and of consumer trends. Several studies show that many smallholders producing tea have low margins, and that there is asymmetry of information.⁹ Not surprisingly, most of the profit is absorbed by larger companies dominating the downstream part of the supply chain that engage in the most profitable activities like marketing and packaging, and therefore, little of the total value of the product is captured in the country of production. In addition, leading downstream actors and intermediaries within the industry do not typically disseminate market information throughout the supply chain. In a report on the state of the industry the FAO concludes that “the situation of tea smallholders continues to be problematic because their cost of production tends to be higher than the prices they receive for fresh tea leaves”.¹⁰ Having little economic incentive, scarce information, short and non-consistent relationships with buyers and little capital, farmers do not prioritise proper irrigation or safety measures when harvesting, and they choose the pesticides that are readily available, often without knowledge of what these can do to the quality of their product, their own health or the long term effects these pesticides have on their land.¹¹ This situation affects the farmers’ livelihood, but it also affects the environment, the quality of the tea, and the sustainability of the industry as a whole. When producers have limited information about the market and tea production is not profitable for the smallholders who accounts for 60% of the global tea production, it is difficult to supply a growing industry.

To try to tackle the information and power asymmetry, many different companies and organisations are working to find possible solutions. The FAO, for example, has established the IGG, a forum used to assess the global market situation and provide consultation on

⁹ See for example: Nguyen Viet Khoi, Chu Houng Lan, and To Linh Huong, “Vietnam Tea Industry: An Analysis from a Value Chain Approach”, *International Journal of Managing Value and Supply Chains* 6, no. 3 (2015), pp. 1–15; H.M.U.N. Herath and S. De Silva, “Strategies for Competitive Advantage in Value Added Tea Marketing”, *Tropical Agricultural Research* 22, no. 3 (2011), pp. 251–262; Prasanna Perera, “Tea Smallholders in Sri Lanka: Issues and Challenges in Remote Areas”, *Journal of Business and Social Science* 5, no. 12 (2014), pp. 107–117; Pradeepa Jayaratne, Lee Styger, and Nelson Perera, “Sustainable Supply Chain Management: Using the Sri Lankan Tea Industry as a Pilot Study” (paper presented at the 25th Annual Australia New Zealand Academy of Management Conference (ANZAM 2011), available at http://www.anzam.org/wp-content/uploads/pdf-manager/511_ANZAM2011-217.PDF, accessed 10 May 2017), pp. 1–22.

¹⁰ Kaison Chang and Margarita Brattlof for the FAO Intergovernmental Group on Tea, *Contribution of Tea Production and Exports to Food Security, Rural Development and Smallholder Welfare in Selected Producing Countries*, (Rome, Food and Agriculture Organization of the United Nations, 2015), p. 8, <http://www.fao.org/3/a-i4485e.pdf>.

¹¹ Mick Blowfield, “Ethical Supply Chains in the Cocoa, Coffee and Tea Industries”, *Greener Management International*, no. 43 (2003), pp. 14–24, see esp. p. 17.

trends in the production, consumption, trade, and prices of tea.¹² Another initiative is Tea 2030, which is coordinated by the Forum for the Future, a British charity and non-profit organisation promoting sustainable development. The initiative brings together many of the industry's largest companies such as Unilever, Twinings, and Tata Global Beverages, as well as certifying bodies such as the Ethical Tea Partnership, Rainforest Alliance, and Fairtrade International. Tea 2030 is aimed to solve some of the key issues facing the industry, such as information asymmetry, by encouraging collaboration and information flow throughout the supply chain so that the tea industry can deliver benefits to everyone in it while still being sustainable.¹³ The Tea 2030 initiative has published an extensive report which provides a checklist of what a more collaborative supply chain in the tea industry would look like, but it fails to elaborate on mechanisms that could meet these criteria.¹⁴ As this report is mainly concerned with the commodity sector, it also fails to mention the parts of industry that are already working in ways that meets these criteria, mainly firms within the specialty tea sector who engage in direct trade.

The issues facing the industry such as the information asymmetry as well as the fact that little value is captured by the producers, demonstrate that the traditional and current supply chain governance is somewhat inadequate when it comes to the complexity of a modern day global supply chain. However, there are trends that show signs of supply chain management creating a foundation for collaborative supply networks with higher degrees of power symmetry and information flow. One of these trends is direct trade, a term originally coined by the specialty coffee market in 2005.¹⁵ Direct trade occurs when a downstream company such as a distributor or retailer is buying straight from the producers. This practice leaves out most of the intermediaries in the traditional supply chain and also third party organisations that control certifications for organic farming and ethical labour. Direct trade can be seen as an extreme form of disintermediation, as the number of intermediaries is reduced to the minimum. The term direct trade is relatively new and is not yet in widespread use in the tea

¹² Food and Agriculture Organization of the United Nations, "FAO Intergovernmental Group on Tea", accessed 20 March 2017, <http://www.fao.org/economic/est/est-commodities/tea/tea-meetings/en/>.

¹³ Anne-Marie Brouder, Simon Billing, and Sally Uren for Forum for the Future on behalf of the Tea 2030 steering group, *The Future of Tea: A Hero Crop for 2030* (2014), accessed 10 May 2017, <https://www.forumforthefuture.org/sites/default/files/future-tea-report.pdf>.

¹⁴ Ibid.

¹⁵ Peter Meehan, "To Burundi and Beyond for Coffee's Holy Grail", *New York Times*, 12 September 2007, <http://www.nytimes.com/2007/09/12/dining/12coff.html>.

industry, even though many companies within the specialty tea sector are already practicing direct trade. Direct trade represents an attempt to reduce information asymmetries by ensuring information flow as producers and distributors communicate directly. Direct trade is often initiated by distributors to ensure long-term supplier relationships and a higher quality product. Additionally, it can be a way to increase producers' profit by negotiating prices without intermediaries. In theory, therefore, direct trade should be a mutually beneficial partnership.

Many specialty coffee companies view direct trade as having a positive impact in the coffee industry, although the impact has not been adequately documented. Furthermore, there are no studies on direct trade in the tea industry, nor is there any studies on the supply chains of the specialty tea sector. Observing that the development in the tea industry is in many respects similar to the coffee industry, the main question remains what effect direct trade may have on producers and distributors within the specialty tea sector, and whether it can provide the same benefits for the specialty tea sector as the benefits observed by the specialty coffee sector.

1.3 Aim and relevance

This study explores how producers and distributors who practice direct trade experience relationships and information sharing. Additionally, the study explores how information sharing influences producers' and distributors' market orientation, as seen from their own perspective. As direct trade is a rather recent phenomenon, its effects have not yet been adequately documented. Analysing the concept of direct trade in the light of supply chain learning and supply chain orientation, this study therefore aims to provide a clearer understanding of this type of partnership. Furthermore, the study explores the flow of information in a direct supply chain, and whether this impacts the supply chain links' degree of market orientation. Exploring how the increased information flow impacts market orientation is a way to observe how the information shared between upstream and downstream actors is utilised.

Studies on supply chain learning and market orientation in the context of agricultural products are limited. Studying supply chain learning in agri-food supply chains can add to our understanding of supply chains in general and broaden the theoretical frameworks to allow for studies on supply chains of a greater variety than the frameworks currently include.

Furthermore, market orientation in the context of young niche markets is a relatively unexplored field. Also, most studies on supply chains in the tea industry are on commodity supply chains. This study aims to add to the research focusing on the specialty sector of the tea industry. The non-existence of studies specifically on the supply chain of specialty tea is understandable as it is a very small portion of today's market compared to the commodity sector. The speciality sector is, however, one of the fastest growing segments of the tea industry and therefore represents an area to be explored more in depth.

As direct trade is a collaborative effort, this study analyses the experiences with direct trade among both upstream and downstream actors. As studies on the supply chains of the tea industry usually focus on the pains and gains only on the producer's side of the relationship, this study aims also to shed light on what the producers' buyers gain from a direct trade relationship.

Seen from the market perspective, customer awareness on environmental issues and production practices is increasing. Additionally, tea is one of the most consumed drinks worldwide. From a policy perspective, the importance of studying tea trade is further emphasised by the FAO, which states the following in a report on tea productions and exports' contribution to food security:

“In the case of tea, production and exports generate foreign exchange and employment and provide a material base for national economic growth. [...] Therefore, monitoring and analysing international tea trade is critical for policy makers involved with food security, trade and rural development in developing countries.”¹⁶

1.4 Structure

The following chapter provides a contextual understanding of the specialty tea industry and the market trends that influence this sector, as well as of the phenomenon of direct trade which is largely a response to market trends. The theoretical framework of the study is presented in Chapter 3, where each of the two main segments forms the background to each of the two research questions. A conceptual model illustrating the connection between the

¹⁶ Chang and Brattlof for the FAO Intergovernmental Group on Tea, *Contribution of Tea Production and Exports*, p. 1.

various factors of the study summarises the research questions in the final part of the chapter. Chapter 4 describes the design of the study, the method used to collect the primary data, as well as presenting the participants of the study and the secondary sources of data that provided contextual understanding. In chapter 5 the results are presented and analysed. The first part of the analysis explores the data to find what relational characteristics describe the relationships of the focal companies in the study. The next part of the analysis is dedicated to the type of information the subjects share with each other and to what degree they share information. The final part of the chapter analyses the information shared to explore how the subjects are utilising this information and how the information affects their market orientation. In chapter 6, the empirical findings are discussed in relation to the theoretical framework and the research questions. The final chapter concludes the study and presents theoretical and practical implications as well as suggestions for future research.

2 The Research Context and Conceptual Clarification

The development of direct trade relationships is a recent phenomenon in modern global trade. Before exploring how, and if, direct trade aids information sharing and how this affects the links in the supply chain, it is necessary to expand on the subjects related to direct trade to form an understanding of the phenomenon itself. The first section of this chapter explores the market trends and movements that are part of the direct trade sphere. Furthermore, the first section presents a brief history of the first, second, and third wave movements and describes what the niche segment of high quality tea looks like today. The final section outlines the main purposes of direct trade and how direct trade differs from traditional trade with intermediaries.

2.1 Market trends and the scope of the study

The paragraph that follows this is a brief explanation of the “waves” of market trends that lead up to, and include, the third wave. It is within the third wave movement that we find the companies which practice direct trade. The idea of a “third wave” in the tea industry replicates the perception of historical developments in similar sectors. Although the tea industry has never been analysed historically within the framework of such “waves”, the following explanation draws upon the common understanding of three such waves as having occurred and is occurring within the industry.

Already the latter half of the eighteenth century tea had become a popular drink in the middle and lower classes of many western countries, particularly in Britain.¹⁷ Sir Thomas Lipton bought his own tea estates in Sri Lanka to lower the cost of production and founded his eponymous company in 1890. By 1910 the tea bag had become popular in America, and its popularity began to spread to Britain. These two events were defining for the first wave. The second wave is defined by the establishment of specialty tea shops and brands such Harney & Sons in 1983, and Teavana in 1997. Many actors within the specialty segment consider the

¹⁷ Melvyn Bragg, “Tea”, *In Our Time*, radio broadcast aired 4 April 2004 (BBC), <http://www.bbc.co.uk/programmes/p004y24y>.

second wave as having peaked when Starbucks acquired Teavana in 2012, signalling a bright future for the development of the specialty tea market, as a large company like Starbucks was willing to invest. The second wave is still the most prominent one and makes up the majority of the specialty tea sector today. Specialty tea, however, is a very loosely defined term. It was originally coined with the intention to distinguish between tea sold through channels like grocery stores or supermarkets versus tea sold in specialty stores. The term is now being used for marketing purposes by tea companies in almost every single sector of the market, and what was previously defined as specialty tea is now making its way the shelves of grocery stores. The market is becoming more segmented and companies are looking to establish standards that can separate the segments and differentiate specialty tea from commodity tea. This last development is commonly understood to define the beginning of the third wave. Third wave is, however, not yet a widely recognised term in the tea industry, and no matter what term is being used, the lack of standardised definitions and the use of these terms for marketing reasons makes these terms' definitions somewhat ambiguous and their integrity questionable.

For the lack of a standardised term, the term “specialty tea” will be used here to describe the high end market segment in which the companies usually practicing direct trade can be found. In this study specialty tea is defined as tea produced for the sake of quality rather than quantity. High quality tea is differentiated by many factors. Similar to the product differentiation of wine, the terroir – the soil, season, and the climate – makes a difference in taste and quality. Furthermore, just like the grape variety of a wine makes up a large part of the flavour and texture, different cultivars of the *Camellia sinensis* make up a large part of a tea's characteristics. High quality teas are therefore often so-called single origin, and the highest quality teas, particularly those differentiated by origin, are almost always unblended. In addition, they are usually handpicked, an “orthodox”, that is whole leaf tea.

As the third wave of tea is slowly growing, the teas' origin and production method, as well as the producers themselves, are becoming central aspects of product differentiation and marketing. Similar trends can be observed in the specialty coffee segment where product and process quality is becoming increasingly important to the consumers, who now often view

product's origin as an indicator for quality.¹⁸ The demand for differentiated products grows with consumers' affluence, as they become more discriminating in their tastes.¹⁹ One example of consumers' increasingly discriminating tastes is that restaurants in New York and London are now hiring tea sommeliers, whose job is to advise customers on tea and food pairings, but also to share the story behind the product with the customers, much like a wine sommelier. According to a recent article in the *Telegraph* concerning the rising popularity of high quality tea, "sales are booming, and the explosion of craft coffee is contributing".²⁰

In addition to consumers being increasingly discriminating in their tastes, they are becoming increasingly aware of companies' social and environmental responsibilities which can be observed in the increased profit of ethical coffee accreditation schemes such as Fairtrade, Rainforest Alliance and UTZ.²¹ According to a global Nielsen report on consumer's attitudes to companies' social responsibilities from 2014, 55% of all consumers are willing to pay more to a company taking social responsibility, and these numbers are increasing every year.²² The reason for this development might also be an increasing awareness of environmental issues, such as erosion of farmland, deforestation, and water pollution.

2.2 Direct trade and supply chains

Direct trade can be seen as an industry response to customers' increasing awareness and discriminating tastes. Direct trade is a way of sourcing where distributors and producers do not engage through the intermediaries traditionally found in supply chains for commodity products, but instead engage in a closer and direct relationship with each other. The term, as noted, comes from the specialty coffee market, and is said to have been popularised by the

¹⁸ Ramona Teuber, "Geographical Indications of Origin as a Tool of Product Differentiation: The Case of Coffee", *Journal of International Food and Agribusiness Marketing* 22, no. 3–4 (2010): 277–298, p. 278.

¹⁹ Fitter and Kaplinksy, "Technology and Globalisation: Who Gains When Commodities Are De-commodified?", *passim*.

²⁰ Lucy Rahim, "I'll Have a Cuppa with My Main", *Telegraph*, 30 March 2017, <http://www.telegraph.co.uk/food-and-drink/features/have-cuppa-main-tea-became-new-wine-restaurants/>.

²¹ Tim Hunt, "Drinking an Ethical Cup of Coffee: How Easy is it?", *Guardian*, 29 May 2015, <https://www.theguardian.com/sustainable-business/2015/may/29/drinking-an-ethical-cup-of-coffee-how-easy-is-it>.

²² Nielsen, *Doing Well by Doing Good* (Nielsen, 2014), p. 2, <http://www.nielsen.com/content/dam/niensenglobal/apac/docs/reports/2014/Nielsen-Global-Corporate-Social-Responsibility-Report-June-2014.pdf>.

coffee buyer for the third wave coffee firm Intelligentsia.²³ Direct trade may be seen as a particular model of a supply chain, but for many of the companies trading directly it is also descriptive of their ideology and ethical standards. John T. Mentzer et al. have identified three degrees of supply chain complexity: direct supply chains, extended supply chains and ultimate supply chains.²⁴ A direct supply chain consists of only three links; the supplier, an organisation such as a retailer or distributor, and the customer. Hence, in this framework direct trade should be understood as a direct supply chain.

Direct trade is a model based on equal and mutual exchanges between growers and buyers, and the specialty coffee industry, for example, utilises this method of trade with the aim of achieving equitable partnerships among all participants, in order to achieve the highest quality product possible. As there are fewer links in a direct supply chain, direct trade is also a way to ensure that the product actually comes from the origin that is being used to differentiate the product. Tea is sometimes falsely marketed, as intermediaries might misinform the buyers on the tea's origin. Simon Thomas, co-founder of Dachi Tea Co, a specialty tea subscription service, puts it this way: "The less hands the tea goes through, the smaller the chance of the tea's provenance being modified to suit the agenda of the carrier."²⁵

A direct trade supply chain is bound to look very different from a supply chain with intermediaries. The following models illustrate how a direct supply chain might differ from a traditional supply chain in the tea industry.²⁶

²³ Meehan, "To Burundi and Beyond for Coffee's Holy Grail".

²⁴ John T. Mentzer, William DeWitt, James S. Keebler, Soonhong Min, Nancy W. Nix, Carol D. Smith, and Zach G. Zacharia, "Defining Supply Chain Management", *Journal of Business Logistics* 22, no. 2 (2001), pp. 1–25, p. 4.

²⁵ Simon Thomas, "Why Direct Trade Matters in the World of Tea", *The Daily Tea*, 12 October 2015, <http://thedailytea.com/travel/why-direct-trade-matters-in-the-world-of-tea/>

²⁶ The supply chains differ between each producing country and vary in complexity, and so the model illustrating the traditional supply chain is a simplified illustration of what a typical supply chain might look like.

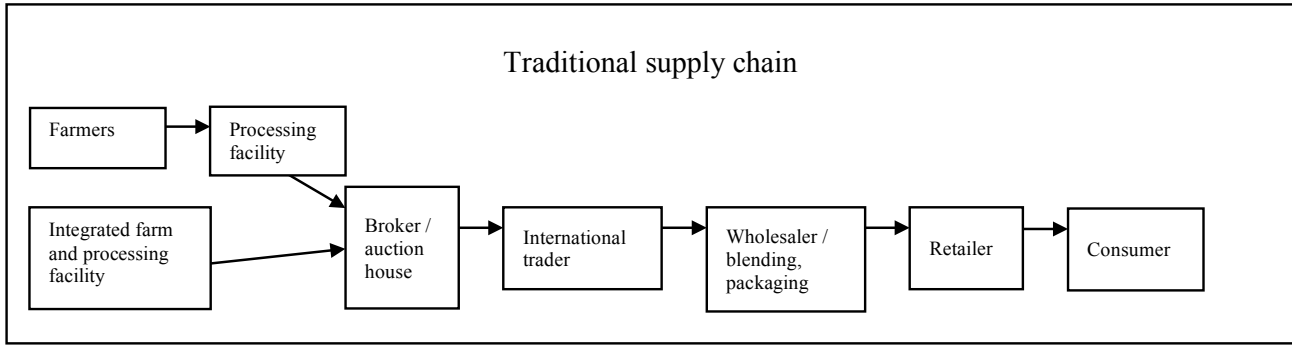


Figure 1 Traditional tea supply chain for export

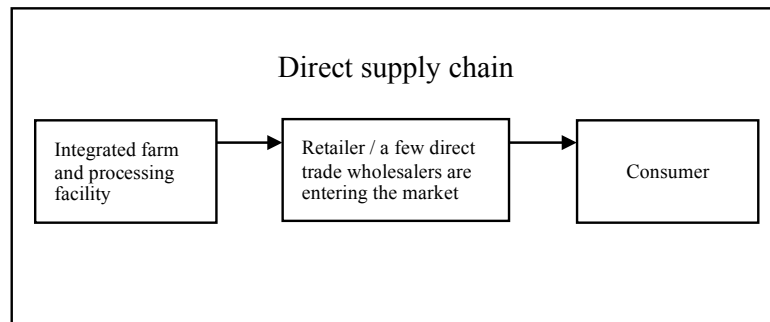


Figure 2 A direct supply chain

Direct trade is usually between retailers and producers, but what can also be observed in both the tea and coffee industry are direct trade wholesalers. Although retailers would ideally trade directly themselves and keep the links of the supply chain as few as possible in the spirit of direct trade, many smaller retail companies do not have the resources to visit the producers frequently. Additionally, they often order small amounts that pose great logistical challenges for the producers as well as very high exchange rates in some producing countries. The use of the term distributor in this study therefore includes both wholesalers and retailers.

Direct trade does not rely on third party certification bodies to ensure the consumers that the product is produced in an ethically and environmentally responsible manner. In fact, direct trade has derived from a trend within the third wave coffee movement where companies are distancing themselves from third party labels or certifications because the certifying bodies are seen as somewhat of a barrier rather than an enabler. As a result, many third wave coffee companies are trading without intermediaries to build relationships with the producers to

ensure transparency and a high quality product. Many companies practicing direct trade believe that this is currently the right way to achieve and maintain a sustainable industry: sustainability in regards to ethical trade and environmentally friendly farming, but more so in regards to sustaining the economic development of the industry to sustain production.

3 Theory and Literature

While downstream firms would ideally distribute knowledge throughout the supply chain, this is not the case for most leading firms in the tea industry, as case studies within the tea industry report that producers often lack both resources, knowledge, and access to key market information and therefore have trouble adapting to market trends.²⁷

In this study, the ability and process of cross-functional information sharing between specialty tea distributors and producers in a direct trade relationship is explored using the frameworks of theories on supply chain learning, emphasising information sharing as an integral part of supply chain learning. The frameworks of market orientation theory are used to explore how the information shared between upstream and downstream actors is utilised.

3.1 A closer relationship as a platform for information sharing

Scholars studying supply chain learning and supply chain management argue that as firms are moving away from vertical integration and outsourcing production, competition is no longer between firms, but, increasingly, between supply chains. Mentzer et al. state that the globalisation of trade forces firms to pay attention to the coordination of their supply chain, and that the key to such coordination is “an orientation toward closer relationships with suppliers”.²⁸ A closer relationship is also important to gain knowledge of the different activities that are needed to bring value to the consumer, and to ensure flow of information throughout the supply chain.²⁹

²⁷ See for example: Viet Khoi, Houn Lan, and Linh Huong, “Vietnam Tea Industry”; Herath and De Silva, “Strategies for Competitive Advantage in Value Added Tea Marketing”; Perera, “Tea Smallholders in Sri Lanka”; Jayaratne, Styger, and Perera, “Sustainable Supply Chain Management”.

²⁸ Mentzer, DeWitt, Keebler, Min, Nix, Smith, and Zacharia, “Defining Supply Chain Management”, p. 2.

²⁹ Rhonda R. Lummus and Robert J. Vokurka, “Defining Supply Chain Management: A Historical Perspective and Practical Guidelines”, *Industrial Management and Data Systems* 99, no. 1 (1999), pp. 11–17.

3.1.1 The importance of information sharing for supply chain learning

Learning and the process of learning can be difficult to measure directly in enduring relationships like supply chains, particularly within the timeframe and scope of this study. To accommodate this challenge, this study explores learning indirectly through information sharing, which is an integral part of supply chain learning, and is a more tangible factor to measure. This study acknowledges, however, that information sharing is not the same as learning, but that it is the most central aspect to facilitate the learning process. The frameworks of supply chain learning are used indirectly to build a theoretical understanding of the importance of information sharing and what affects a supply chain's ability to share information between links.

When companies become less vertically integrated, each firm within the supply chain are increasingly specialised on one specific activity, and therefore firms can lose the understanding of the various activities of the supply chain that result in the product, and they may also lose understanding of the consumer. The risk of losing understanding about the end market is especially critical for firms upstream in the value chains, as they are further removed from the consumers, and consequently less able to collect information on them. Sustaining the competitive advantage of an entire supply chain, then, relies on collaborative effort from all parts.³⁰ Sharing information among supply chain links is therefore an indispensable part of sustaining a supply chain's competitiveness and improving its market orientation.

Cross-functional information sharing provides different benefits for producers and distributors. In a niche market like the specialty tea sector, information on how the product is produced, as well as information about the product's origin and who the producers are, may be used as valuable content for marketing and brand building by the distributor. From the producer's point of view, information about consumer's wants and needs, as well as information about the distributors' competitors, market standards and prices, may help them focus on producing specific types and qualities. Such information may also be beneficial for their bargaining power and their production practices. If information about the consumer and

³⁰ Mee-Shew Cheung, Matthew B. Myers, and John T. Mentzer, "Does Relationship Learning Lead to Relationship Value?", *Journal of Operations Management* 28, no. 6 (2010), pp. 472–487.

the market is not readily disclosed to the producers, they cannot respond to the market demands in an effective manner. Likewise, it is not beneficial for the distributor to attempt to communicate the differentiation of a product of which they have little knowledge. Hence, sharing information is in the interest of both suppliers and distributors. Ximena Reuda and Eric F. Lambin highlight that coffee producers in Colombia have gained an amazing ability to respond to market demands in a very short period of time, and they argue that other farmers will be able to gain the same ability if information is fully transmitted.³¹ This makes information sharing one of the essential starting points of supply chain learning.³²

Information sharing among links in the supply chain may for example facilitate improvement of production standards and product quality, something which benefits both producers and distributors. John Bessant, Raphael Kaplinsky and Richard Lamming expand on a particular version of supply chain learning where firms can use the supply chain as a mechanism for upgrading and transferring information on how to achieve “appropriate practice” in terms of quality and delivery time. They emphasise that competition is no longer between firms but between supply chains and how this puts pressure on firms’ ability to learn and their need to be supply chain oriented.³³ They conclude that supply chain learning can yield beneficial results in terms of sustaining the competitiveness of the supply chain.³⁴ Furthermore, John Bessant and George Tsekouras argue that supply chain learning can also take place in what they call the “adaptive” mode: “learning to do what we do a little better”.³⁵ In the “adaptive” mode the focus is to achieve “better practice” and not necessarily “appropriate practice”. It seems that working towards either of these goals can aid supply chain learning. Both working towards better practice and appropriate practice can be descriptive of the main focus in a direct trade partnership, which is to produce and distribute a high quality product and share information among links in the supply chain in order to improve production methods, sustain the industry and deliver a valuable and differentiated product to the consumer. Working to

³¹ Ximena Reuda and Eric F. Lambin, “Linking Globalization to Local Land Uses: How Eco-Consumers and Gourmands Are Changing the Colombian Coffee Landscapes”, *World Development*, vol. 41 (2013): 286–301, p. 298.

³² Fred Selnes and James Sallis, “Promoting Relationship Learning”, *Journal of Marketing* 67, no. 3 (2003), pp. 80–95, p. 82.

³³ John Bessant, Raphael Kaplinsky, and Richard Lamming, “Putting Supply Chain Learning into Practice”, *International Journal of Operations and Management* 23, no. 2 (2003), pp. 167–184.

³⁴ *Ibid.*, p. 182.

³⁵ John Bessant and George Tsekouras, “Developing Learning Networks”, *AI and Society* 15, no. 1–2 (2001), pp. 82–98, p. 85.

achieve “appropriate practice” or “better practice” can improve the supply chain as a whole as well as the performance of the individual links in the supply chain.

Expanding the frameworks of supply chain learning, it is possible to talk specifically of relationship learning, further highlighting the relational aspects of supply chain learning. Selnes and Sallis define relationship learning as a “joint activity between a supplier and a customer in which the two parties share information, which is then jointly interpreted and integrated”, with the goal of creating value.³⁶ More specifically Selnes and Sallis see relationship learning as occurring when two parties “strive to create more value together than they would create individually or with other partners”.³⁷

3.1.2 Relational characteristics of importance for information sharing

According to Soonhong Min, John T. Mentzer and Robert T. Ladd, partners need to build, maintain, and enhance long-term relationships in order to achieve coordination between links.³⁸ Building and maintaining long-term relationships is therefore an important aspect of trading, and may result in an environment that aiding information sharing that can be utilised to increase the producers’ and distributors’ market orientation. Conversely, relationships are often stronger when there is cross-functional information sharing between a supplier and its customer.³⁹

When a producer and distributor form a close relationship, the interdependence experienced by the actors may to a certain degree function as a governing factor. According to Gary Gereffi, John Humphrey, and Timothy Sturgeon, there may be observed five general patterns of supply chain governance. One of these is the relational supply chain.⁴⁰ Establishing close relationships between producers and distributors can be seen as a form of relational

³⁶ Selnes and Sallis, “Promoting Relationship Learning”, p. 80.

³⁷ *Ibid.*, p. 81.

³⁸ Soonhong Min, John T. Mentzer, and Robert T. Ladd, “A Market Orientation in Supply Chain Management”, *Journal of the Academy of Marketing Science* 35, no 4 (2007), pp. 507–522, see esp. p. 511.

³⁹ James H. Martin and Bruno Grbac, “Using Supply Chain Management to Leverage a Firm’s Market Orientation”, *Industrial Marketing Management* 32, no. 1 (2003) pp. 25–38, p. 36.

⁴⁰ Gary Gereffi, John Humphrey, and Timothy Sturgeon, “The Governance of Global Value Chains”, *Review of International Political Economy* 12, no. 1 (2005), pp. 78–104, pp. 83–84. The five different supply chain governance patterns are: markets, modular value chains, relational value chains, captive value chains and hierarchy.

governance, as it is defined by Selnes and Sallis: “when two or more parties collaborate and trust each other in order to secure or improve economic performance.”⁴¹

There are a number of relational aspects that characterise a close relationship between producers and suppliers. As Selnes and Sallis recognise, trust is one of these characteristics.⁴² Gregory T. Gundlach, Ravi S. Achrol, and John T. Mentzer found that when “parties share goals, values, and affective attachment, they act for the benefit of one another”.⁴³ Anne Tallontire has identified necessary conditions for a direct trade partnership to be successful: That partners have a shared understanding of problems or issues they wish to solve, mutual commitment to the partnership, a distinct or unique contribution, shared objectives and mutual trust.⁴⁴ Douglas C. Lambert and Martha C. Cooper argue that the type of information shared and the frequency of contact influence how efficient the relationship is.⁴⁵ Therefore, both the frequency of contact between the links in the supply chain, the trust between them, as well as common goals and values are relation characteristics that indicate the supply chain’s ability for cross-functional information sharing and the link’s ability to learn from each other.

Another aspect that may indicate the links’ ability for cross-functional information sharing is their degree of supply chain orientation, which is a philosophy or organisational culture defined by Mentzer et al. as “the recognition by a company of the systemic, strategic implications of the activities and processes involved in managing the various flows in a supply chain”.⁴⁶ Mentzer et al. further argue that a supply chain oriented company is a company that sees “the implications of managing the upstream and downstream flows of product, services, finances and information across their supplier and customers”.⁴⁷ Terry L. Esper, C. Clifford Defee, and John T. Mentzer argue that literature on supply chain

⁴¹ Selnes and Sallis, “Promoting Relationship Learning”, p. 80.

⁴² Ibid.

⁴³ Gregory T. Gundlach, Ravi S. Achrol, and John T. Mentzer, “The Structure of Commitment in Exchange”, *Journal of Marketing* 59, no. 1 (1995), pp. 78–92, p. 80.

⁴⁴ Anne Tallontire, “Partnerships in Fair Trade: Reflections from a Case Study of Café Direct”, *Development in Practice* 10, no. 2 (2000), pp. 166–177, p. 172.

⁴⁵ Douglas M. Lambert and Martha C. Cooper, “Issues in Supply Chain Management”, *Industrial Marketing Management* 29, no. 1 (2000), pp. 65–83, p. 78.

⁴⁶ Mentzer, DeWitt, Keebler, Min, Nix, Smith, and Zacharia, “Defining Supply Chain Management”.

⁴⁷ Terry L. Esper, C. Clifford Defee, and John T. Mentzer, “A Framework for Supply Chain Orientation”, *The International Journal of Logistics Management* 21, no. 2 (2010), pp. 161–179.

orientation show several conceptual gaps and that the current theoretical framework for supply chain orientation is insufficient, and that the concept has yet to be combined with other research themes that may allow the concept to be developed further.⁴⁸ Supply chain orientation may therefore be seen as quite an ambiguous concept. The concept is usually discussed in relation to companies that actively engage in supply chain management. In this study, however, supply chain orientation is employed to describe to what degree each link in the supply chain is oriented towards each other and consequently, seeing as the supply chains of direct trade merely consists of two links, towards the supply chain as a whole. The concept is thus used to focus on the supply chain and its separate links' understanding of the implications of information flow for the creation of value.

Companies that have a high degree of supply chain orientation have a mutual orientation towards the other links in the supply chain they are a part of, and they understand the implications of the various activities performed to deliver value to the consumer. Min, Mentzer, and Ladd argue that firms that are supply chain oriented experience strong ties with the other links in the supply chain and that these links share information they can respond to consumers.⁴⁹ If the links of the supply chain are not supply chain oriented it is unlikely that they will be able to share information with other links in the supply chain, or to have close relationships with their partners. A supply chain oriented firm can see the value in cross-functional information sharing and how this information can help coordination and communication between the links of the supply chain so that they can sustain their competitiveness. Therefore, supply chain orientation is the premise for cross-functional information sharing.

Firms working together towards a goal create a sense of interdependence which can aid the transformation of the supply chain as a whole.⁵⁰ This superordinate goal can simply be achieving “appropriate practice”, producing high quality tea, or improving the product in order to best meet the customer's needs. Spatial proximity usually supports relationships between distributors and producers, but trust and reputation can also function as support in

⁴⁸ Ibid.

⁴⁹ Min, Mentzer, and Ladd, “A Market Orientation in Supply Chain Management”, p. 510.

⁵⁰ Frank Lambrechts, Tharsi Taillieu, Styn Grieten, and Johan Poisquet, “In-depth Joint Supply Chain Learning: Towards a Framework”, *Supply Chain Management: An International Journal* 17, no. 6 (2012), pp. 627–637, see esp. 631.

relationally governed supply chains.⁵¹ This points to the relational aspects of supply chain governance, and how, in a close partnership, trust is an important factor as it is a moderator for the firms' ability to learn from each other. It is to be expected that partners in collaboration gradually develop trust and dependence that can help create a climate for relationship learning.⁵² Selnes and Sallis argue that developing trust through collaboration will foster a commitment to further collaborate and share information.⁵³

The direct trade business model typically removes all intermediaries, only to keep the absolutely necessary ones: the producer and the retailer or distributor.⁵⁴ This means that trust is often important in direct trade, as the producers and distributors should develop trust between each other, but also in the sense that the consumer needs to put trust in the distributors and the suppliers as there are no unifying, external standards which evaluate the links of the supply chain. The way that firms participating in direct trade solve this is to aim for transparency throughout the supply chain. This transparency, in turn, depends on sharing information on the supply chain as a whole to the customer, as well as sharing information between the links in the supply chain.

3.1.3 Research question

A strong relationship between producers and distributors can ensure flow of cross-functional information that can be beneficial for both parties. This increased information sharing can result in better responsiveness to market, creation of customer value, and, ultimately, competitive advantage. Direct trade can be an example of such a strong relationship that can aid flow of information as producers and distributors who trade directly engage in a relationship without intermediaries. The pertinent question, however, is whether direct trade does in fact aid information sharing, seen from the perspective of individual partners on both sides of such relationships (producers and distributors), which poses the first research question of this study:

⁵¹ Gereffi, Humphrey, and Sturgeon, "The Governance of Global Value Chains", p. 84.

⁵² Selnes and Sallis, "Promoting Relationship Learning", p. 81.

⁵³ Ibid.

⁵⁴ Meehan, "To Burundi and Beyond for Coffee's Holy Grail".

RQ1: What characteristics influence direct trade relationships and how does the quality of the relationship influence information sharing between actors who engage in direct trade?

3.2 Market orientation

A strengthened relationship between producers and distributors may ensure increased flow of market information. Pradeepa Jayaratne, Lee Styger, and Nelson Perera argue that relationships between upstream and downstream stakeholders can not only improve the sustainable performance of the supply chain as a whole but also the success of each firm.⁵⁵ This is arguably due to the increased information sharing between the links of the supply chain, which in turn leads to closer coordination between links, as discussed. Furthermore, when it comes to the success of each firm, the firms can achieve this by sharing and utilising information that gives them a higher degree of market orientation as cross-functional information sharing may facilitate the production and distribution of a product that better responds to the market.

Valuable information that may be used for market orientation in the specialty tea sector is information on consumer trends, industry changes and challenges, factors that impact production, and information that can be used in marketing to differentiate the product. Sharing these types of information can ensure that information about the end consumers' needs and wants reaches all links of the supply chain so that these can work collectively and purposefully towards a shared goal which is ultimately the creation of customer value and being able to respond to market trends. In other words, information flow orients all the links of the supply chain towards the market. Furthermore, information shared between producers and distributors about the product's production and origin influences the marketing possibilities as transparency becomes part of the distributors' marketing. They use this information actively in sales, as such information plays a key role in the quality and the differentiation of the product. In addition, this information makes up a large part of the total value of the product, and so, ensuring that this information, usually shared by producers with

⁵⁵ Jayaratne, Styger, and Perera, "Sustainable Supply Chain Management", p. 10.

distributors, makes its way to the consumer is important. According to Thomas, this is a dimension of the discussion on direct trade which is often forgotten: “There is a dimension to the debate that often gets ignored, and that’s the value of getting your hands on the information that can empower one’s endeavours to educate and entertain their customers in equal measure i.e. to create an authentic experience that centres around a high quality product”.⁵⁶

3.2.1 Components of market orientation

Market orientation is a philosophy or organisational culture that according to Ajay K. Kohli and Bernard J. Jaworski is “the organizationwide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organizationwide responsiveness to it”.⁵⁷ The primary goals are creating value for customers and ensuring long term profitability. Following Kohli and Jarowski’s definition, market orientation can be said to be made up of three components: generation, dissemination, and responsiveness to market intelligence.⁵⁸ Market orientation entails that the departments of an organisation engage in activities that help them understand customers’ needs and the factors affecting these needs. Furthermore, this understanding needs to be shared across departments, and departments must then engage in activities to meet customer needs.⁵⁹

While the framework that Kohli and Jarowski have developed highlights how a firm can be market oriented, it does not explicate how an entire supply chain can also be market oriented. Kohli and Jaworski themselves argue that previous literature pays little attention to “contextual factors that may make a market orientation more or less appropriate for the particular business”.⁶⁰ Through their study they interview a wide variety of subjects to provide understanding of market orientation in many different contexts, but there is still a limited amount of literature on market orientation as it relates to a supply chain context. Judy

⁵⁶ Thomas, “Why Direct Trade Matters in the World of Tea”.

⁵⁷ Ajay K. Kohli and Bernard J. Jaworski, “Market Orientation: The Construct, Research Propositions, and Managerial Implications”, *Journal of Marketing* 54, no. 2 (1990), pp. 1–18, p. 6.

⁵⁸ Ibid.

⁵⁹ Ibid., p. 3.

⁶⁰ Ibid., p. 1.

A. Siguaw, Penny M. Simpson, and Thomas L. Barker are some of the few scholars who have studied this aspect of market orientation. They examine the effects of a supplier's market orientation on a distributor's market orientation. They found that if a supplier has a high degree of market orientation it leads to higher degrees of market orientation among the suppliers' distributors which has a positive impact on distributors' performance.⁶¹

If competition is no longer between firms, but between supply chains, firms need to recognise that the creation of value is a shared responsibility between the links within the supply chain.⁶² Taking a view on the supply chain as a whole, both distributors and producers must, then, be attentive to what customers want to be able to create value. For a supply chain as a whole to improve their market orientation, the understanding of customers' needs must be disseminated across links in the supply chain, just like Kohli and Jarowski suggest information should be shared across departments in a firm. Although the generation of and responsiveness to market intelligence are also important components of market orientation, in this study, and in the context of information sharing through direct trade, it is in particular the dissemination of market information that is emphasised.

In the specialty tea sector and in direct trade, generation of market intelligence can be regarded as the gathering of market information including consumer trends, industry changes and challenges, and even information about weather or other factors that can impact production or delivery. The second component of market orientation, dissemination, can be regarded as the most important factor if a supply chain is to develop a high degree of market orientation. In global supply chains dissemination of information between links is crucial. Creating the right product for the right segment requires information about the consumer to reach the producers. Equally, the distributors need product information to sell in an effective manner. This is of high importance in a market where production method and production circumstances makes up a large part of the value of the end product. The dissemination is of course also crucial to responsiveness.

⁶¹ Judy A. Siguaw, Penny M. Simpson, and Thomas L. Barker, "Effects of Supplier Market Orientation on Distributor Market Orientation and the Channel Relationship: The Distributor Perspective", *Journal of Marketing* 62, no. 3 (1998), pp. 99–111, see esp. p. 106.

⁶² Daniel J. Flint, "Strategic Marketing in Global Supply Chains: Four Challenges", *Industrial Marketing Management* 33, no. 1 (2004), pp. 45–50, p. 47.

3.2.2 The connection between supply chain orientation and market orientation

In order to achieve better market orientation, the links in the supply chain needs to be oriented both towards the market and each other. Min, Mentzer, and Ladd argue that supply chain orientation is critical to create customer value.⁶³ When each firm in a supply chain have supply chain orientation and are able to share information between links, they can more successfully integrate collected information about customer preferences and respond to market trends.⁶⁴ Min et al. therefore argue that supply chain orientation and cross-functional coordination indirectly contribute positively to a firm's responsiveness to market.⁶⁵ James H. Martin and Bruno Grbac's findings further support the notion of a connection between supply chain orientation and its impact on firms' responsiveness to market.⁶⁶ More specifically their results show that stronger supplier relationships allowed firms with a high degree of market orientation to respond faster to their customers, and that firms with a high degree of market orientation also had strong supplier relationships in part due to their willingness to share market information.⁶⁷

Information gathered via market orientation by individual firms can serve as the basis for information sharing among supply chain partners, and market orientation can therefore ultimately contribute to supply chain learning. The consumer is also regarded as the final link in the supply chain, and is therefore also a part of the supply chain. In other words, supply chain learning also entails learning about the customer, which is the core of market orientation.

3.2.3 Research question

In the light of supply chain orientation and supply chain learning, the three components of market orientation can be applied as a mind-set to the supply chain as a whole. Dissemination of data between departments becomes in a supply chain context a cross-functional

⁶³ Min, Mentzer, and Ladd, "A Market Orientation in Supply Chain Management", p. 507.

⁶⁴ Ibid., p. 510.

⁶⁵ Ibid.

⁶⁶ Martin and Grbac, "Using Supply Chain Management to Leverage a Firm's Market Orientation".

⁶⁷ Ibid., p. 36.

dissemination of market information. Seeing as value creation and responsiveness to market requires communication and shared efforts between the links of global supply chains, market orientation should be applied to the supply chain as a whole. Understanding market orientation as an integral part of supply chain learning and supply chain orientation, then, leads to the second research question of this study:

RQ 2: How do producers and distributors in the specialty tea sector utilise shared market information and how does this improve market orientation on individual and relational level?

3.3 Conceptual model and problem statement

The problem statement of this study is: In what way does direct trade create a beneficial relationship for information sharing and how does information sharing influence the market orientation of companies engaging in direct trade? The two research questions presented in this chapter allow this problem to be explored using qualitative research methods. These research questions are represented in the following model.

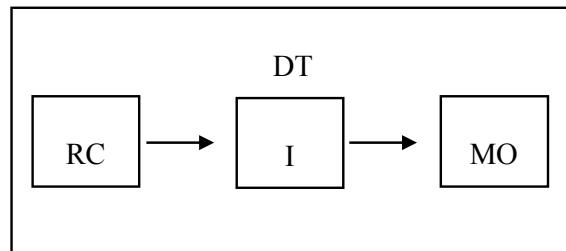


Figure 3 Conceptual model

The frame around the components of the model, DT (direct trade) illustrates the context of this study. The first research question – what characteristics influence the relationship between producers and distributors, and how does the quality of the relationship influence information sharing – is illustrated by RC (relational characteristics) connected to I

(information sharing) with an arrow, indicating that the relationship influences information sharing. The second research question, how producers and distributors utilise shared market information and whether this can improve their market orientation, is illustrated with the arrow connecting I to MO (market orientation), suggesting that sharing information can lead to improved market orientation.

4 Method

4.1 Design

This is an explorative study to shed light on the recently developed phenomenon of direct trade. The most suitable design for such a study is a qualitative approach which allows for a deep understanding of the relational aspects of the supply chain. A qualitative design allows for a thorough understanding of a contemporary phenomenon in its natural context.⁶⁸ This approach helps to describe both the process and the potential results of direct trade relationship. Consequently, the investigation was conducted as a multiple case study with four cases. To create a detailed and robust collection of data, including both distributors and producers as represented by two representatives on each side of the direct trade partnership.

4.2 Collection of primary data

The primary data was collected through individual structured interviews with distributors and producers that have experience with direct trade. Qualitative interviews allow room for the subjects' personal meanings and attitudes.⁶⁹ Focusing on a smaller number of subjects that have in depth knowledge about their function in the supply chain provides a detailed image.

The subjects of the interviews were spread out between four different continents. Consequently, the interviews were conducted via video conversation or phone calls, depending on the subjects' preferences and convenience. The interviews started with a few background questions, and the subjects were then queried about different aspects of direct trade concerning the practical and intangible aspects of the relationship between producer and distributor, what information they typically shared as well as how they used this information, and their general experience with direct trade. All the questions concerning supply chain orientation or market orientation were asked indirectly so that no explanation or previous understanding of the theoretical terms were necessary. A company's degree of supply chain

⁶⁸ Robert K. Yin, *Traction: Case Study Research; Design and Methods*, 5th edition (Thousand Oaks, California: Sage, 2014), p. 16.

⁶⁹ *Ibid.*, p. 106.

orientation and market orientation is difficult to measure to an exact degree, and so the questions were designed to pick up tendencies of thinking and acting rather than the companies' thoughts on market orientation and supply chain orientation directly. This also allowed room for a variety of opinions and views to be uttered and provided some nuances on the topic.

The interviews were structured and lasted around 45 minutes. All subjects were sent the questions beforehand so that they were aware of the content of the interview and could prepare if they so desired. The interview questions for distributors and producers were similar, with only slight variations to suit their role in the supply chain. For the interview guides, see appendix 1 and 2.

The interview guides were developed simultaneously with the theoretical framework. This way, any questions that arose while working through the literature were written down. The entirety of the interview guides was then revised after the theoretical framework was finished. Each developed question, apart from the introductory questions, was formulated in connection to one or both of the research questions to ensure that they would provide answers relevant to the study. The connection between the questions and the research questions were finally revised by the study's advisor.

4.2.1 Selection criteria

The criteria of selection for this study was that the firms interviewed were distributors and producers that could be considered as part of the specialty tea sector and that they had current experiences with direct trade. The subjects all fall within the same sector of the tea industry, where the third wave philosophy, viewing tea as an artisanal product rather than a commodity, is descriptive.

The subjects were recruited via email asking them to participate in the study, and if they could share their experiences with direct trade. The initial contact was with distributors. They were asked to recommend one or more of their suppliers that would be willing to take part of the study. Unfortunately, due to the limited timeframe of the study, there was less time to get recommendations and then reach out to these recommendations than would be ideal, and so producers that the author had previous knowledge of were also contacted directly.

The author had knowledge of most of the companies beforehand, and the rest of the companies were found online, via the blog *World of Tea*.⁷⁰ The candidates were screened by examining their websites and social media channels to make sure they were engaging in direct trade. The companies that were selected were perceived as passionate about their field and open and transparent about their way of trading. Furthermore, all the subjects that were interviewed were enthusiastic about the study.

Four participants, two distributors and two producers, volunteered to take part in the study. They are hereby referred to by their role as distributor and producer respectively, and they have been designated a number to each ensure their anonymity. The following is a short description of each participant in the study.

Distributor 1

Distributor 1 is a distributor working as a direct trade wholesaler. This distributor has experience with direct trade in many different tea-producing countries and does not work through intermediaries. Distributor 1 is a relatively young company.

Distributor 2

Distributor 2 is a retailer focusing on high quality teas with complete transparency regarding the producers and the origin of their teas. This distributor has a long experience with direct trade, does not work through intermediaries, and buys from small producers in many different countries. The producers that this distributor works with are organic producers. They are not necessarily certified but they do not use pesticides or non-organic fertilisers.

Producer 1

Producer 1 produces both commodity and specialty tea. This producer is a medium-sized, family-owned farm that has been producing commodity teas and trading through intermediaries for several decades. For the last two decades they have been exploring the production of higher quality orthodox teas which they trade directly to distributors. The farm is in a country that typically produces commodity teas, and so this country is not known as an exporter of high quality teas. Distributor 1 has a direct trade partnership with this producer.

⁷⁰ *World of Tea*, <https://worldoftea.org/>.

Producer 2

Producer 2 exclusively produces specialty tea and has been trading directly since they started production in 2001. The quantity produced is small compared to the size of the farm as all production is certified organic. This producer is based in a country in which the tea industry has only recently been established, but which has a terroir which is similar to that of regions highly regarded in the specialty tea sector. Therefore, this country has quickly gained recognition as a tea-producing region. Producer 2, however, wishes to differentiate themselves from such similar regions by highlighting the unique aspects of their region.

4.3 Secondary data

The opportunity to draw extensively on multiple sources is one of the strengths of qualitative research.⁷¹ This study's primary data is a series of qualitative interviews with distributors and producers in the premium tea sector. Additional sources of data were industry-related media channels, the subjects' websites, news sites and magazines, reports by various organizations on the state of the tea industry, as well as studies on tea supply chains and supply chains in comparable industries.

Literature

In addition to the literature used to develop the theoretical framework, literature on the supply chains of the tea industry was used to build an extensive understanding of typical supply chain structures and the factors affecting flow of information and product quality within these supply chains. Valuable case studies, among others, were: Nguyen Viet Khoi, Chu Hong Lan, and To Linh Huong, "Vietnam Tea Industry: An Analysis from a Value Chain Approach", H.M.U.N. Herath and S. De Silva, "Strategies for Competitive Advantage in Value Added Tea Marketing", Prasanna Perera, "Tea Smallholders in Sri Lanka: Issues and Challenges in Remote Areas", and Pradeepa Jayaratne, Lee Styger, and Nelson Perera, "Sustainable Supply Chain Management: Using the Sri Lankan Tea Industry as a Pilot Study".

⁷¹ Yin, *Traction*, p. 118.

Reports

The two most recent and extensive reports on the tea industry are *Future of Tea: A Hero Crop for 2030* by the Forum for the Future and *Contribution of Tea Production and Export to Food Security, Rural Development and Smallholder Welfare in Selected Producing Countries* by the FAO.⁷² In addition, the summaries from the bi-annual meetings of the IGG are informative.⁷³ These reports provided facts, details, and statistics related to the tea industry that were useful to gain an overview of the tea industry today. Lastly, the global Nielsen report on consumers' attitudes towards brands' and products' social responsibility provided statistics on consumer trends which added to the understanding of why the third wave is gaining momentum and thus making direct trade a relevant term.⁷⁴

News sites, magazines and industry related media channels

As the third wave movement in tea and coffee is gaining more recognition, several magazines and new sites have been writing articles on the movement. Industry-related media channels such as *World of Tea* and *The Daily Tea* have both provided information that have added to the contextual understanding.⁷⁵ *World of Tea* and *The Daily Tea* have conducted interviews with companies participating in direct trade. These articles have added to, and confirmed, the information collected in the interviews that make up the primary data of this study. These articles have also provided many potential subjects that were reached out to in the process of data collection.

Subjects' websites and social media

The subject's websites were part of the screening process to find whether they were engaging in direct trade or not. The websites also provided information about the companies' values and mission, often details on how they trade, and information about the history of the company, all of which helped create an understanding of the subject before the interview was

⁷² Chang and Brattlof for the FAO Intergovernmental Group on Tea, *Contribution of Tea Production and Exports*.

⁷³ Reports from meetings with the Intergovernmental Group on Tea, a subgroup of Food and Agriculture Organization of the United Nations, <http://www.fao.org/economic/est/est-commodities/tea/tea-meetings/en/>.

⁷⁴ Nielsen, *Doing Well by Doing Good*.

⁷⁵ *World of Tea*, <https://worldoftea.org>, and *The Daily Tea*, <http://thedailytea.com>.

undertaken. The companies' social media channels often communicate the companies' values and mission and so were helpful to learn more about the subjects.

The author's experience

The author has worked with a retail company specialising in tea, trading both through intermediaries and directly for the past five years. This has provided the author with a contextual understanding of tea trade which was beneficial to understand the context and the participants. With this contextual understanding there was little risk of missing important clues in the primary data, which can happen if the researcher does not have a firm grasp of the context and the subjects of the study.⁷⁶

The author had to be precautionary as not to be biased during the collection and analysis of the data. The preventative steps taken to avoid bias involved close collaboration with the study's advisor, discussion with colleagues, a focus on quoting the subjects accurately, and clarifying whenever needed during the interviews to avoid misunderstandings.

4.4 Analysis

After the interviews and the transcription were completed, the raw material was filtered to collect the data strictly relevant to the problem statement and the research questions. The next step was to systematically analyse the data to find factors that supported or contradicted the factors presented in the theoretical framework, such as the relational characteristics commonly found in close supplier-distributor relationships, and factors related to information sharing and market orientation. The theoretical framework was divided into categories that could provide reference points to which the data could be compared to. Each case was first analysed separately. The first part of the analysis was to find relational characteristics that could paint a picture of the relationships the subjects share with their partners and, furthermore, to explore whether the relational characteristics presented in the theoretical framework were present. Then the data was analysed to determine to what degree the subjects share information and what type of information they typically share. Finally, the data was

⁷⁶ Yin, *Traction*, p. 76.

analysed to find if, and to what degree sharing information had an impact on the subjects' market orientation. The answers from the interviews with each case were then compared to each other to look for patterns that could reveal whether the two distributors had similar attitudes and experiences, and whether these experiences and attitudes were shared by the producers.

As direct trade is a recent phenomenon and the data is based on the interviewees' personal opinions, the analysis required a certain degree of interpretation. The elements which this study aimed to measure are intangible factors and, therefore, difficult to measure with accuracy. The data did, however, point to what characteristics are in place in a direct trade partnership, and what this type of relationship can result in, in terms of information sharing and market orientation. The data also provided insights as to why companies choose to trade directly, and how they think the tea industry is developing.

4.5 Reliability and validity

Corroborating the primary data with secondary literature on the tea industry was important to ensure the validity of the study. Selecting subjects in both ends of direct trade partnerships gave a more detailed image than a study focusing either on producers or distributors would have. To ensure accuracy, all the interviews were recorded in their entirety with the subjects' permission.⁷⁷ During the interviews the subjects were asked to clarify anything that could be misunderstood, and in addition the subjects were sent a summary of the interview to make sure no information had been misinterpreted.

Reliability was an issue as direct trade is a recent phenomenon, and as there are consequently no previous studies on direct trade in the tea industry specifically, and only a minimal number of studies on direct trade in the coffee industry. To guarantee reliability, summaries of the interviews were sent to the participants to ensure that the author's personal interpretation and bias did not cause misrepresentation of the subjects. Furthermore, the recorded interviews were transcribed directly after the interview. The data was systematically

⁷⁷ Yin, *Traction*, p. 110.

organised to ensure that the right information was attached to each interview. To ensure the subjects' anonymity, the transcriptions of the interviews are not attached to the study, and so the data in its entirety is not disclosed. However, the interview guides are attached and can be compared with the data presented in the analysis.

The study was based on the subjects' experiences of the tea industry and direct trade, and subjects on both sides of direct trade, both producers and distributors, had similar experiences. The correlation between the subjects on each side of the partnership provides reliability.

4.6 Ethical considerations

A number of measures regarding the ethical considerations of the study were made. Firstly, the study was reported to and approved by the Norwegian Centre for Research Data (NSD). Secondly, the subjects were informed about the study in compliance with the requirements from NSD. Thirdly, the data was stored and processed as required by NSD. Furthermore, the study was conducted and written in compliance with The Norwegian University of Life Sciences' guidelines and requirements.

Participation in the study was voluntary. The subjects were informed about the topic of the study, and that the results of the study would be kept anonymous. The choice of making the results anonymous was to protect the partnerships between the producers and distributors, and not to reveal potential business strategies and disclose the interviewees' personal opinions. The study, consequently, does not provide exact descriptions of each of the informants. Furthermore, the only information identifying the companies and the interviewees was the email correspondence between the author and the interviewees. This correspondence was deleted after the study was submitted to maintain the companies' anonymity.

4.7 Weaknesses in data collection

The timing of this study coincide with the spring harvest of *Camellia sinensis*, which is for many tea-producing regions one of the most important events of the year. In this period, it is common that the producers' work is very hectic. It is also a hectic period for the distributors who travel to taste the spring harvest teas, or receives hundreds of samples to decide which teas to buy that season. Due to the timing and the timeframe of the study it was difficult to get a high number of participants. The final participants turned out to provide valuable data, but to properly explore both producers' and distributors' experiences with direct trade it would have been desirable with a longer timeframe to include more informants that could provide data from a greater variety of companies.

5 Analysis and Results

The first part of the analysis focuses on the relational aspects that characterise a close relationship between producers and distributors. The data is analysed to describe the relationships that the different subjects have with their direct trade partners and how they experience these relationships. The results of the interviews are then analysed to see whether the typical relational characteristics discussed in the theoretical framework are present, or if the subjects' experiences with relationships differ from what many scholars regard as necessary and typical characteristics of a close relationship between links in a supply chain.

5.1 Relational characteristics

Factors that moderate the relationship between the producers and distributors are supply chain orientation, frequency of communication, the level of trust, and common goals and values. The findings related to these relational characteristics provide an image of the type of relationship that can be found between direct trade partners, and furthermore, these characteristics are tied to the firms' ability to share information with each other.

5.1.1 Supply chain orientation

The interviews were conducted with the assumption that companies who engage in direct trade have a certain degree of supply chain orientation as it is likely that companies who wish to communicate without intermediaries understand the importance of information flow and flow of resources. Furthermore, it is reasonable that trading without intermediaries gives the links a closer connection to each other that may help them view the supply chain as a unity. The data is analysed to find statements that would confirm or contradict this assumption.

Distributor 1 stated several times throughout the interview that many of their activities are connected to helping farmers in various ways. Distributor 1 helps the farmers with logistics, money transfers, and developing production and farming practices to make higher quality or value added products. All in all, distributor 1 appears to invest a lot of time in their

producers, in addition to performing various activities that aid flow of information and resources throughout their supply chain.

Distributor 2 do not invest time in advising the producers they work with, like distributor 1. They usually buy from highly regarded smallholders that often have a well-established market for their tea within the country of production. That being said, distributor 2 is very particular about putting the name of the producer and as much information about the origin as they can on their packing which testifies that they value the flow of information that adds to the value of the product.

Both distributors spend time travelling and visiting the producers they work with. This demonstrates that they are oriented towards the producers. Furthermore, both distributor 1 and 2 expressed that transparency is of great importance for them, and that the producers they work with share this value with them. Distributor 1 explained that the relationship does not work for long if the producers do not value transparency. This can be interpreted as an indication that the producers they work with also have a certain degree of supply chain orientation.

Producer 1 invests a lot of time in communicating with their buyers who distribute their products. They regard this dialog with the distributors, where they receive information and feedback on various aspects, as important and instructive. Producer 1 stated throughout the interview that they always aim to be accessible and transparent, and that they wish to keep their buyers informed throughout the trading process. They have also established an office in Europe to ease some of the logistical issues for their buyers. Their openness for learning and their investment in communication and activities that ease logistical challenges demonstrate that producer 1 is supply chain oriented.

Producer 2 also invests a lot of time in communication with their customers. During the interview, producer 2 emphasised that they often form strong interpersonal bonds with many of their buyers, who usually return to visit and continue buying from them. In producer 2's experience the buyers travel to see how the tea is grown, to get to know the producer's trading practices and what the working conditions are like. Producer 2 believes that these factors are important to buyers in the specialty tea sector. This can be interpreted as evidence of a high degree of supply chain orientation, both for producer 2 but also among their buyers.

The subjects differ in what type of information they are open for receiving and to what degree they are open to receiving information from the other parts of the supply chain. Both distributors wish to learn about the origin, the production method, and the producers behind each tea as this information is used in marketing and consequently adds value to the tea. Furthermore, distributor 1 gives the impression that both they and the producers they work with are open for learning about production and processing, as distributor 1 acts as a facilitator for disseminating knowledge. They stay with each producer once a year and acquire information on farming and production which they share with other producers in their network and, according to distributor 1, all the producers appreciate this information. In addition, distributor 1 sometimes experiments with different processing techniques together with the producers, and this can be regarded as relationship learning, as they share information and jointly interpret this information to create value.⁷⁸ Distributor 2 is mainly a buyer and do not work with the producers in the same way as distributor 1. Their focus is on acquiring information regarding the culture and story of the teas they are purchasing as well as learning about the origin and the producer of the tea.

Producer 1 is open for learning about the end market through their distributors, as well as getting advice on production techniques, whereas producer 2 is not. Only a small segment of producer 1's production is specialty tea, they have less experience with this than producer 2, and they are based in a region which is not typically associated with tea production, and especially not specialty tea. Taking all this into consideration it is understandable that they wish to acquire as much information as possible, as it appears that they are still in a phase where they are experimenting with different types of teas and production techniques, and are working to establish themselves as a specialty tea producer. Producer 2, however, do not wish to receive advice on production techniques through their distributors as this is often information the distributors have attained from other producers. Producer 2 is at a point where they feel that this type of information could be misleading, and they want to protect their processing methods and not introduce any elements that could threaten their uniqueness as a producer.

⁷⁸ Selnes and Sallis, "Promoting Relationship Learning", p. 80.

Considering that distributor 2 and producer 2 do not express openness for learning to the same extent as distributor 1 and producer 1, they may still be considered as having supply chain orientation as they have strong relationships and invest time in their partners, recognising the strategic implications of the various activities managing the flow of information in the supply chain.

5.1.1.1 Summary

It appears that the companies interviewed are supply chain orientated. It would be difficult to build a close relationship if both parties were not invested in the relationship and oriented towards the other link in the supply chain. Seeing that all the subjects in this study are small and medium sized companies and are all part of a direct supply chain, it is to be expected that the direct communication between the links and the investment of time dealing with coordination and building of relationships creates a high degree of supply chain orientation for all parties involved. All the subjects highly value the importance of information flow, although they focus on different types of information, which will be discussed further in the section on information sharing.

5.1.2 Frequency and nature of contact

The frequency of information sharing has a strong influence on the efficiency of the relationship.⁷⁹ Frequent contact is a moderator for a strong relationship where knowledge can be shared across links in the supply chain, and for a relationship that provides coordination and flexibility.

Distributor 1 usually visits the producers they work with once a year but stays in touch via email, Skype, and social media weekly or monthly. Distributor 1 expressed that the visits are of great importance to them and that yearly visits and frequent communication is essential to build and maintain their relationships with the producers they work with.

⁷⁹ Lambert and Cooper, "Issues in Supply Chain Management", p. 78.

Distributor 2 communicates with their partners around four times a year, although it differs slightly between the producers they work with. The contact might be more frequent for example with producers in Darjeeling during the spring harvest, where they will have continuous contact for three to four months, as the spring harvest is a very important season for many producers, particularly in Darjeeling. Most of the communication is done via email, and additionally, they visit the regions they buy from approximately twice a year.

Producer 1 experiences that the contact with their buyers is a lot more frequent upon finishing a transaction because they want to be transparent about the whole process and keep their buyers informed about delivery and any issues that may arise. In general, they are in touch with their bigger customers around three to four times a year. Furthermore, they try to be as accessible as possible. During the last three years they have experienced that buyers visit more often, and that many buyers trading directly wish to visit before they buy their teas. Having an office in Europe, this producer is also in touch with their European buyers through trade shows and visits to the distributors' locations.

Spring is the busiest time for producer 2 with frequent visits from buyers. Furthermore, they have regular contact with their buyers via email throughout the year. During the last five years they are also experiencing an increasing amount of communication via social media and they believe that tea trade is changing because of the development of such types of communication.

5.1.2.1 Summary

Each partnership is different, but all companies interviewed report frequent contact with their trade partners. The frequency of contact differs according to the season, and all the subjects experience that the frequency of contact, is generally higher during the spring season. Most of them have the same experiences and approximately the same frequency of contact with visits usually once a year, and email correspondence three to four times a year or more, and in many cases even more often on social media. This should provide enough communication for them to share information, build relationships, and coordinate the various activities in the supply chain.

5.1.3 Strength of relationship: trust, engagement, common values and goals

In the following paragraphs, the data is analysed to explore how the parties engage with their partners and whether they share goals and values. How they engage ties into what type of information they share, which will be discussed in the next section. The way they engage can describe whether they feel interdependent and to what degree they have built close and possibly personal relationships with their partners. Through this data, the strength of the relationship can be determined, which in turn, builds an impression on the actors' ability for cross-functional information sharing and supply chain orientation.

Distributor 1 experiences that they share goals and values with the producers, and that their partnerships do not endure unless both parties value the philosophy of direct trade and honesty.

Distributor 2 experiences that they often share values and goals with the producers they buy from. An example is that they enjoy buying tea from producers who continue traditional methods of processing by hand that are on the verge of getting lost. Such methods become part of the story behind the tea, and distributor 2 enjoys working with producers that preserve such methods because they feel that these producers are going out of their way because they are passionate for their craft:

“A lot of these producers are going beyond what they need to do out of the love of doing it, and to continue the traditions which in some places are dying out. We highly value this in our tea.”

When it comes to trust and transparency, distributor 2 regards this as equally important on both sides of a direct trade partnership. Distributor 2 wants to be sure that they are receiving exactly what they asked for. In their experience, they have never had any issues concerning trust and transparency. This may speak of this distributor's ability to build and maintain relationships.

Producer 1 expressed that they value honesty and transparency and wish to adhere to these values in all their activities. Furthermore, producer 1 experiences that when their buyers take the initiative and visit their region, they are showing interest in their product and their beliefs as a company, which producer 1 sees as sign that they share values with their buyers.

Producer 2 encourages their buyers to visit, and many of their buyers are visiting during the spring harvest, which is generally the busiest time of year. Producer 2 experiences that their

buyers understand their philosophy through these visits, and that they form relations during these visits.

Producer 2 usually shares values with their buyers. When a buyer initially makes contact, producer 2 sends them an email informing the buyer about their philosophy, goals, and values as a tea producer. Only after the buyer have become familiar with their values and practices through the information in this email, do they engage in trading. This way they try to make sure the buyer matches their philosophy, as they believe they would not engage in trade if the buyer did not understand the values presented in the email. In general, producer 2 experiences that most companies working with direct trade in the specialty tea sector have similar values:

“The people looking for this sort of produce, they have similar values, in terms of how they run their business, how they inform their customers, the final consumer who drinks our tea. So there is an underlying similarity in terms of our philosophy and in terms of how we do business together.”

Two goals that were highlighted in the theoretical framework as probable common goals in this type of supply chain are creating customer value and working towards “appropriate practice”. “Appropriate practice” in the context of specialty tea may be to produce and distribute a high-quality product and share information among links in the supply chain in order to improve production methods, sustain the industry, and deliver a valuable and differentiated product to the consumer. The interviews have shown that the subjects of this study all share these goals. Distributor 1 shares advice on different aspects of production within their network aiming for a high-quality product. At the same time, they are facilitating trade of these high-quality teas to make it easier for producers to sell their teas and easier for retailers to buy high-quality teas, directly traded. Distributor 2 only buys from small producers who pay their pluckers fair wages and where production is organic. This can be seen as their way of supporting the type of producers that may benefit the sustainability of the industry. Sustainability issues in the context of the tea industry are, as discussed in the introduction of this study, often related to low profits and little economic incentive for producers, and also the sustainability of the locations of production through responsible farming. Producer 1 aims to put their region on the map as more than a commodity producer, and to produce high- quality teas. Producer 2 is an organic producer and is working to create a strong independent brand that differentiates their region from comparable regions. All of these may be considered as examples of different forms of “appropriate practice”, and so, all the subjects share this goal. Furthermore, it is likely that similar goals are shared by their

partners as discussed in the previous paragraphs. In addition, they all share the goal of transparency throughout the supply chain, and the goal of sharing the information connected to the teas' origin and production with the consumer. This information is in the case of specialty tea part of the customer value, as it makes up a part of the value of the teas. Considering that all subjects experience that they share goals with their partners, and that all subjects experience a strong bond to their partners, it is reasonable to assume that they also share a sense of interdependence. This sense of interdependence can make the parties act for the benefit of their partners, and it can be beneficial for the maintenance of relationships that aids information sharing.

Distributor 2 stated that while distributors could work directly with producers by communicating via email, and thus without leaving their country, it is far more beneficial to visit. They highly value the visits as they learn more and gain better access to a variety of high- quality teas. One example is that distributor 2 has been introduced to what they perceive as interesting teas which the producers were making during their visit, a type of tea they might not have been aware of or gained access to if they were not visiting. All in all, distributor 2 expresses that this creates a stronger relationship between them and the producers they buy from, and that the visits generally lead to teas and experiences that are of interest for distributor 2. An example of one of these strong relationships and interesting experiences was when a tea maker who is famous in his home country for making an award-winning tea sent them the entire lot of the winning tea when he won a national competition. Distributor 2 regards this as a priceless gesture, especially considering that this particular tea maker had previously received around 13000 euros for 100g of this tea in an auction in his home country.⁸⁰ This is something that might never have occurred if the distributor had not visited frequently and built up a strong relationship. Another example by which distributor 2 is experiencing strong relationships with their partners is that they will put them in touch with other producers. This is probably because distributor 2 has a good reputation among their partners. Reputation can function as support in relationally governed supply chains.⁸¹ Distributor 2 further demonstrates the strength of their relationships when asked if they often

⁸⁰ The extraordinarily high price is due to this particular tea maker's skills and status, but perhaps more so due to the position of high quality tea in the culture of this particular country, where it has long been common that government officials exchange rare teas as exclusive gifts. This has pushed the price of some of the rare teas.

⁸¹ Gereffi, Humphrey, and Sturgeon, "The Governance of Global Value Chains", p. 84.

continue buying from the same producers season after season. They answered that they might add one or two producers to their portfolio every year, but that they still continue to work with the producers they already have a relationship with, the reason being that they want to build and maintain relationships that develop to be more beneficial over time:

“This is important to us, even if their quality is lower one year. As we want to maintain our relationships we buy in good years and bad years. Luckily, the best producers often make good teas every year.”

Producer 1 has experienced that they attract more buyers when they visit the buyers in person instead of sending a sample by post. This is another reason why they have established an office in Europe, to easily visit European buyers. In addition, they visit trade shows and fairs to meet buyers in person. Producer 1 states that meeting in person is arguably more beneficial for a relationship, as one instantly understands the other better when meeting in person. Their buyers are also frequently reordering, which they interpret as a sign that their buyers are happy with their product and their experience of trading with producer 1. This can also be seen as a sign that they are establishing long-term relationships with their buyers.

Throughout the interview, producer 2 presented the specialty tea sector as a small, exclusive community of passionate people. Furthermore, producer 2 highly values meeting their buyers in person, and often experiences that they form interpersonal relations with their buyers. They also experience that their buyers usually return, and they believe the reason is partly because their buyers like their tea, and partly because they have built a personal connection:

“A lot of the people who visit and buy from us becomes friends with us, so our relationship goes beyond the commercial aspects. There is a deeper meaning, which is what tea is all about. The way of tea is one of the reasons why we got into the tea business. The philosophy of tea is about friendship and bringing people together. So meeting in person makes a difference, both for the buyers and for us. [...] Interpersonal connections are common in direct trade.”

The results provide examples of companies acting for the benefit of one another. The first example is the gift that distributor 2 received from one of their suppliers, which they consider a priceless gesture as the tea they were received as a gift was of immense value and the producer could have chosen to auction the tea instead. The second example is that distributor 2 continues to buy from the same producers even in years where their tea might be of a lower quality. This is also beneficial for distributor 2 as they see this as a way of maintaining their relationships with producers. Nevertheless, they could have chosen not to buy from that producer in that particular year, and so this may be interpreted as evidence that they act for the benefit of the producers they work with. This interpretation is corroborated by observing

how distributor 1 invests time in staying with their producers to share knowledge and give advice, as well as experiment together with the producers to find good solutions for their particular terroir and production. This is of course also beneficial for the distributor as they might, together with the producer, achieve a better product. Distributor 1 is nonetheless investing time in their producers while they could have chosen to buy from producers who were already producing the highest qualities. Producer 1 reported that they will sometimes attempt to produce teas requested by their partners. If producer 1 manages to produce the tea requested, it is certainly beneficial for producer 1 who can then sell that tea to the distributor. As the example demonstrates, however, some experimentation is often needed to attempt to respond to their partners' wishes, and so there is no guarantee that producer 1 will succeed in their attempt. This means that they are investing time in their partners' wishes even though this might not be economically beneficial for producer 1, thus they are acting for the benefit of their partners. Although producer 2 did not give a particular example of similar experiences, it is likely that they would also act for the benefit of their partners, as they do, in their own words, often become friends.

5.1.3.1 Summary

As expected, all the subjects interviewed highly value trust and transparency in their relationships. As all the subjects highlighted these values in examples regarding their relationships with partners, it can be interpreted as evidence that the subjects all possess these values and that this aids their ability to form a strong relationship with their partners and build a good reputation for their business. It is probable that they develop trust when both parties invest in spending time with each other and communicate frequently. Transparency appears to be equally important for producers and distributors, as the importance of transparency was highlighted in all the interviews. It seems that transparency and trust are integral in direct trade, and that their importance is generally recognised by companies working within this segment.

According to all the subjects, shared goals are also an integral part of their relationships, although the exact goals may differ between the subjects. The overall goal for all the companies are transparency throughout the supply chain, producing and distributing high

quality tea while sharing the story behind each tea and origin, and educating the consumers to expand the specialty segment while responding to market trends.

All four of the subjects appreciate the importance of spending time with their partners, and experience that they build relations and learn about their partners when they prioritise to interact face to face. All subjects also experience that visiting each other often lead to long-term relationships.

5.2 Information sharing

One of the main objectives of this study is to find whether direct trade can aid the flow of information in the supply chain. Several factors may affect the firms' ability to share information, as discussed in the previous section. An additional factor is that that both firms in a relationship see the benefits of the information sharing. Furthermore, the type of information shared can have a strong influence on the efficiency of supplier relationships. In this section the data is analysed to explore what type of information the partners share. Then the data is analysed to find how the relational aspects discussed in the previous section influence information sharing, in relation to the first research question.

5.2.1 The type of information shared between the actors

Distributor 1 expressed that they sometimes transfer knowledge from one producing country to another. Each producing region is different as the terroir, the cultivars, and the processing methods in each country vary greatly. The skillsets that producers possess within each region also vary as one region might have producers with a lot of knowledge on organic farming, but may lack the best processing techniques and vice versa. The skillsets typical for each region can differ due to their culture of farming practices in other industries. In distributor 1's experience, the producers they work with value when they share knowledge about production techniques from other regions. By doing so, distributor 1 believes they can help the producers to develop their quality, their processing techniques, or their farming methods. They are also experiencing that they are introducing producers from different regions to each other, and that the producers are making plans to visit each other to attain knowledge that other

producers in other regions possess. The different regions value different types of information as they have different needs, and distributor 1 mentioned a few examples of these different needs. When they visit producers who want information concerning processing they spend time consulting them on production techniques to achieve better quality, and they test different methods together with the producer to find what suits the specific terroir of that region and the variety of cultivars the producer is using. In addition, distributor 1 will give the producers samples of other high-quality teas as a benchmark, emphasising that each terroir will produce different flavours, but that high quality teas from other regions may be used as inspiration. In other regions producers might want information on organic farming, and so distributor 1 shares their knowledge accordingly. A third example is that producers who mostly have experience with commodity production but are moving into the specialty sector are not always familiar with the trends among the consumers or how they are preparing their tea. It would be beneficial for the producer to taste their product in the same way their buyers will prepare it when evaluating the tea and the way the consumers usually taste their tea, and so in these scenarios distributor 1 will share knowledge about tasting, preparation, and consumer trends. Furthermore, distributor 1 stated that in many regions accustomed to commodity production, the producers only know what their previous buyers have shared with them. Granted that these buyers usually ask for low quality commodity tea, as they are looking for low prices, this is what many producers are focused on producing, and this is a segment of the market they have knowledge of:

“They [the producers] only know what the buyers they interact with want, and for the longest time the buyers that visited them just wanted the cheapest price, so the producers developed the habit of making the cheapest tea possible. Those buyers still exist, and there are still going to be plenty of people that want to buy cheap tea, but that is a dead end, and the producers will never get anywhere if they only satisfy those buyers. But now there is this new category of buyers that are looking for quality, and good tea can be made anywhere as long as you understand your terroir, and understand what you are working with so you can process the best tea possible.”

Distributor 2 works with producers who have an established market in the producing countries, hence they already know their market and usually do not need any information in the same sense that distributor 1’s partners sometimes do. Distributor 2 also stated that as most of their producers have well established markets in their country of production it is not usual that they trade with western distributors. For distributor 2 the information sharing is therefore more about what information the producers they are trading with are sharing with them regarding aspects of the tea, its origin, and production that distributor 2 wishes to share with the consumers in the western market. They find that the producers they work with are not necessarily interested in these consumers, as they usually trade directly with other

distributors in their local markets. However, a few producers sometimes ask how their tea is selling in Europe and for feedback from consumers, although this is not common. For distributor 2, therefore, information sharing is about the knowledge they gain from the producers, as they wish to share as much information as possible with their customers. During their visits to the producers, distributor 2 often gain knowledge about changes in the industry, production challenges, weather conditions, production techniques, the producer, and the origin. Distributor 2 therefore regards visiting producers of great importance as they gain knowledge that they can share with their customers.

Producer 1 trades both through intermediaries and directly as they produce both commodity and specialty tea, and the intermediaries are needed for large quantity, commodity trading. They experience several differences when it comes to the flow of information through traditional trading channels versus direct trade. Using intermediaries blocks innovation because intermediaries want to maintain the status quo as they currently have the leading role in distribution. When trading through intermediaries, producer 1 experience that they are abstracted from, for example, market trends in Europe. Although working directly with several smaller customers requires a great investment in time and resources compared to quantity trading, producer 1 experiences that direct trade creates new opportunities and that this makes them improve and innovate as they experiment with different types of tea and receive feedback directly from customers on what is successful and not:

“For us direct trade is important to discover and learn how orthodox tea is working, what is needed, what kind of taste customers are looking for, what kind of packaging you need, what kind of information you need to give, etc. This is what we learn from direct trade with smaller companies.”

Many of producer 1’s customers visit the farm to taste the teas and get to know the farm. They give feedback on which tasting profiles are the most successful and what they are looking to buy. In addition, they often give advice on production methods, and producer 1 uses this input actively. When they started producing specialty, tea the current owner visited producers in other regions to learn the production techniques needed for specialty tea production. Still, producer 1 wants constant input, and therefore, they appreciate the advice from visitors. Furthermore, the visiting buyers tell them what trends they are seeing among the consumers. Other examples of information flow between direct trade partners that producer 1 could demonstrate is that as they can communicate directly with the buyers, the buyers are quite understanding of the challenges they might meet during production or delivery. This works both ways, and some buyers communicate wishes to producer 1 by

requesting if they can make a specific type of tea. Additionally, producer 1 engages in several other activities to gain information on the consumers. They organise workshops in their country where other producers, buyers, and industry opinion makers come and share their experiences with making tea, and the attendants bring teas that they all taste together. Producer 1 also receives feedback from their buyers by sending out samples. In addition, producer 1 is actively collecting information by attending trade shows, reading magazines, following tea enthusiasts and retailers in social media, visiting customers, attending conferences, and subscribing to newsletters from industry related websites.

Producer 2 has experienced that the tea trade is changing in terms of communication. When producer 2 first started producing, emailing had just become common practice, and the use of social media was not yet widespread. Now that there are several types of communication channels that are in common use, this has slowly opened up many possibilities of reaching out directly to buyers in many different countries. Producer 2 has used these channels to look at various leading firms in the specialty tea sector and to get in touch with firms they thought would make good partners:

“How communication has developed has been instrumental in allowing direct trade to flourish. Electronic media has been the key as it has allowed farmers to reach out to shops abroad.”

Furthermore, producer 2 believes that coordination is much easier without intermediaries, as they can reach out directly to their buyers and vice versa:

“With direct trade everything becomes transparent. Transparency, traceability and accountability becomes both easy and important in direct trade, and this benefits everyone.”

Producer 2 does not ask their buyers for information about their consumers or advice on production methods. They collect the information they need themselves. They do not ask for advice on production techniques as this often means that buyers have collected this information from another producer, and will often disseminate information from producer to producer, meaning that the buyers could also share producer 2's production techniques with other producers. Producer 2 wishes to protect their production techniques to protect their competitive advantage. Furthermore, they do not wish to receive advice from their buyers as they want to create an independent brand name for themselves and for their region, differentiating their product from similar regions which they are often compared to. In fact, producer 2 discourages this type of information sharing as they do not want to be influenced, and they feel that the information they receive is sometimes misleading, especially if buyers

share information about production that they have picked up in a setting where the cultivars and the terroir is different from that of producer 2.

5.2.1.1 Summary

Although all subjects share information that relates to transparency and adds to the value of the product, it seems that the different subjects' needs and wishes for what type of information they receive and share varies. Distributor 1 and producer 1 demonstrate the same behaviour regarding what information they share and wish to receive. Distributor 1 actively shares advice for the producers to achieve a higher quality product, adapt better farming techniques, and learn how to evaluate the taste of the tea. Producer 1 is a producer who is looking for constant input to experiment with production to build a portfolio of high quality teas. What these two subjects also have in common is that they have less experience with direct trade than distributor 2 and producer 2. Distributor 1 is a young company, still establishing their name in the specialty tea sector. Direct trade wholesalers are yet to be common practice in the tea industry, and so companies with roles like distributor 1 are yet to be recognised. Producer 1 is a company with extensive experience in commodity production and trading through intermediaries. They have been experimenting with the production of orthodox teas for the past 15 years and have been trading these teas directly for the past 5 years. However, as they are based in a region which is not generally associated with tea production, and especially not specialty tea, they have to, in their own words, "knock on a lot of doors" to gain recognition in the specialty tea sector. Distributor 2 and producer 2 both have much experience of the specialty tea sector and with direct trade. Distributor 1 has been trading directly for approximately the past 12 years, and producer 2 has been trading directly since the start of the company in 2001. In addition, producer 2 is based in a region where, despite being a young tea-producing region compared to other regions, its terroir shares many similarities with other regions widely recognised for its high quality tea, and therefore they have quickly established recognition in the specialty tea sector. With this foundation, producer 2 is focusing on differentiating itself from the producers of similar regions rather than having to start from scratch in terms of specialty tea production like producer 1 had to in many ways. Furthermore, producer 2 keeps updated on consumer trends by seeking out the information they need themselves. Producer 1 also does this, but they are also eager to attain information on consumer trends through their distributors.

5.2.2 Relational characteristics' influence on information sharing

Following on from the previous sections, this section explores data that can describe how the relational aspects previously discussed influence the information flow in the supply chain.

As discussed, all the subjects value transparency and honesty. It appears as though they all experience that they can trust their partners, and that they share these values with their partners. These values all affect the supply chain's ability to share information across links. Transparency was also highlighted as a common goal for all the subjects. This is to be expected as it ties in with the philosophy behind direct trade. Another common goal is to communicate the information that adds to the value of the tea to the consumer. In trusting their partners, and by showcasing transparency and honesty, each link can be assured that the information they receive from their partners is correct and, furthermore, that the necessary information reaches the consumer. The level of trust therefore adds to the companies' ability to share information, and helps them work towards their shared goals, which are also tied to information sharing: transparency and communicating information to the consumer.

All the subjects value meeting their partners in person: Both producers encourage visits, and both distributors take the initiative to visit. The common reason why meeting in person is valued among all the subjects is that they learn more about their partners, build relations, and can make sure that they understand and share each other's values. Furthermore, these visits ensure the producer that the distributor share their story with the consumer. In addition, the distributor receives information directly from the source that adds to the value they can offer the consumers.

For distributor 1 and producer 1, meeting in person has additional benefits. Distributor 1 gains knowledge in different regions that they transfer to other regions, given that the producers wish to and are open to receiving information that can benefit their product, as well as information about the consumer and market trends. Similar benefits are experienced by producer 1, who is one of the producers that distributor 1 has a close partnership with. Producer 1 expressed that they wish to receive information about market trends and processing techniques, and that meeting their partner in person was beneficial for receiving this type of information and, additionally, for receiving feedback on their products. This type of information is not typically shared in the relationships distributor 2 and producer 2 have

with their partners. They both focus more on the information sharing that relates to transparency and the value that the consumers receives.

Electronic communication has allowed direct trade to develop as producers and distributors can now easily communicate directly and frequently. The frequent contact is arguably important both to build and maintain relationships, to coordinate the activities within the supply chain, and share information. All the subjects could report that they frequently communicate with their partners, mainly through email and that communicating directly was beneficial.

5.2.2.1 Summary

All the subjects experience that they can trust their partners and that they share goals and values with their partners. All the subjects communicate frequently with their partners. All these factors result in strong long-term relationship that are good platforms for information sharing.

5.3 Market orientation

In this section, to explore aspects related to the second research question, the data is analysed to explore how the information shared between producers and distributors affects, or is being utilised in the market orientation of individual companies and on a relational level. The types of information related to market orientation is information that can be utilised to add to customer value, produce better quality teas, and ensure the long-term profitability of the supply chain. The section is structured after information that is beneficial for each individual link and information that is beneficial for the market orientation of the entire supply chain. A number of these benefits overlap as what is beneficial for the supply chain is of course also beneficial for the individual link. Nevertheless, there are a few benefits that relates more clearly to the market orientation of the specific links.

5.3.1 Benefits of shared information for market orientation on individual level

Distributor 2 believes that it makes a difference for the consumer when they can talk to someone who has been to the location where the tea is produced:

“We think it is important for customers to come into the shop and talk to someone who have been to the location where the tea is being made, so that they can talk with confidence with the customers. We think that makes a difference.”

Distributor 2 is experiencing an increasing competition as more companies are moving into direct trade. This indicates that an increasing number of companies are observing market trends and seeing that direct trade can be a way to respond to these market trends.

Producer 1 states that trading directly makes it possible for them to receive feedback regularly which makes them learn and improve. Producer 1 utilises the information they collect very directly and actively, they often experiment immediately after travelling to visit customers, attending trade shows and conferences, or having customers visit the farm. Furthermore, producer 1 believes that the benefit for the distributors is that they can interact directly with the producer. For example, they can tell producer 1 what their wishes are, and producer 1 will try to make the tea their distributors are asking for. It is likely that in receiving feedback directly from the link which is the closest to the consumer, producer 1 receives accurate information about current trends that they can channel directly into their production. In communicating their wishes directly to producer 1, distributors can influence the production to respond to their consumers’ needs and wishes which may be beneficial for each link individually as well as for the supply chain as a whole, as it may affect all links’ market orientation.

5.3.1.1 Summary

Aiming for transparency and flow of information that adds to the quality of the product is not only seen to support long-term profitability, but also provides each link with credibility and brand recognition among the consumers. This aspect might be of particular importance for distributors, the link in the supply chain which is closest to the consumer, and whose ability to source high quality products and be socially responsible therefore translates directly to their image and brand. Direct trade can benefit the consumer as distributors source, and gain access to, high quality teas. But perhaps more important, the benefit is that the consumer

receives information about the products they are consuming through a distributor that have frequent, direct communication with the producers. This is both an assurance to the conscious consumer, but is also part of the product differentiation and the total experience the consumer has when interacting with the distributors.

5.3.2 Benefits of shared information for market orientation on relational level

As the results of this study suggest, companies engaging in direct trade actively aid the flow of information that adds to the value of the product. According to all the participants in the study, this is the main benefit of direct trade for the consumer, and observing market trends related to consumers' discriminating tastes and increasing awareness, more information about the product appears to be what the consumers are asking for.

Distributor 1 previously sold directly to consumers, but moved into wholesale because they observed that retailers wanted to trade directly but did not necessarily have the resources to do so. The reason more retailers want to trade directly, according to distributor 1, is that the consumers want more information about the product.

While their main objective is to sell high quality teas, distributor 2 is in many ways responding to market trends related to increasing consumer awareness on ethical and environmental standards. They do this by aiming for absolute transparency and put the names of the producers on all their products in addition to communicating as much information about the producer and the origin as possible to the consumer. They obtain this knowledge through the information their producers share with them, what they learn in their travels, and through interviewing some of the producers they work with. The benefits of direct trade for the consumers are according to distributor 2 related to the information about the producers and the teas. In receiving this information, the consumers can be fully aware of what they are supporting economically and what they are consuming.

Sharing the information of the producer and the teas' origin with the consumer promotes the origin and thus the producer, but may also be beneficial in brand building for distributor 2. The transparency and information sharing related to the tea's origin and production can presumably benefit the entire supply chain by improving profitability for producer and distributor while adding to the value of the product.

Producer 1 believes that specialty tea requires direct trade. The leading companies in traditional trade are large companies that change slowly even when a decline in the popularity of lower grade tea can be observed. Producer 1 believes that the demand for orthodox (whole leaf) higher quality tea is a trend that have started to accelerate the past five years, and that it has high potential, but that the large companies are waiting and observing the specialty tea sector to see how it is developing before investing. Producer 1 pointed to Starbucks, who have acquired Teavana, and Unilever (owner of Lipton), who have acquired T2, an Australian specialty tea chain, as they see this as a sign that larger companies now want to invest in specialty tea. Still, these companies normally use their existing suppliers even for specialty tea, but producer 1 believes that if companies expect consumers to pay more for higher quality teas they need to communicate the story behind the tea. This is, according to producer 1, not possible unless you trade directly, as intermediaries do not typically share these stories. In other words, specialty tea requires flow of information that adds to the value of the product, which producer 1 believes is what the consumer want. They state that the benefits for the distributors trading directly is transparency and better stories to use in marketing:

“Direct trade is a self-regulating system that differs from labels and certifications. These labels move slowly, they got dormant. Consumers nowadays want to know exactly where the products come from, and they want to hear quality stories rather than ‘hungry farmer stories’”.

Furthermore, producer 1 believes that direct trade is the optimal approach for responding to trends among the “millennial” consumers, and that direct trade is a business model that is interesting for the consumer:

“Millennials love the concept of direct trade because they can see that who they bought the tea from sourced it themselves. It gives a sense of adventure. The companies are telling a real story when they have seen it with their own eyes, they are blogging about it, and this makes the consumer trust that brand. Consumers are not interested in the details that certifications demand because even this cannot guarantee that it is working. Direct trade ensures the consumer that the system is correcting itself. This is what they are looking for, and they can be assured that honest prices are paid and not lost to middlemen.”

The observation made here is essentially that, according to producer 2, consumers wish to get more information on what they are consuming, and they want a story to go with their product. This is related to the type of information that adds to the value of the product, which is information that producers typically share with distributors, and which is further communicated to the consumer by the distributor. In ensuring the flow of this kind of information, all the links are contributing to the profitability of the supply chain by responding to the consumers’ wishes.

Producer 2 believes that the benefit of direct trade for the distributors is that they gain credibility and that the benefit for the consumers is that they know exactly where the tea comes from:

“Sometimes they [the consumers] even get more information than what they wanted as they can know everything as long as the producer is willing to share this information with their buyers. This gives the consumer confidence in what they are drinking.”

In encouraging their buyers to visit, by being open and transparent, and by being engaged in the mission of communicating information to the consumer, both producer 1 and 2 are supporting the transparency and profitability of the supply chain while adding value to the product.

5.3.2.1 Summary

All the subjects of this study share the value of transparency and the goal that information about the industry and information that adds to the value of the tea should reach the consumers. Furthermore, all the subjects believe that the consumers want to receive this information, and that it adds to the value of the product and the experience they present to the consumers. By aiming for full transparency and sharing this information, all subjects are therefore supporting the profitability of the supply chain by marketing the producers and the different producing regions and by building the brands of the producers and the distributors. At the same time, they are providing the consumers with more information on the products which the subjects believe the consumer wants. The transparency and the information sharing is therefore beneficial for both producers and distributors, as well as for the final link of the supply chain, the consumers, who can be confident in the quality and origin of the product they are consuming. This corresponds with market trends showing that consumers are viewing origin, product and process quality as increasingly important.⁸²

⁸² Teuber “Geographical Indications of Origin as a Tool of Product Differentiation”, p. 278.

6. Discussion

By exploring the phenomenon of direct trade in the context of specialty tea, the main objective of this study is to increase our understanding of the relationships that are formed in direct supply chains to find whether direct communication between producers and distributors leads to information sharing that can impact their market orientation.

In the following discussion, the empirical findings are discussed in relation to the theoretical framework. The chapter is structured after the two research questions of the study.

6.1 Research question 1

What characteristics influence direct trade relationships and how does the quality of the relationship influence information sharing between actors who engage in direct trade?

6.1.1 Relational characteristics

Lummus and Vokurka argue that closer relationships between the links in the supply chain are important to gain knowledge of the different activities that are needed to bring value to the consumers, and to ensure flow of information throughout the supply chain.⁸³ As discussed throughout the study, the information that reaches the consumers adds to the value of the product in the context of specialty tea. Therefore, the different activities needed to bring value to the consumers are related to sharing information between links in order to ultimately reach the consumers. One of the activities needed to bring value to the consumer is therefore ensuring information flow within the supply chain. The empirical findings suggest that communicating information that adds to the value of the product to the consumer is one of the main objectives of the companies engaging in direct trade, both for producers and distributors.

⁸³ Lummus and Vokurka, “Defining Supply Chain Management”.

The subjects in this study particularly understood the importance of building close relationships with their partners. The existence of such close relationships indicates that the links of the supply chain are oriented towards each other. As the results presented in the analysis show, it appears that the parties in this study recognise and understand the implications of the various activities involved in managing the flow of information and goods. Looking back at the definition of supply chain orientation which this study operates with, all the companies interviewed may be said to recognise the “strategic implications of the activities and processes involved in managing the various flows in a supply chain”.⁸⁴ All the subjects can be said to understand the implications of managing the flow of information as they all aim for transparency and for information to reach the consumer.

Considering that all subjects report having close relationships with their partners, that they all aim to bring information to the consumers, and that they view this as one of the main benefits of direct trade, the results of this study support Lummus and Vokurka’s findings, which suggested that closer relationships between links in the supply chain can ensure information flow as links communicate directly and all value the sharing of information with the consumer.⁸⁵ Conversely, Martin and Grbac have observed that direct communication results in long-term relationships and that relationships might be stronger where there is sharing of information.⁸⁶ It is difficult to pinpoint whether the sharing of information is what has enhanced the strength of the relationships, or whether the relationships are strong due to the relational characteristics such as trust, shared goals and values and supply chain orientation. The data shows stronger evidence for the latter, which might indicate that producers and distributors share information because they have built a strong relationship rather than the relationship being strong due to information sharing. The one does not exclude the other, however, and it is likely that the sharing of information plays a great role in the maintenance of the relationship. Evidently, and in any case, this leads to a reinforcing circle. The actors aim to reach the same goal, which is, according to the findings in this study, to share information that adds to the value of the product. In collaborating to achieve this goal, the sharing of this information between links can ultimately support the competitive advantage of the entire supply chain as this relies on collaborative effort from all parts. Thus it seems that

⁸⁴ Min, Mentzer, and Ladd, “A Market Orientation in Supply Chain Management”.

⁸⁵ Lummus and Vokurka, “Defining Supply Chain Management”

⁸⁶ Martin and Grbac, “Using Supply Chain Management to Leverage a Firm’s Market Orientation”, p. 36.

direct trade actors in the tea industry work in accordance to what Cheung, Myers and Mentzer argue: that sustaining competitive advantage relies on collaborative efforts from all links in the supply chain.⁸⁷

Tallontire has identified shared objectives to be a necessary condition in a successful direct trade partnership.⁸⁸ The goal of sharing information with the consumer is an objective all the subjects in the present study share, and they also experience that their partners share this objective. Gundlach, Achrol, and Mentzer argue that parties who share goals, values, and affective attachment act for the benefit of one another.⁸⁹ All the subjects have common goals and values, and they experience that their partners generally share these goals and values. In particular, as discussed above, they share the goal of ensuring that value adding information reaches the consumer. Furthermore, Lambrechts et al. argue that firms who work together towards a goal creates a sense of interdependence.⁹⁰ The findings provide several examples of the subjects acting for the benefit of their partners, and as discussed, that they are affectively attached to one another through building close relationships.

Another necessary condition for a direct trade partnership is, according to Tallontire, mutual trust.⁹¹ Selnes and Sallis argue that development of mutual trust is to be expected when two parties collaborate closely. They argue that mutual trust aids information flow as developing trust through collaboration fosters a commitment to further share information.⁹² All the subjects in the present study experienced a high level of trust in their relationship with their trading partners. Furthermore, all subjects expressed that they view honesty and transparency as important values, and that they share these values with their trading partners. As relationship learning demands close collaboration, all subjects also demonstrate abilities for relationship learning, as seen in their frequency of contact, their close bonds with their partners, and their willingness to share information. Selnes and Sallis state that when parties in a supply chain collaborate and trust each other to improve economic performance, the supply chain can be considered as having relational governance.⁹³ A direct supply chain such

⁸⁷ Cheung, Myers, and Mentzer, "Does relationship learning lead to relationship value?", p. 11.

⁸⁸ Tallontire, "Partnerships in Fair Trade", p. 172.

⁸⁹ Gundlach, Achrol, and Mentzer, "The Structure of Commitment in Exchange", p. 80.

⁹⁰ Lambrechts, Taillie, Grieten, and Poisquet, "In-depth Joint Supply Chain Learning", esp. 631.

⁹¹ Tallontire, "Partnerships in Fair Trade", p. 172.

⁹² Selnes and Sallis, "Promoting Relationship Learning", p. 81.

⁹³ *Ibid.*, p. 80.

as the direct trade partnerships observed in the present study can therefore be considered to be relationally governed.

The results of the study, then, support the notion that actors in close relationships share values, goals, affective attachment, and objectives. The relational characteristics discussed in the theoretical framework as important for information sharing and for building and maintaining long-term relationships are present to a large extent in the collected data. These relational characteristics are what Min, Mentzer, and Ladd point to as the key to coordination between links in a supply chain.⁹⁴ It is therefore likely that the subjects in this study are closely coordinated with their direct trade partners. This is to be expected considering their frequency of contact, and that they all value information sharing in various ways. Coordination between links will in turn be beneficial for the sustainability of the competitive advantage for the supply chain as a whole.

Overall, this study shows that companies engaging in direct trade has a strong ability to share information as their relationships can be characterised by several important characteristics: supply chain orientation, frequent contact, mutual trust, and shared goals and values. The findings support the idea that these characteristics, depending on to which degree they are present, strengthen the relationship between distributors and producers.

6.1.2 Information sharing

Lambert and Cooper argue that the type of information shared and the frequency of contact influence how efficient the relationship is.⁹⁵ The results of the present study establish that the subjects have frequent contact with their partners. The results also establish that there is a high frequency of information sharing. The type of information that is typically shared, however, differs between each partnership.

The results show that all companies, regardless of whether they are producers or distributors, are passionate about informing the consumer and keeping the supply chain transparent, and

⁹⁴ Min, Mentzer, and Ladd, "A Market Orientation in Supply Chain Management", see esp. p. 511.

⁹⁵ Lambert and Cooper, "Issues in Supply Chain Management", p. 78.

so they generally share information that help them understand each other and the consumer, as well as any other information that can add to the value of the product. Sharing information that adds to the value of the product appears to be an essential activity for companies engaging in direct trade. In sharing this kind of information, making sure it reaches the consumer, and maintaining the transparency of the supply chain, the data shows that there is a collaborative effort from all parts in the direct trade supply chain. As discussed in the previous section, collaborative efforts can sustain the competitive advantage of the entire supply chain.⁹⁶

It may, however, appear as though the need for different kinds of information may change according to a company's experience and recognition. The empirical findings suggest that the producers' need to attain information from the distributors on consumer trends and advice on production and processing to follow these trends decreases as the producer gains recognition and establishes a brand. Furthermore, the need for information on the teas' origin and production was expected to be of high importance to the distributors for marketing reasons, but this study has also provided evidence for the communication of information on the origin and production of the tea to be of high importance for the producer for the same reason. This information tells their story, and by doing so, it contributes to their recognition and reputation in the industry as well as among consumers. So while the need for information never abates, the type of information needed changes with the different phases of a company's development. This is further discussed in the next section, on market orientation.

Regarding information that relates directly to supply chain learning, distributor 1 is actively sharing advice on production techniques and knowledge about market trends with their consumers. Producer 1 wishes to receive this type of information. The sharing of this information, as mentioned in the analysis, may in various ways contribute to "appropriate practice" or what Bessant and Tsekouras call "adaptive" mode.⁹⁷ According to Bessant and Tsekouras both these goals can aid learning.⁹⁸

⁹⁶ Cheung, Myers, and Mentzer, "Does Relationship Learning Lead to Relationship Value?".

⁹⁷ Bessant and Tsekouras, "Developing Learning Networks", p. 85.

⁹⁸ Ibid.

Flint considers the creation of value a shared responsibility if competition is no longer between firms but between supply chains.⁹⁹ In the direct trade segment of the tea industry, establishing and maintaining an information flow that adds to the value of the product may be seen as such a shared responsibility between the links in the supply chain. It is therefore essential that producers are willing to share this information with the distributors and that the distributors communicate this information to the consumer. The findings suggest that the subjects receive the information that they wish to receive from their partners, and that they are willing to share the information that adds to the product's value with their partners. All subjects may therefore be understood to share the responsibility of adding value to the product. Seeing that they all have established close relationships with their partners, it is probable that close relationships and close collaboration is the effect of such a shared responsibility.

6.2 Research question 2

How do producers and distributors in the specialty tea sector utilise shared market information and how does this improve market orientation on individual and relational level?

6.2.1 Information on the consumer and market trends

According to Kohli and Jaworski, the three components of market orientation is generation, dissemination, and responsiveness to market intelligence.¹⁰⁰ As discussed in the theoretical framework, dissemination is generally understood to be the most important component of market orientation in the context of supply chains, as parties must share market information to respond to market trends. The findings suggest, however, that the importance of dissemination is far more nuanced than expected, and that the other two components are also of importance.

⁹⁹ Flint, "Strategic Marketing in Global Supply Chains: Four Challenges", p. 47.

¹⁰⁰ Kohli and Jaworski, "Market Orientation", p. 6.

All the subjects disseminate information that makes up the differentiation of the teas. The other types of information that is being shared differ between the different subjects as they are in different phases and have different focus areas. The findings show that the dissemination of market information, which was expected to be the most important component of market orientation in this context, is not necessarily the most important for all subjects. Although this information is necessary for all the companies, particularly producers who are the link furthest removed from the consumer, all subjects also engage in additional activities that help them understand the customers' needs. Producers, therefore, do not necessarily receive this information through their distributor, as they also collect this information by directly seeking it out themselves. Furthermore, the need for this type of information appears to decrease as the producer establishes recognition in the specialty tea sector. In this study, only distributor 1 and producer 1 reported to be actively disseminating and receiving market information, whilst the other two subjects generally do not share or receive information about the consumer and market trends through their trading partners. By seeking out market information as needed, and generally not receiving information on consumers through distributors, producer 2 can be said to generate information rather than being part of a process of disseminating information. Distributor 2 is mainly responding to market information by sourcing products that respond to these market trends.

All the subjects are therefore market oriented to a certain degree, but dissemination is not necessarily the most important component for all the subjects, nor are all three components equally important. The market orientation components appear to differ in importance between companies, further suggesting that the need for disseminating information between links is most important for companies in a phase where they are establishing recognition in the specialty segment.

Kohli and Jaworski acknowledge that studies on market orientation in different contexts are limited.¹⁰¹ All three components of market orientation might be of equal importance within larger companies, which forms the material for Kohli and Jaworski's research. The results of this study suggest that all three components may not be needed within smaller companies, and in particular those which operate within direct supply chains, nor that they are of equal

¹⁰¹ Ibid., p. 1.

importance for all companies within a supply chain built around direct trade. It appears as though each link may focus on different components of market orientation in different stages of the company's development.

6.2.2 Information that adds to the value of the product and profitability

The goal of market orientation is to create customer value and profitability.¹⁰² While all components of market orientation might not be of equal importance for all subjects in this study, they all share information that adds to the value of the product and ensures profitability for the supply chain. The kind of information that appears to be of the most importance and the most frequently shared between links is information that adds value to the product, which is information typically related to the teas' origin, production, and producer that the producers share with the distributor. Both the producers and the distributors view sharing the story behind each tea as important as they perceive this as one of the main benefits and the main attraction for the consumer. An interview with one of the founders of Dachi Tea Co. conducted by *The Daily Tea*, an industry news site, summarises this perspective neatly:

“When you do direct trade, you get an education straight from the source and it's like no other since nothing is hoarded. The veil is swept back and the information is no longer used as leverage. Instead it becomes an asset as you endeavour to enhance the experience of drinking good tea.”¹⁰³

Overall, and especially in light of the emphasis on information sharing in this study, the subjects appear to have a high degree of market orientation. Whether the producers receive information through their distributors, or by seeking it out themselves, they are market oriented as long as they produce products that responds to market trends related to consumers' discriminating tastes and increasing awareness. In responding to market trends and sharing information that adds to the value of the product, the links are promoting both themselves and their partners which in turn may provide profitability.

There are two studies discussed in the theoretical framework that focus on how market orientation may function in supply chains. The findings of these studies complement each

¹⁰² Ibid.

¹⁰³ Thomas, “Why Direct Trade Matters in the World of Tea”.

other, although one study investigates the suppliers' perspective, and the other investigates the distributors' perspective. Siguaw, Simpson, and Barker found that if a supplier has a high degree of market orientation, this directly affects its distributors' market orientation, which in turn has a positive impact on the distributors' performance.¹⁰⁴ Martin and Grbac found that if a distributor has strong relationships with their suppliers it allows firms with a high degree of market orientation to respond efficiently to their customers, and that firms with a high degree of market orientation has strong relationships with their suppliers due to their willingness to share market information.¹⁰⁵ The findings in the present study supports both these previous studies' findings as it shows them to be not only complementary but also, to a degree, mutually reinforcing, as both parts of a direct trade partnership contributes to strengthen each other's market orientation.

As long as there is flow of information which moves both up and down the supply chain as needed in each separate partnership, all the parties impact each other's market orientation. The empirical findings of this study support Lummus and Vokurka in their argument that a close relationship is important to ensure flow of information throughout the supply chain.¹⁰⁶ Furthermore, the findings show that information sharing impacts the market orientation both of each company and the supply chain as whole, although actors sometimes gain the information needed from other sources. The individual degree of market orientation does not always entail the need for shared information, particularly for producers with a well-established recognition within the specialty segment. The information that contributes to differentiate the tea, information which the distributor communicates to the consumer, is however information which is generally shared by the producers with the distributors.

¹⁰⁴ Siguaw, Simpson, and Barker, "Effects of Supplier Market Orientation on Distributor Market Orientation", see esp. p. 106.

¹⁰⁵ Martin and Grbac, "Using Supply Chain Management to Leverage a Firm's Market Orientation", p. 36.

¹⁰⁶ Lummus and Vokurka, "Defining Supply Chain Management".

7 Conclusion

The main objective of this study has been to shed light on direct trade as a phenomenon by exploring the type of close relationships that may exist within a direct supply chain, whether these types of relationships lead to increased information flow, and how that shared information may impact the actors' market orientation. The study aimed to answer the following problem statement:

In what way does direct trade create a beneficial relationship for information sharing and how does information sharing influence the market orientation of companies engaging in direct trade?

7.1 Overall conclusion

The findings suggest that companies engaging in direct trade typically have strong relationships with their partners, and that all the links share the effort of ensuring information flow. The type of information links share with their partners and the type of information links wish to receive, however, may differ according to the different phases which a company finds itself. Overall, there is a high frequency of information sharing, and the type of information all subjects collaborate on disseminating is information that adds to the value of the product.

The focus on supply chains and the relationships that constitute a supply chain has enabled this study to confirm what is only separately known about how individual links within a supply chain affect the market orientation of other links. Siguaw, Simpson, and Barker have found that a supplier's degree of market orientation affects the distributor's market orientation.¹⁰⁷ Martin and Grbac have found that suppliers with a high degree of market orientation often have strong relationships with their buyers due to information sharing.¹⁰⁸ The results of this study demonstrate that these two notions may in fact be seen as

¹⁰⁷ Siguaw, Simpson, and Barker "Effects of Supplier Market Orientation on Distributor Market Orientation", see esp. p. 106.

¹⁰⁸ Martin and Grbac, "Using Supply Chain Management to Leverage a Firm's Market Orientation", p. 36.

complementary and mutually reinforcing: each part of a direct trade partnership contributes to each other's market orientation.

Kohli and Jaworski argue that market orientation is made up of three components: generation, dissemination and responsiveness to market information. They further believe that all three components are important within a single firm.¹⁰⁹ The empirical findings of this study suggest that while all links in a supply chain may be market oriented to a certain degree, all three components are not necessarily of equal importance for all links as they may focus on different components of market orientation in different stages of the company.

In the same way that the need for information appears to differ depending on the stage of each company, the importance of the components of market orientation appears to differ between companies. This observation suggests that the need for disseminating information between links is most important for companies in a phase where they are establishing recognition. This is at least what may be said to occur within the specialty tea segment organised around the practice of direct trade.

7.2 Implications for research

The findings of this study demonstrate that supply chains which operate on a global level may experience supply chain learning by sharing information and building closer relationships between the different links of the supply chain.

The results of this study further indicate that the closer the links of the supply chain operate, the more beneficial it is for the flow of information. Increased sharing of information, in turn, further enhances the relationship between the links of the supply chain. Consequently, a stronger relationship and an increased flow of information enhances the market orientation of the supply chain as a whole.

This study has provided the first scientific attempt to understanding how direct trade operates in the tea industry. The results show that direct trade can increase the market orientation of

¹⁰⁹ Kohli and Jaworski, "Market Orientation".

both the producers and the distributors within the specialty tea segment. This study therefore reinforces the conception that entire supply chains may work together to become more market oriented. This mutual effort in turn benefits both links in supply chains built on the concept of direct trade. It is likely that this dynamic would also be beneficial for more complex supply chains, if they were to focus on building closer long-term relationships and ensuring information flow.

7.3 Practical implications

The FAO has argued that it is critical to analyse and understand the international tea trade, as “production and exports of tea generate foreign exchange and employment and provide a material base for national economic growth.”¹¹⁰ As the current structure of the tea industry will need to transform into a more collaborative and communicative supply chain following the Tea 2030 report, this study contributes with important knowledge on the durability of direct trade as a business model.¹¹¹ Given that increased market orientation equals increased profitability, companies engaging in direct trade for ethical or idealistic reasons may do so with a degree of confidence. Knowledge that direct trade may be positive for supplier-distributor relationships, their information flow, and their market orientation may in itself provide an important incentive to help bring about the transformation of the industry itself.

7.4 Weaknesses and limitations

Market orientation is to a large degree about responding to market trends, and while companies within the specialty tea sector do respond to market trends, the market for high end specialty tea has only recently developed. Hence the actors in this segment can only respond to more general market trends and trends observed in comparable industries, but specific market trends within their own segment may not yet be observed. A weakness in this study is therefore that the companies who engage in direct trade are also actively attempting

¹¹⁰ Chang and Brattlof for the FAO Intergovernmental Group on Tea, *Contribution of Tea Production and Exports*, p. 1.

¹¹¹ Brouder, Billing, and Sally Uren, *The Future of Tea*.

to expand the market for their products, and that the markets trends in this segment may be hard to ascertain. Both the wine and coffee industries are indeed quite comparable to the tea industry, however, and have developed further than the specialty tea market in terms of product differentiation. Market trends observed in these industries may therefore be applicable to the specialty tea market.

Conducting the study during a very busy season for both producers and distributors limited the number of available participants for the study. This study was, however, intended as a first attempt to understand direct trade as it occurs in the tea industry, and so the four participants in this study may be seen to have provided sufficient data for such an initial attempt.

This study has explored how producers and distributors experience the relationships with their partners. The results are based on individual companies' perceptions of their own relationships, but their perceptions are not verified by their partners. A favourable selection for this type of study would have been to explore dyads between producers and distributors, but as links in a global trade such as tea are spread out over different continents, and as the timeframe of the study did not allow for this type of contact to develop, exploring dyads proved difficult.

In this study, the theoretical frameworks of supply chain learning were indirectly employed to explore information sharing between companies engaging in direct trade, emphasising information sharing as an integral part of supply chain learning. The process of learning is difficult to measure, and a study exploring supply chain learning directly would require direct contact with, and observation of, the participants over a longer period of time.

7.5 Further research

A future study on direct trade would benefit from following a larger number of companies over a longer period of time. The participants in this study demonstrated that there are differences between companies and what aspects of information sharing they focus on within the practice of direct trade. Additionally, the participants demonstrated that all three components of market orientation are not of equal importance for all companies. A study which includes more subjects would create a more nuanced and holistic image of direct trade

as a phenomenon and the full variety of actors and relationships that exists within this context.

A solution to the difficulty of researching dyads in a global trade could be to conduct an in-depth study of one particular dyad to explore how the information sharing and learning is practiced on a more detailed level.

The results of this study suggest that direct trade can be beneficial for relationship building between links in the supply chain and for information flow. A suggestion for future research would be to compare how relationships and information flow functions in a more traditional supply chain with intermediaries.

The consumer was outside the scope of this study. A necessary focus in future research would be to study the consumers' perception of direct trade to investigate how and to what degree direct trade in fact responds to market trends. Media and reports show that consumers are increasingly aware of how companies respond to their social and environmental responsibilities, and that consumers are willing to pay more to companies which meet these responsibilities. The participants in this study believe that the benefits for the consumer of directly traded specialty tea were that they receive information which becomes part of the experience and that they can be ensured of the products' origin and production methods. In this way, the consumers are made aware of what they are supporting economically and that they invest in the sustainability of a product they enjoy. The consumer is the final link of the supply chain, and including the consumer in future studies would help assess whether the consumers actually experience and believe in these benefits.

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Appendix 1: Interview Guide for Producers

	Question	Research question
1.	Can you describe your firm in a few sentences? For example, what are your values and your mission? What types of tea do you focus on producing?	Mapping question
2.	Would you categorize your firm as large, medium, or small sized?	Mapping question
3.	How long have been engaging in direct trade? Do you also trade, or have you previously traded through intermediaries? If yes, have you experienced any differences by trading directly rather than through traditional channels? Can you give an example?	Mapping question
4.	What motivated you to engage in direct trade?	Mapping question
5.	Who typically initiates a direct trade partnership, you or your buyers? Do you actively contact or market yourselves towards your buyers?	Mapping question
6.	How does the initial contact between you and the buyer typically arise?	RQ 1
7.	In your opinion, in which context do you interchange the most information with your direct trade partners? (Via email, visits, phone calls, etc.) And how frequent is your contact?	RQ 1
8.	Do the buyers frequently visit you and how important is this for relationship building and sharing of knowledge?	RQ 1
9.	What are some attributes that you value in a direct trade partner? Do you find that you often share values and goals with	RQ 1, RQ 2 indirectly

	the buyer? If yes, do you have an example of such goals and common values?	
10.	How important is transparency and trust in your direct trade partnerships, and what role does such attributes play for you?	RQ 1
11.	Do you gain information about the market trends and the consumer through your buyers or through other channels? Do you use this information to adapt to trends and tendencies in the market?	RQ 2
12.	What do you gain from engaging in direct trade that typical tea trade through intermediaries would not give you? Potential benefits of direct trade may include long term relationships with buyers, faster delivery, more knowledge of the end consumer, sharing of information and more.	RQ 1, RQ 2
13.	One of the main benefits of direct trade in the long run can be said to be that it can aid flow of information and sharing of knowledge between partners. Is this your experience, and if so, in what ways are you experiencing this?	RQ 1, RQ 2
14.	Are there particular types of information or knowledge that is often shared between you and your buyer? Such as information on consumer trends, competitors, changes in the industry, etc.	RQ 1, RQ 2
15.	Do you find that direct trade is mutually beneficial for you and the buyers? If so, in what ways have you discovered it to be mutually beneficial?	RQ 1, RQ 2
16.	Do you find that direct trade aids the coordination between you and the producers? For example, is it beneficial for the delivery time or solving of problems that may arise, does it provide flexibility to handle unforeseen circumstances?	RQ 1
17.	Does trade often lead to long term relationships with buyers, or is it often a one-time trade?	RQ 1
18.	If you continue to trade with the same buyer over time, do you find this builds a more beneficial relationship?	RQ 1

19.	What would you say the benefits of direct trade are for the end consumer? Can you share some examples?	RQ 2
20.	In your experience, do you find that engaging in a direct trade partnership helps you adopt to market trends? Are there other benefits that you have experienced?	RQ 2
21.	Do you think more producers will move into direct trade in the future?	
22.	Finally, is there anything else you would like to add in the context of direct trade?	

Appendix 2: Interview Guide for Distributors

	Question	Research question
1.	Can you describe your firm in a few sentences? For example, what regions do you typically trade from? What are your values and your mission?	Mapping question
2.	How long have been engaging in direct trade with tea producers? Do you also trade, or have you previously traded through intermediaries? If yes, have you experienced any differences by trading directly rather than through traditional channels? Can you give an example?	Mapping question
3.	What motivated you to engage in direct trade?	Mapping question
4.	Who typically initiates a direct trade partnership, you or the producers?	Mapping question
5.	How does the initial contact between you and the producer typically arise?	RQ 1
6.	In your opinion, in which context do you interchange the most information? (Via email, visits, phone calls, etc.) And how frequent is your contact?	RQ 1
7.	How frequently do you visit the producers and how important is this for relationship building and sharing of knowledge?	RQ 1
8.	In your opinion, what are some of the criteria a producer needs to meet in order to engage in direct trade?	RQ 1
9.	What are some attributes that you value in a direct trade partner? Do you find that you often share values and goals with the producer? If yes, do you have an example of such goals and common values?	RQ 1, RQ 2 indirectly

10.	How important is transparency and trust in your direct trade partnerships, and what role does such attributes play for you?	RQ 1
11.	Do you gain information about the tea, the producers, the origin or the production that you use actively in marketing and selling? How important is this information for your business, for example in terms of marketing or being able to offer a high quality product and service for your customers?	RQ 2
12.	What do you gain from engaging in direct trade that typical tea trade through intermediaries would not give you? Potential benefits of direct trade may include long term relationships with producers, better quality tea, more interesting or rare products, faster delivery, more knowledge of the product and of the production, sharing of information and more.	RQ 1, RQ 2
13.	One of the main benefits of direct trade in the long run can be said to be that it can aid flow of information and sharing of knowledge between partners. Is this your experience, and if so, in what ways are you experiencing this?	RQ 1, RQ 2
14.	Is there particular types of information or knowledge that is often shared between you and the producer? Such as information on consumer trends, competitors, changes in the industry, etc.	RQ 1, RQ 2
15.	Do you find that direct trade is mutually beneficial for you and the producers? If so, in what ways have you discovered it to be mutually beneficial?	RQ 1, RQ 2
16.	Do you find that direct trade aids the coordination between you and the producers? For example, is it beneficial for the delivery time or solving of problems that may arise, does it provide flexibility to handle unforeseen circumstances?	RQ 1
17.	Do you often continue to trade from the same producers, or is it often a one-time trade?	RQ 1
18.	If you continue to buy from a producer several times, do you find this builds a more beneficial relationship over time?	RQ 1

19.	What would you say the benefits of direct trade are for the end consumer? Can you share some examples? Do you have positive reactions from customers?	RQ 2
20.	In your experience, do you find that engaging in a direct trade partnership helps you find good quality products that suits your customers wants and needs?	RQ 2
21.	Do you think more retailers and producers will move into direct trade in the future?	
22.	Finally, is there anything else you would like to add in the context of direct trade?	



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