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What Works

Weaving Businesses Together: Organic Exchange uses its global network to promote environmentally friendly fibers By Catherine Potter

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Weaving Businesses Together

Organic Exchange uses its global network to promote environmentally friendly fibers *by Catherine Potter*

Farmers with the Texas Organic Cotton Marketing Cooperative (TOCMC) grow enough organic cotton each year to make 6.1 million T-shirts. These growers spare the environment millions of pounds of chemicals, claims the Sustainable Cotton Project, because growing organic cotton for a single T-shirt requires one-third of a pound less chemical than does growing the same amount of conventional cotton.

But between 1993 and 2003, the Lubbock-based cooperative couldn't find enough buyers for its premium product. As a result, TOCMC wound up selling much of its harvest at suboptimal prices to manufacturers who would have been just as happy with cheaper, nonorganic cotton.

Two years later, TOCMC's sales had increased 50 percent, and all of its buyers wanted – and were willing to pay for – organic cotton. The cooperative credits these gains to Organic Exchange, an Oakland, Calif.-based nonprofit that plays matchmaker to buyers and sellers of organic fibers. The nonprofit also teaches businesses how to and why they should go organic. "Organic Exchange has been a huge asset to us," says LaRhea Pepper, TOCMC's co-founder. "It has created market momentum, solidified our presence, and built bridges to bigger customers."

Supply, Meet Demand

Founded in 2002, Organic Exchange nurtures an online network of retailers, manufacturers, and farmers who are devoted to increasing the market for organic fibers. The organization has also developed an online tracking system that traces organic cotton's journey through the entire supply chain, from the field to the store rack. In the past, more finished goods were traced back to a single organic cotton bale than one bale could actually produce – in other words, organic cotton was being double-counted. Now any supply chain partner can verify and trace organic cotton throughout the chain, eliminating the possibility of double-counting or losing track of organic material. This system lends integrity to the organic cotton label by "passing the certification baton at every step," says Pepper.

Unlike many organizations that regard organic agriculture as a government or nonprofit project, Organic Exchange views it as a market issue, and so engages market participants. The organization's business partners, which it calls sponsors, pay to be a part of its matchmaking network. And while the

track and trace system is open to everyone, it displays information only about sponsors. Because sponsors are willing to pay up to \$25,000 for these services, the Organic Exchange is poised to become 100 percent self-sustaining – that is, not reliant on foundation or government funding – by 2010.

The organization also seems well on its way to meeting its other goal: increase organic cotton's share of global cotton production to 10 percent by 2013. Organic Exchange sponsors don't just pay their dues, post their name on some Web sites, and then go back to business as usual. Instead, they work with Organic Exchange to set and meet their goals for using organic fibers.

Sponsors Cotton On

The early days of the organic fiber cause were bleak. In 2001, organic cotton made up only 0.03 percent of global cotton production, according to the Organic Trade Association. "There was no obvious consumer hook, no obvious competitive reason for businesses to engage, and it wasn't obviously easy to do," says Rebecca Callahan-Klein, president of Organic Exchange. And because of the apparel supply chain's notorious complexity, there wasn't even a clear way to verify whether a particular bale of cotton was actually organic.

To drum up support for ecologically sound cotton, Organic Exchange first identified big-name companies with a history of innovation and large profit margins, since at the time organic cotton was more expensive than conventional cotton. If these bellwether companies joined, reasoned Callahan-Klein, then others would quickly follow their lead.

In the department store segment, Organic Exchange approached Nordstrom. Callahan-Klein's goal with Nordstrom, as with any potential partner, was first to identify the business's priorities. "Organic cotton has to be something that's really important to the company in order for the corporate team to have enough perseverance to make it through the initial challenges," she explains.

Nordstrom was just beginning its triple-bottom-line (profit, social responsibility, and the environment) agenda, with which selling organic cotton apparel fit particularly well. Organic Exchange also made a well-researched case for how organic cotton could be a strategic advantage for the firm. After an intense period of discussion and relationship building, Nordstrom became an Organic Exchange sponsor. With



Jack Minter surveys his crop of organic cotton in O'Donnell, Texas. (inset) A worker near Izmir, Turkey, prepares organic cotton for the gin, which separates the seeds from the fiber.

Nordstrom on board, Organic Exchange had greater credibility within the department store segment. The sponsorships of U.K.-based department store Marks & Spencer, H&M, and Woolworths South Africa soon followed.

Within the outdoor segment, Patagonia and Mountain Equipment Co-op were early stage sponsors. But Organic Exchange needed larger, more mainstream partners to build momentum in the space, so it sought out and won sponsorships from Timberland and REI. Once they came on board, Organic Exchange attracted smaller retailers, like Prana.

Competitors Collaborate

Many of Organic Exchange's sponsors compete with each other in the marketplace. For Organic Exchange to work, its sponsors have to balance their will to compete with their need to cooperate. Patagonia – the American pioneer in organic cotton outdoor apparel and supplies – set the tone for how to cooperate without sacrificing profits. "We realized that if we wanted true environmental change, we had to get companies bigger than us to embrace organic cotton," explains Jill Dumain, environmental analysis director at Patagonia. For this reason, Patagonia opened its doors to other sponsors' queries and requests – for example, the company connected other sponsors to its farmers and spinners. At the same time, Patagonia made sure that its open-door policy did not harm its competitive advantage by carefully protecting its proprietary information, such as its fabric patterns.

NETWORKING SOCIAL RESPONSIBILITY

- Address both supply-side and demand-side issues
- Enlist bellwether companies
- Collaborate while protecting competitive advantage

The spirit of collaboration and mutual indebtedness permeates the organization. "It's true that I came with my own network, relationships, and contacts," says Callahan-Klein, "but I could not have done it alone." When Organic Exchange sponsors discuss their progress, they are quick to credit someone else in the network. For example, Callahan-Klein credits Heidi McCloskey, at Nike at the time of Organic Exchange's founding, and Dumain for scaling the organization. "They were willing to put their existing supplier relationships on the table," she says. "Their model of generous leadership made the network possible."

In four short years, that network has more than tripled in size, from roughly 35 business sponsors to more than 120. Its funding from sponsors has also more than tripled, making up over half of its \$1.8 million budget. In addition to growing its network of sponsors, Organic Exchange has also helped expand global production and sales of organic cotton. According to Organic Exchange's spring 2006 *Organic Cotton Fiber Report*, global organic cotton production has grown 392 percent since the 2000-2001 harvest. Another report by Organic Exchange estimates that global retail sales of organic cotton products increased from \$245 million in 2001 to \$583 million in 2005, reflecting an annual average growth rate of 35 percent. And over 1,000 brands and retailers in Europe, North America, and Asia now sell organic cotton products.

But organic cotton still represents only 0.1 percent of worldwide cotton production. Clearly, the 10 percent goal remains quite ambitious. Another bold aim, notes Dumain, is "to provide relevant content for companies who are beyond organic 101 and want to look at other fibers, especially organic wool and hemp." With a network that spans the world – from farmers in Lubbock, Texas, to spinners in Ankara, Turkey – Organic Exchange seems ready to meet these challenges. □