

How could Tippytea penetrate the organic, sustainable and premium Swiss tea market?

**Bachelor Project submitted for the degree of
Bachelor of Science HES in International Business Management**

by

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International Business Management**

Declaration

This Bachelor Project is submitted as part of the final examination requirements of the Haute Ecole de Gestion de Genève, for the Bachelor of Science HES-SO in International Business Management.

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Geneva, 4 June 2018

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Executive Summary

The project's goal is primarily to analyse tea market opportunities in Switzerland, and to study how Small and Medium-Sized Enterprises (SMEs) deal with the export process for the first time, building up sound business strategies to enter a market. The report takes into account the different barriers such as, the poor infrastructure, lack of access to new technologies and investment and trading facilities that SMEs in developing countries, such as Ecuador are facing to expand their business.

Switzerland is a country where citizens enjoy a high standard of living. They have changed their consumers behaviours seeking healthy and environmentally friendly products, and there is an increased awareness of organic products benefits. The worldwide boom of organic products led Swiss consumers to change their consumption habits accordingly and they have allocated an increased share of their spending to buy quality products with bio certification. Swiss customers consume consciously, are aware of health issues and benefits of consuming organic products. The yearly Swiss climate is adequate for a large tea consumption and therefore, Switzerland represents an interesting market for premium quality tea products.

The apparently uniformization of tea as a good, offers to Tippytea, a sustainable and premium tea company from Ecuador, the advantage of differentiating its production following the new trends appreciated by consumers, such as the production traceability, the organic components and the social impact, including the promotion of decent jobs in rural areas, mainly for women. In niche markets, products with added value can make the difference compared to existing products. In Switzerland, niche markets segments that could be explored include the organic, sustainable and premium tea in medium or luxury hotels, and tea shops, cafés/bars, firstly as a pilot and then, medium high-end supermarkets to access other consumers.

Elderly people (over fifty-five years old) represents at present 18% of the Swiss population, they are the largest tea consumers in Switzerland and have a high purchasing power. Tippytea had four years of successful business expansion within Ecuador and gained experience in targeting young people between twenty-five to thirty-five years old. However, for the Swiss tea market, elderly consumers should not be neglected. A dedicated online survey among 18-29 years old confirmed that Swiss consumers appreciate tea blends and would accept an increase of price for organic tea produced in a sustainable manner. To conclude, Tippytea could penetrate the organic, sustainable and premium Swiss tea market by adapting its brand image to the ideal target customers that would appreciate premium organic tea and also value the social impact of the company.

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1 Introduction

1.1 Context

The partner organisation for this project is the not-profit United Nations Conference on Trade and Development (UNCTAD) that is part of the United Nations (UN) Secretariat. UNCTAD provides analysis, facilitates consensus-building, and offers technical assistance to developing countries and economies in transition (UNCTAD, 2018).

UNCTAD is divided into the following five divisions;

- Division on Africa, Least Developed Countries and Special Programmes,
- Division on Globalisation and Development Strategies,
- Division on International Trade in Goods, Services, and Commodities,
- Division on Investment and Enterprise,
- Division on Technology and Logistics.

The Bachelor research project is part of the Division on Investment and Enterprise (DIAE). This Division is in charge of the issues related to investment and enterprise for sustainable development (UNCTAD, 2018). The thesis is linked to the Entrepreneurship section of the Division. UNCTAD is committed to implement the Sustainable Development Goals (SDGs) that are set by 2030 and adopted by the international community, ensuring a new way of meeting the current economic, social and environmental sustainable challenges (UN Department of Public Information, 2018). The SDGs provide significant perspectives for developing countries. In 2017, in the scope of the Global Entrepreneurship Week, the DIAE organised a contest to select ten worldwide entrepreneurs that made an impact in different SDGs. During a week, selected entrepreneurs came from all over the world to a pitch contest at UNCTAD and attend meetings at other institutions within Geneva. One of the finalists was an Ecuadorian tea company called Tippytea Blends. Tippytea is a fair-trade company working with indigenous women in rural parts of Ecuador and using locally grown organic herbs and fruits to produce specialist loose-leaf tea blends.

Tippytea Blends has been selected as the company provides solutions to different SDGs challenges. It tackles primarily goal number eight by promoting decent work and economic growth in rural parts of the country, but its impact can also be related to goals number ten by reducing inequalities, and number twelve promoting a responsible consumption and production as the company grows only organic products.

1.2 Objectives

The goal is primarily to give insights about the market opportunities of tea in Switzerland and to analyse how businesses deal with the export process for the first time. While doing the thesis, the first insight is the theoretical concepts of the internationalisation of firms, the implementation of the Global Value Chains system, the requirements to access a market and the trade facilitation aspects necessary to expand a business. By developing a complete analysis of the Swiss tea market, this research will allow to relate most of the topics studied during the Bachelor's degree with the real practice such as, business strategies, barriers for Small and Medium-Sized Enterprises (SMEs) to enter a market and a sector analysis.

1.3 Structure

The report is divided into four sections and finalised with appendices. Firstly, the introduction begins with a summary of the research question. Then, there is a review of the theoretical concepts focusing on a general understanding on the internationalisation of firms, that has been a result of globalisation, the economic model of the Global Value Chains (GVC), the market access and trade facilitation and its importance for SMEs. Finally, the last concept presents the different trade facilitation a company can benefit from in order to internationalise its business.

The first chapter analyses the worldwide tea market trends and precisely the Ecuadorian and Swiss tea industry, based on literature review and different databases. Then, it provides an outlook on the Ecuadorian tea company, Tippytea. It contains a performance analysis of Tippytea since the creation of the company, through its milestones, target consumers, challenges the company faced in trying to implement a new culture of tea in Ecuador, and its positioning in the local tea market. Moreover, there is a detailed analysis of the various private and public Ecuadorian institutions that support entrepreneurs and specifically Tippytea to expand locally and internationally.

Then, the research analyses the Swiss environment through a PESTEL methodology, identifying the different competitors and the tea consumption habits in the country. The local tastes and preferences of tea have also been assessed through a quantitative online research on tea consumers' preferences in Switzerland targeting a particular age range. Furthermore, through qualitative interviews, the imports patterns and requirements have been identified. In addition, information is provided on the certifications' standards and packaging requirements, and all legal obligations, including tariffs and taxes to export tea to Switzerland. A concluding session includes a summary of the findings and a presentation of the different options and

recommendations. At the end of the report, there is an additional conclusion synthesising the main points on how Tippytea could develop a business strategy to export to Switzerland.

1.4 Problem statement

From 1950 to today, the world has known a Great Acceleration due to the increase of population. According to the UN DESA / Population Division (2018) that took a census of the World Population in the Prospect 2017, in 1950, the world population was of 2.5 billion persons and in 2015, it reached around 7 billion people (7,383,008.820). This enormous increase of population leads to necessary changes in the production methods, distribution of scarce resources and consumption habits (Maeder, 2018).

Globalisation is defined as the global interconnectedness in economic, political and cultural relations. Globalisation *“embraces structural economic linkages associated with rising levels of trade, finance and investment, the political and cultural influences of transnational actors and international institutions, and the impact of their ideas on domestic policy”* (Weiss, 2007). As a result, the internationalisation of firms has changed the way companies operate and source their activities throughout their value chains. The technological advances made by Multinational Corporations (MNCs) led small and medium enterprises (SMEs) in developing countries to adapt to the demand changes. However, while trying to upgrade their business activities, SMEs do not benefit of economies of scale, the same efficiency and productivity level as MNCs do. The integration of SMEs into this new economic system has often made local suppliers to lose their competitiveness.

The report aims to analyse the different barriers that SMEs in developing countries face to increase their competitiveness and access international markets. The poor infrastructure, lack of access to new technologies and investment are examples of barriers that SMEs in developing countries face in growing their companies.

1.5 Theoretical concepts

The research question, “How could Tippytea penetrate the organic, sustainable and premium Swiss tea market?”, will be analysed based on different concepts. In this context, the theory of firm internationalisation will guide to understand the modalities of market entry and the issues related to trade facilitation.

1.5.1 Internationalisation of firms

Internationalisation has been an effect of Western economies concentration of production and rise of firms' size in the post war expansion (Ietto-Gillies, 2014) and has been analysed through various concepts throughout the years. Welch and Luostarinen (1988) defined internationalisation as “...the process of increasing involvement in international operations...” referring to the inward and outward activities of a company implemented in new locations. Internationalisation refers to a range of options for operating outside an organisation's country of origin (Gerry, J., Whittington, R., Scholes, K., Angwin, D. and Regnér, P., 2009). The primary incentive of internationalisation of firms is to expand and grow a business. According to theory, determinants of internationalisation include cost efficiencies, innovation and technology advancements, competitiveness strategies related to the interdependence between countries, government facilitation in trade policies, technical standards and host government policies and finally, the opportunities in new markets, as to respond to similar customer needs, global customers and transferable marketing (Yip, 2003). The limitation of internationalisation of firms is imposed by the balance between the benefits and the costs of internationalisation.

The internationalisation process of firms, especially sales, has advantaged MNCs. MNCs have been able to adapt to changes, to benefit of economies of scale due to their large production volumes by reducing their costs in outsourcing activities to lower labour cost countries and creating added value with their final products. Cost related benefits are not the only reason for the internationalisation of firms. According to Dunning, enterprises seek cross border activities if they are able to acquire certain assets unavailable to other country's enterprises and those assets are called “the OLI Paradigm” (1988). The OLI Paradigm stands for Ownership specific advantages, Location endowments and Internationalisation advantages. Ownership specific advantages enhance capital, technology, marketing, organisational and managerial skills. By exploiting location variables in a host country, enterprises could benefit of investment incentives, tariffs, government policies and infrastructure (Dunning, 1988).

The advancements in information and communication technologies (ICT) have eased the access of emerging economies to international trade, allowing selected companies to benefit from economies of scale and increase of productivity.

Countries with a deficit in their trade balance have been trying to increase and contribute to the international trade in order to raise the competitiveness of their SMEs. For developing economies, international activities represent a rise in economic growth, reduction of unemployment and development of local SMEs that expect to become large firms with time. SMEs are seeking opportunities in international markets to expand their business and grow.

However, SMEs still face disadvantages and trade barriers that do not allow them to participate and compete in the global economic system. In contrast to MNCs, SMEs in developing countries face problems in meeting quantity, quality and lead time requirements and therefore, are unable to meet targets and deadlines set by the production requirements. Finally, SMEs face cost-related issues in order to expand the business infrastructure for a higher productivity and production of final products. Internationalisation has entry barriers and difficulties because of the lack of market information and knowledge, which is necessary when trading with an unfamiliar country, procedures, legal and cultural environment.

1.5.2 Global value chains

Global trade saw an increase of intermediate goods implemented in between stages in the production process. *“The fragmentation of production processes and the international dispersion of tasks and activities within them have led to the emergence of borderless production systems – which may be sequential chains or complex networks and which may be global, regional or span only two countries. These systems are commonly referred to as global value chains (GVCs)”* (UNCTAD, 2013).

The contemporary economy has significantly changed in areas of international trade and industrial organisation. Throughout the supply chain, GVCs have been mostly coordinated by MNCs to their arm's length suppliers. The rapid expansion of Foreign Direct Investment (FDI) thanks to leading MNCs lead GVCs to seek an efficiency approach through countries specialisation, an opportunity to increase income and employment throughout their network (OECD, 2007).

Globalisation in production and trade has lead MNCs to redefine its core competencies and focus on high value-added sectors as product strategy, marketing and innovation. On the other side, the “non-core” functions such as, production are coordinated across in new geographies in various countries to gain efficiency in operations (Gereffi, 2005). With the availability of cheap, rapid and reliable communications that permitted the development of international production systems, GVCs, became key to expand trade around the world through supply chains connecting people in different places with producers and consumers around the world.

Developing economies also have a chance in participating in GVCs. Their benefits would represent a growth in potential export capabilities, leverage services to build knowledge capabilities and move to high-value niches within the GVCs (Gereffi, 2015).

To ensure a global economic development, the active participation of SMEs in the GVC allow the economy to prosper (Gereffi and Lee, 2012). The integration can bring them stability, a

raise in productivity and expand their business. *“Co-operation with a network of upstream and downstream partners can enhance a firm’s status, information flows and learning possibilities and increases the chances of success of small firms in the value chain.”* (OECD, 2007)

However, data showed that only 10% of SMEs in developing countries are able to adapt to changes (UNCTAD, 2006). SMEs are unable to fully participate into GVC due to insufficient working capital and their inability to upgrade technologies and services.

1.5.3 Market access

Over the last years, market access has been highly influenced by trade agreements that provide preferential tariffs rates to trading partners. Broadly, market access helps to reduce trade barriers, such as tariffs in order to increase international trade flows.

Economic development is fundamentally delivered by SMEs, as they are major actors in employing people and generating income. The access of SMEs to international markets is crucial for their growth and economic development. Market linkages may allow SMEs to win more trade. However, market access is not only dependent on disadvantages exporters may face to domestic producers, but also on the pros and cons related to competitors from other countries.

Market access is measured through two main aspects of trade policies. First, there is the direct market access conditions which include the overall tariffs faced by a country exporter. The second captures relative market access conditions which include exports tariffs faced by foreign competitors (Fugazza and McLaren, 2013). Governments and policymakers could influence the outcome of market access by concluding commercial agreements with other countries.

1.5.4 Trade facilitation

Trade facilitation can be defined broadly or analysed through different lenses. Trade facilitation covers a wide range of issues from information technology capabilities to transport and logistics services (WTO, 2015). The WTO defines trade facilitation as *“the simplification and harmonisation of international trade procedures”* covering the *“activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade”* (WTO, 2018).

The fast evolution and expansion of global trade lead trade facilitation to become the main goal of the Doha Round of the WTO. The Doha Round covers the freedom of transit of goods, fees and formalities related to importing and exporting and transparency of trade regulations (OECD, 2005). The main objective of trade facilitation is to liberalise trade policies, expand global trade, connect countries and globalised production system. The issues trade facilitation is facing is to reach a uniform consent between the multilateral parties to create Trade Facilitation Agreement (TFA) and put them in practice.

According to the World Trade Organisation (WTO) (2018), the benefits of implementing trade facilitation *“could reduce trade costs by an average of 14.3% and boost global trade by up to \$1 trillion per year, with the biggest gains in the poorest countries”*. TFAs are greatly enjoyed by developing countries due to their largest gain. It integrated better their economies into the global economy and ensure their development. SMEs also benefit from FTAs the first time they export and since the costs of complying with procedures are higher for them.

By reducing trade barriers, the participation of SMEs in global trade is boosted. Due to their small structure, SMEs are less equipped to deal with complex regulatory environments such as trade procedures, customs and trade regulations. Trade facilitation could promote the entry of SMEs in the export sector.

2 Analysis

The second and main part of the project consists of an analysis of the various aspects that any company has to take into consideration in deciding to export tea to Switzerland. It starts with a worldwide tea trend analysis and complemented with a deeper dive into Ecuadorian and Swiss tea, including production, export and import levels. An outlook on Tippytea Blends is introduced in the section to be followed by the Swiss export market analysis going through the Swiss macro environment, the tea companies present in Switzerland and a quantitative research to assess the consumers preferences and tastes and potential importers. To complete this second chapter, the Swiss regulations including standards on certifications and legal requirements for organic products are included.

2.1 Worldwide tea market

Tea has started being traded from the 15th century to 17th during the colonialism era. It started with the Portuguese in the Far East and the Dutch in the West that quickly spread the tea consumption in countries such as France, Germany and United Kingdom (UNCTAD, 2016). Therefore, tea is one of the oldest beverages in the world and the second most popular beverage.

Supply

According to the Food and Agriculture Organisation (FAO), from 2000 the production of tea has increased from 3,231,081 tonnes to 5,954,091 tonnes in 2016 (Figure 1) (FAO, 2018). This increase of 54.27% represents 2.7 million tonnes. Yields and productivity improvement can explain this growth. The worldwide supply of tea comes mainly from Asia with a strong 84.1% of the total production, followed by Africa with 13.7% (Figure 2). In 2016, the largest producer of tea was China counting for 2,401,784 tonnes, then, India with 1,252,174 tonnes and Kenya 473,000 tonnes (FAO, 2018).

Figure 1 – World tea production in tonnes, 2000 - 2016
Production/Yield quantities of Tea in World + (Total)

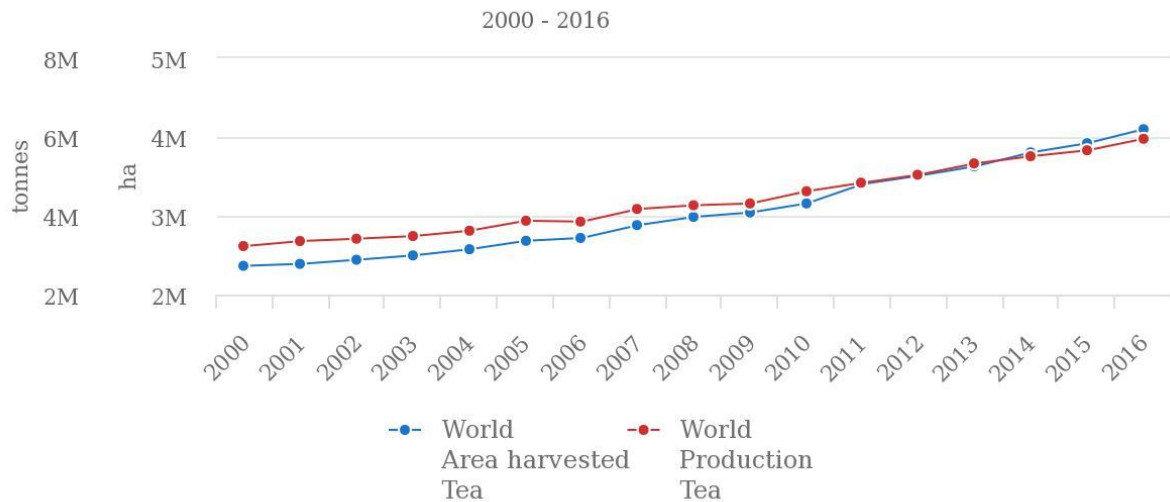
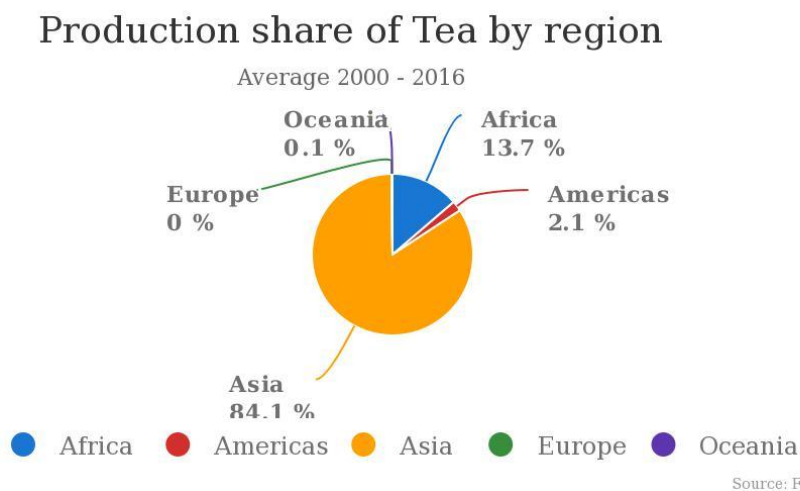


Figure 2 – Tea production share by region, 2000 - 2016



Exports

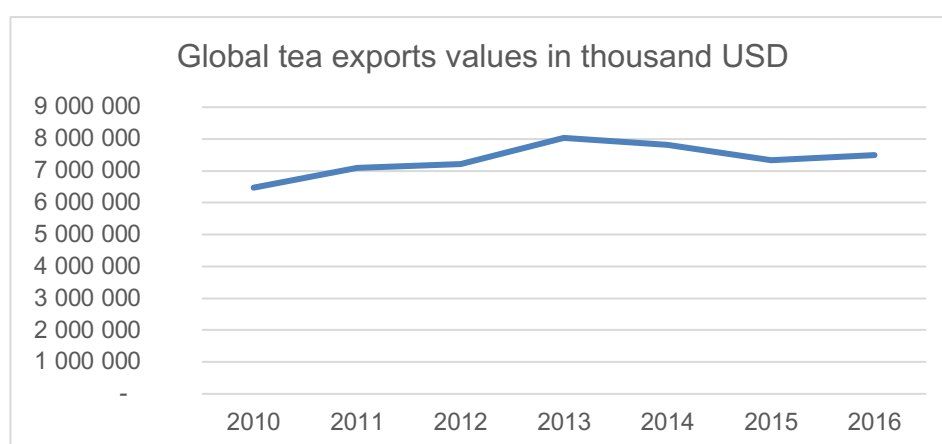
Concerning the global tea export, the values increased from USD 6.4 billion (bn) in 2010 to USD 7.4 bn exported value in 2016 (Table 1) (ITC, 2018). The export sector is important for a country as it generates revenue, employment in rural areas and earnings for the governments.

Table 1 Global tea exports values, 2010 - 2016

(Thousand dollar)

	2010	2011	2012	2013	2014	2015	2016
Exported value	6,474,702	7,095,107	7,212,635	8,036,551	7,812,596	7,342,750	7,488,256

Source: ITC, Trade map (2018)

Figure 3 – Global tea exports values, 2010 - 2016

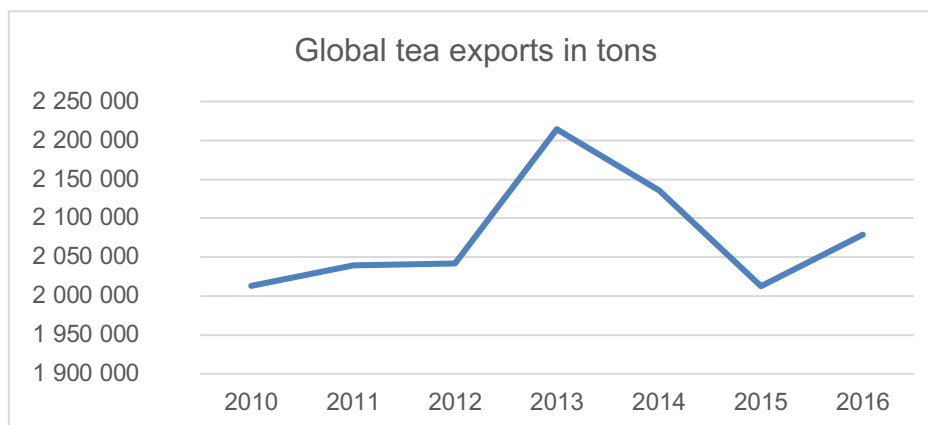
In 2016, the ITC trade map count 2,078,805 tons of tea that have been exported. Throughout six years, between 2010 and 2016, the values have fluctuated. In 2013 the highest peak reached 2,214,401 tons and in 2015 the lowest peak attained 2,012,568 tons exported worldwide. In comparison with exported values in USD, the trends are equal, with a high peak in 2013 and since then, it slowly decreased.

Table 2 Global tea exports in tons, 2010 - 2016

	2010	2011	2012	2013	2014	2015	2016
Exported tons	2,012,996	2,039,695	2,041,681	2,214,401	2,135,962	2,012,568	2,078,805

Source: ITC, Trade map (2018)

Figure 4 – Global tea exports in tons, 2010 - 2016



Tea production in China, which is the largest producer of tea, has increased throughout the years but their exports decreased. The leading exporter is China with a value of USD 1.5 bn (Table 3). China is the only exporting country, who steadily increase its export value in the three analysed years. China grows multiples varieties of teas to satisfy its local market as the first consumer of tea worldwide. Sri Lanka, also an important producer of tea, has decreased its tea exports. Kenya and India, two large producers of tea, are the third and fourth exporters of tea in 2016.

Table 3 Global tea exports values, 2013 - 2016

(Thousand dollar)

	2013	2014	2015	2016
China	1,246,308	1,272,663	1,381,530	1,485,022
Sri Lanka	1,528,519	1,609,339	1,321,899	1,251,730
Kenya	1,218,162	1,071,451	1,248,739	1,229,106
India	816,055	656,214	677,933	661,719

Source: ITC, Trade map (2018)

Figure 5 – Global tea exports values, 2013 - 2016



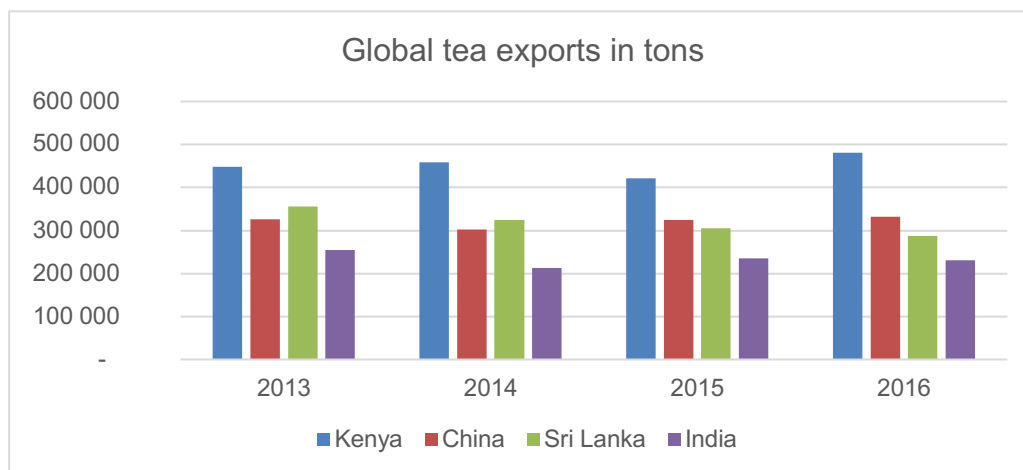
The largest actors in exports of tea are the same in USD than in tons. In terms of tons, in 2016, Kenya is the first exporter of tea with a value of 481,076 tons and the first exporter in USD values, Sri Lanka is ranked third with 286,760 exported tons in 2016 (Table 4). In the three analysed years, Sri Lanka decreased its exports valued while Kenya and China still increased theirs and gaining more market share.

Table 4 Global tea exports in tons, 2013 - 2016

	2013	2014	2015	2016
Kenya	448,809	458,728	421,632	481,076
China	325,806	301,606	325,290	331,797
Sri Lanka	355,251	325,141	304,835	286,760
India	254,672	212,606	235,132	230,456

Source: ITC, Trade map (2018)

Figure 6 – Global tea exports in tons, 2013 - 2016



Demand

Regarding market trends, the organic retail consumption has considerably increased in the last sixteen years. According to the Research Institute of Organic Agriculture, in 2000, the organic retail sales were of USD 18,059.48 million and in 2016, it reached USD 101,007.07 million (FiBL Statistics, 2018). This increase shows the huge demand of organic/bio trend among consumers. Tea benefits have been highly emphasised since this healthy lifestyle trend started, which can explain this rapid growth for tea consumption. According to FAO, there are approximately three billion people consuming tea in the world, therefore, tea is the second most popular beverage after water.

The rapid growth of tea consumption was due to the Chinese demand which represents one third of the world consumption. Another emerging economy -India- is the second largest consumer and producer of tea in the world (Table 5). The tea consumption between 2012 and 2016 has increased in every country.

Table 5 Tea consumption ('000 tons)

	2012	2013	2014	2015	2016
China	1,482	1,614	1,743	1,874	2,005
India	939	1,001	1,071	1,149	1,234
EU	238	242	247	252	259
UK	125	116	118	120	122
Poland	20	15	17	20	22
Germany	30	29	29	30	31
Netherlands	7	12	14	15	16
France	15	15	16	17	17
Turkey	227	228	234	240	245
Russia	173	159	155	153	160
World	4,627	4,842	5,051	5,301	5,564

Sources: UN Food and Agriculture Organisation (FAO) & The Economist Intelligence Unit (2015)

Imports

Overall, the imported value of tea increased between 2010 and 2016 from USD 5.7 bn to USD 6.8 bn which represents a growth of 16.7% (Table 6). Nevertheless, imports have not been steadily increased. Between 2010 and 2013, the imported value raised of USD 1.7 bn. The tea imports were at its highest in 2013 with a value of USD 7.4 bn and since then, slightly decreased and stagnated, reaching USD 6.8 bn in 2016.

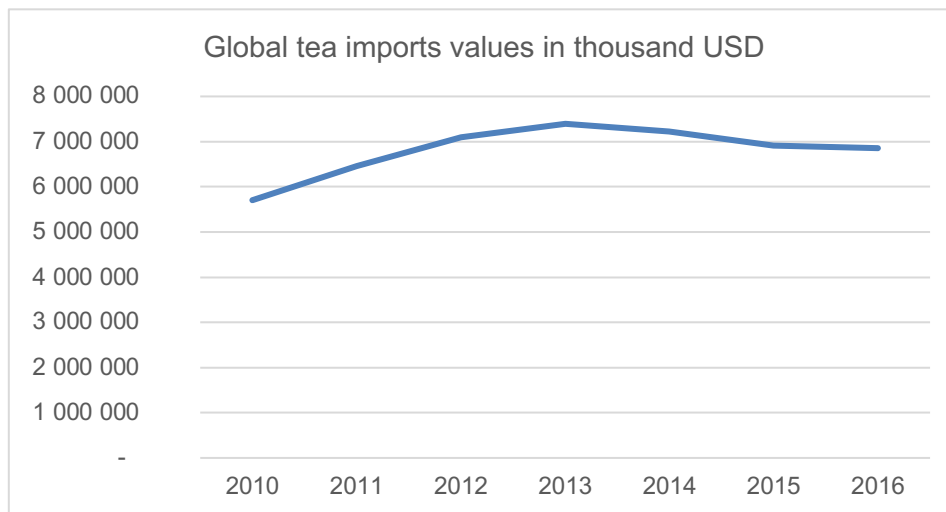
Table 6 Global tea imports values, 2010 - 2016

(Thousand dollar)

	2010	2011	2012	2013	2014	2015	2016
Imported value	5,703,569	6,452,324	7,095,745	7,394,074	7,230,649	6,910,319	6,848,981

Source: ITC, Trade map (2018)

Figure 7 – Global tea imports values, 2010 - 2016



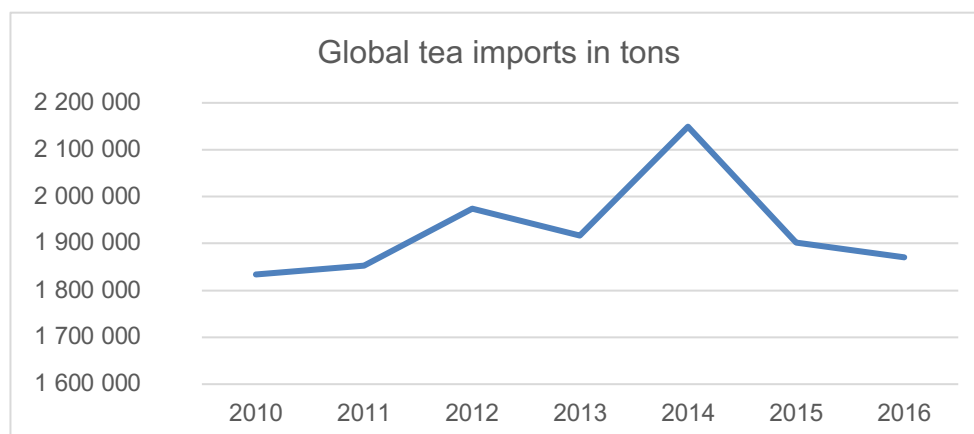
The global tea imports in tons between 2010 and 2016 are differently represented than the import values in USD (Figure 8). The quantities have been volatiles since 2013 and has known the highest peak of values in 2014 with 2,149,133 imported tons. In the three years analysed, there is an upward trend, but with ups and downs.

Table 7 Global tea imports in tons, 2010 - 2016

	2010	2011	2012	2013	2014	2015	2016
Imported tons	1,833,955	1,853,249	1,974,856	1,917,451	2,149,133	1,901,709	1,870,827

Source: ITC, Trade map (2018)

Figure 8 – Global tea imports in tons, 2010 - 2016



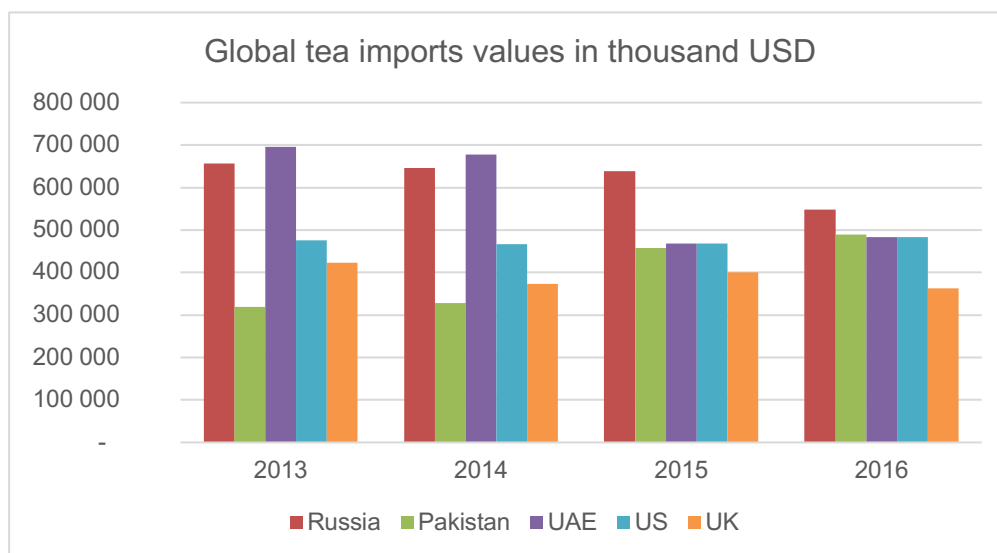
The five largest tea importers, which are Russia, Pakistan, United States of America (USA), United Arab Emirates (UAE) and United Kingdom (UK) have also decreased their import values between 2013 and 2016 (Table 8). Pakistan and USA remain the two importers which slightly increased in their import values. Russia is the fourth largest consumer of tea and due to their low level of production (449 tons in 2016), their tea imports generated the highest value. In 2016, Russia reached a tea value import of USD 548 million.

Table 8 Global tea imports values, 2013 - 2016

	2013	2014	2015	2016
Russia	657,076	645,822	637,829	548,259
Pakistan	318,390	328,287	458,103	489,960
USA	475,853	467,328	468,841	483,725
UAE	695,399	677,860	468,277	483,590
UK	423,085	373,540	400,951	362,871

Source: ITC, Trade map (2018)

Figure 9 – Global tea imports values, 2013 - 2016



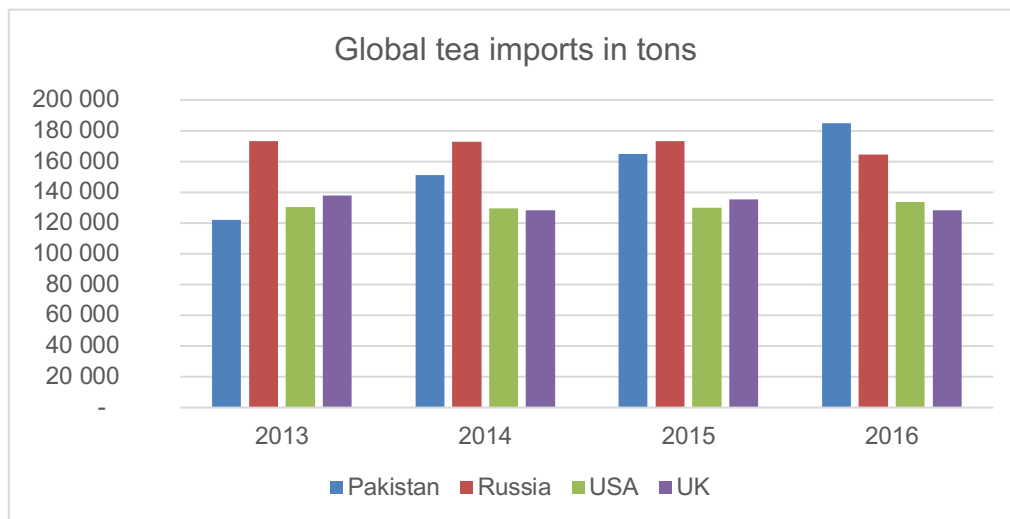
Comparing in tons, Russia and Pakistan are still major actors in the tea industry. Russia was ranked first between 2013 and 2015 and had the largest amounts of tons of tea imported but since 2016, the values slightly decreased and therefore, it ranked second in world imports (Table 9).

Table 9 Global tea imports in tons, 2013 - 2016

	2013	2014	2015	2016
Pakistan	121,900	150,948	164,642	184,886
Russia	173,070	172,607	173,065	164,398
USA	130,162	129,264	129,708	133,487
UK	137,615	128,118	135,229	128,104

Source: ITC, Trade map (2018)

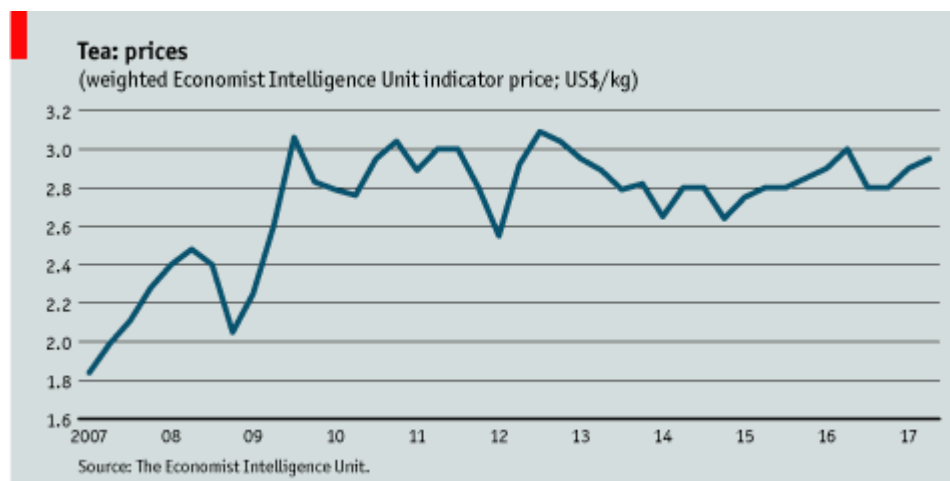
Figure 10 – Global tea imports tons, 2013 - 2016



Prices

Regarding tea prices, the past ten years have been very volatile for the commodity. The price fluctuation represents the supply and demand and the weather conditions for tea. According to the Economist Intelligence Unit (2015), in ten years, the price has doubled from approximately USD 1.8/kg to USD 2.9/kg (Figure 11). Tea is a seasonal commodity, in the middle of the year, tea prices tend to increase while at the end of each year, the prices decrease. In 2012, the world faced a drought and as yields are highly dependent on weather conditions, the shortage of supply made the prices sharply increase again.

Figure 11 – Historical tea prices, 2007 - 2017



Summary

Tea worldwide consumption is increasing and according to the FAO, the production and exports will meet the demand. Healthy regimes and lifestyles possess a great influence on tea consumption. Nevertheless, the supply and demand of tea can be affected by different factors.

Regarding the supply of tea, the producing countries benefit of an adequate climate to grow tea, which has to be humid and rainy, but with climate change is threatening yields. The temperatures are rising, it can have an impact on yields and can cause the loss of hectares of crops. Then, there is a tendency in countries to urban development, which makes the rural areas to disappear more and more. Climate change can influence producers to change the production location of tea, but producers are facing urbanisation, which decreases the available rural areas in countries. Finally, the producing countries, which are considered as developing countries, can benefit of new technologies improvements such as online commerce to increase the trading of tea. However, investment is lacking and therefore, producers cannot access new technologies and improve logistic transports to raise productivity.

On the demand side, tea is driven by many factors, firstly, its price. However, it influences only relatively tea consumption. The most competing and substitutable beverage of tea is coffee. They both have an effect on the consumption of the other. A decrease in the price of tea may result in an increase of tea consumption and a decrease for coffee beverage. In recent years, the tendency for organic/bio and healthy products is rising and the awareness of the tea benefits have become more significant. Finally, tea is still being associated to a warm beverage, the consumption is higher in cold seasons, which creates a seasonal demand for tea.

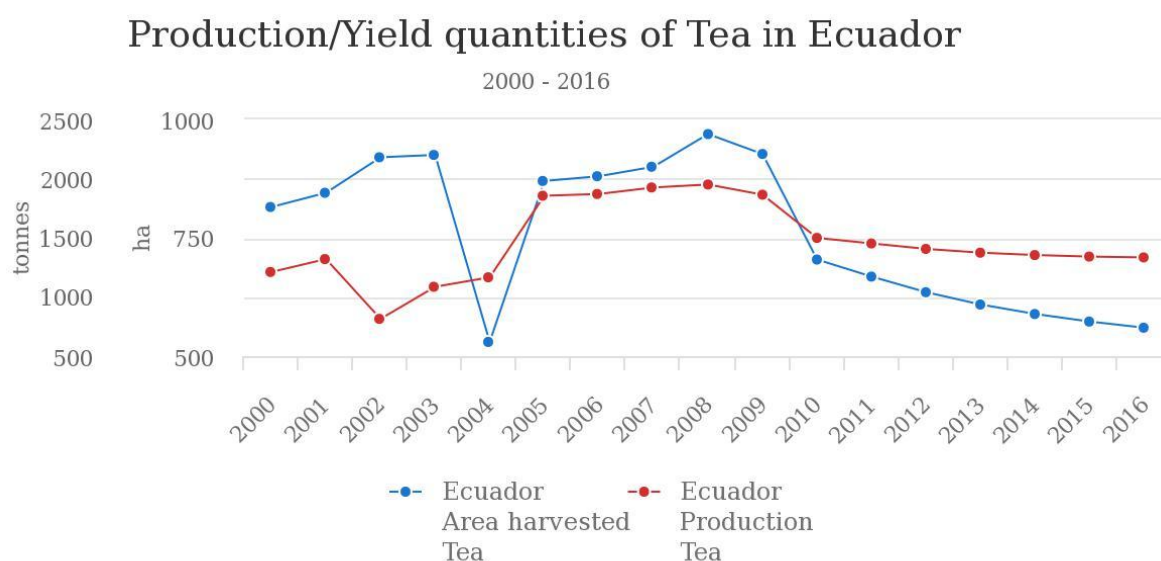
2.1.1 Ecuadorian tea market

For many years, Ecuadorian consumers were used to drink coffee rather than tea for cultural reasons and cultural heritage. Nowadays, some companies are reversing this trend by starting to produce and sell domestically tea. Ecuador is not the most competitive country for tea as coffee or cocoa, but the tonnes of tea produced and exported levels still slowly growing.

Supply

Between 2000 and 2010, production of tea in Ecuador has faced some ups and downs, going from the lowest 815 tonnes produced in 2002 to its highest score in 2008 of 1,950 tonnes. Since then, in 2010, 1,499 tonnes of tea were produced, and it slightly decreased in 2016 to reach 1,334 tonnes (Figure 12). Few regions of the country are suitable for the production of tea. Ecuador has a tropical climate and the adequate regions for tea production are very attractive. In 2015, the FAO estimated to 5,788.4 hectares of agricultural areas and 12,547.88 hectares of forest in Ecuador (FAO, 2018).

Figure 12 – Tea production in tons in Ecuador, 2000 - 2016



Source: FAOSTAT (May 07, 2018)

Exports

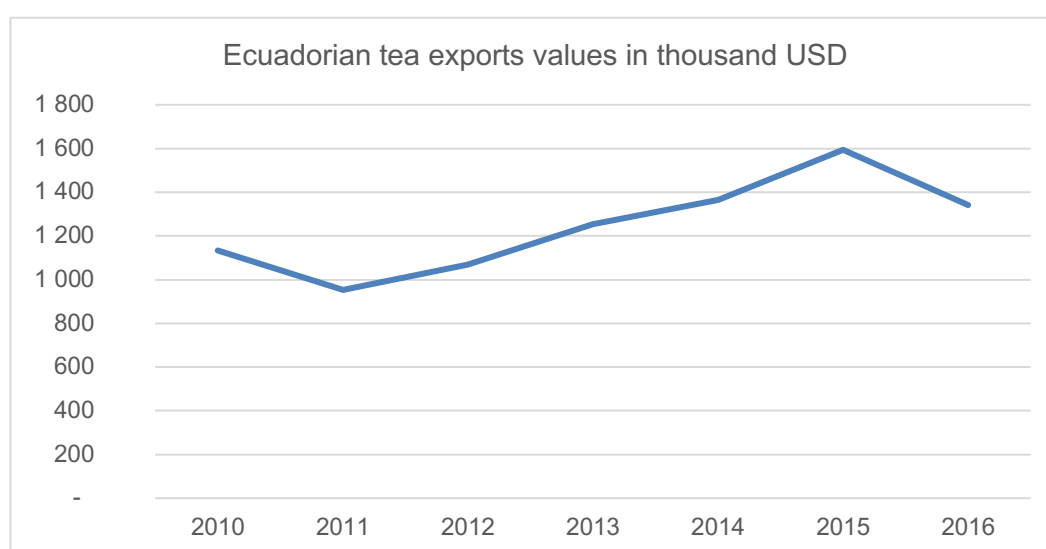
The low national production level is hampered tea export levels. The total value exported from Ecuador in 2016 reached USD 1.3 million (Table 10) (ITC, 2018). Between 2010 and 2015, the values have been slowly increasing with the exception of a low peak in 2011. In 2016, its value decreased from USD 1.6 million to USD 1.3 million.

Table 10 Ecuadorian tea exports values, 2010 - 2016

(Thousand dollar)

	2010	2011	2012	2013	2014	2015	2016
Exported value	1,133	953	1,068	1,254	1,365	1,594	1,341

Source: ITC, Trade map (2018)

Figure 13 – Ecuadorian tea exports values, 2010 - 2016

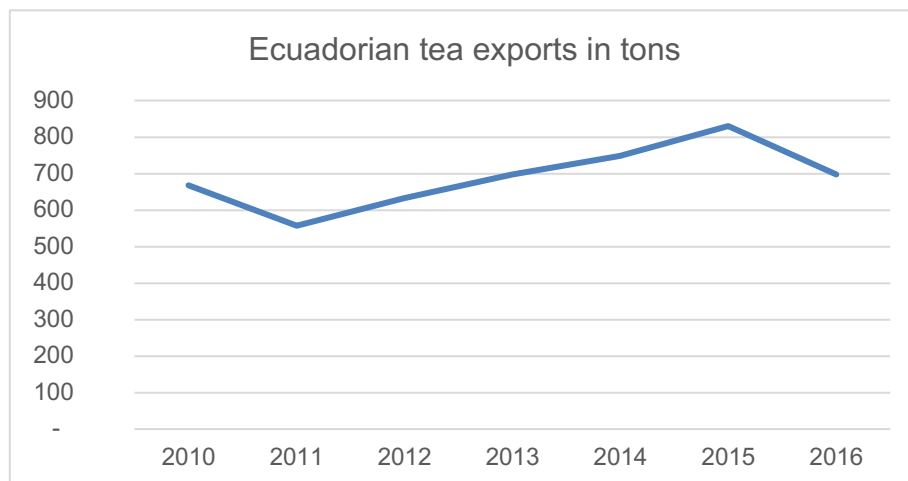
As for values in USD, the values and representation of the curve are very similar. The highest value was in 2015 with 830 tons exported from Ecuador. Since then, the value in 2016 reached the same level as in 2013 (Table 11 and Figure 14).

Table 11 Ecuadorian tea exports in tons, 2010 - 2016

	2010	2011	2012	2013	2014	2015	2016
Exported tons	668	557	633	697	749	830	697

Source: ITC, Trade map (2018)

Figure 14 – Ecuadorian tea exports in tons, 2010 - 2016



Analysing in greater details in the exporting countries for Ecuadorian tea, there might be a determinant factor of proximity, all the countries are situated in the Americas. Ecuador's three first exports markets are USA, Colombia and Costa Rica. The Ecuadorian tea export market is highly dominated by US with an export value of USD 819 thousand in 2016, while the export value to Colombia is of USD 221 thousand (Table 12). Overall, the exported values have been very volatile from 2010 to 2016.

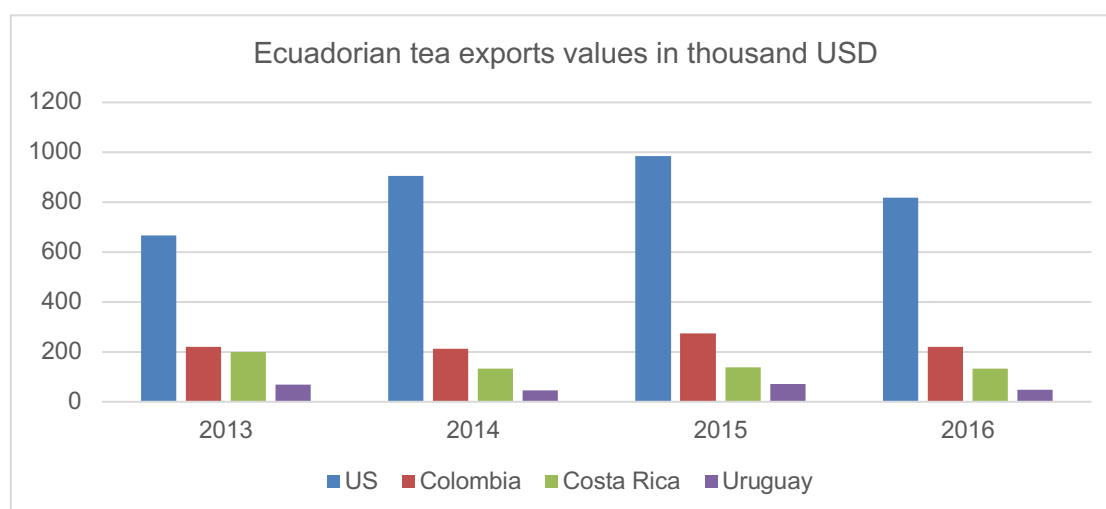
Table 12 Ecuadorian tea exports values, 2013 - 2016

(Thousand dollar)

	2013	2014	2015	2016
USA	667	906	986	819
Colombia	220	212	273	221
Costa Rica	199	132	137	132
Uruguay	68	46	71	47

Source: ITC, Trade map (2018)

Figure 15 – Ecuadorian tea exports values, 2013 - 2016



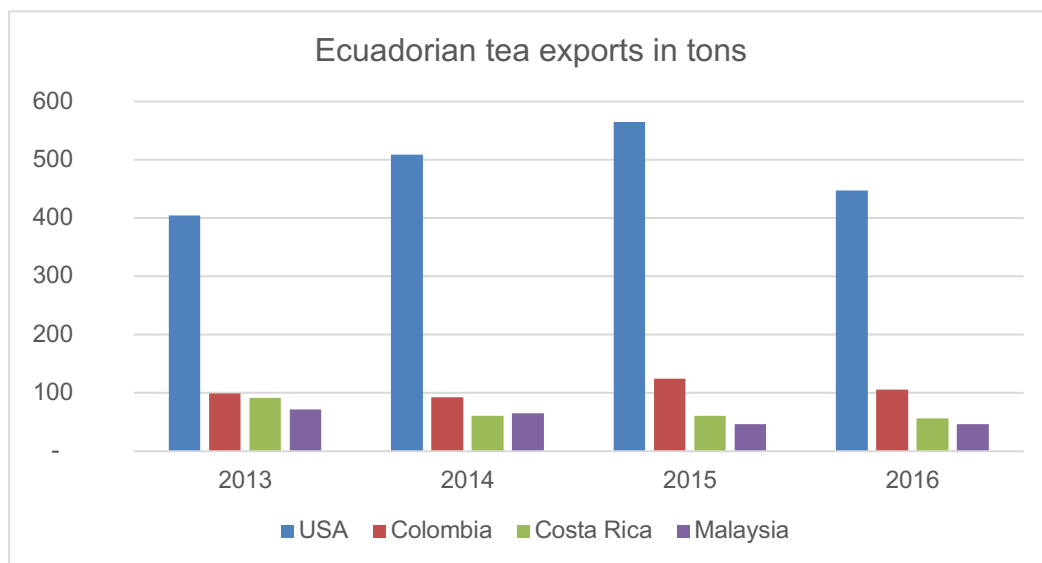
Similarly, the exported values in USD and in tons are following the same trend. The USA is largely dominant in this sector (Figure 16). There is also a possible factor of proximity dominating the exports in tons, but there is the apparition of Malaysia as the fourth exporters of tea for Ecuador, with 47 tons in 2016 (Table 13).

Table 13 Ecuadorian tea exports in tons, 2013 - 2016

	2013	2014	2015	2016
USA	404	509	565	447
Colombia	99	93	124	106
Costa Rica	91	61	61	56
Malaysia	72	65	46	47

Source: ITC, Trade map (2018)

Figure 16 – Ecuadorian tea exports in tons, 2013 - 2016



Demand

Ecuador is used to drink coffee and soft drinks, such as Coke and Fanta. There is no data on the consumption of tea in Ecuador or on the number of cups of teas drunk per day, but the low level of imports might reflect a low demand.

Imports

As for the export section, the values are very volatile, however the market is decreasing. Between 2010 and 2012, the import values doubled the amounts going from USD 278 thousands to reach a value of USD 480 thousands (Table 14). Then, between the year 2013 and 2016, the value decreased more than half from USD 388 to USD 160 thousands.

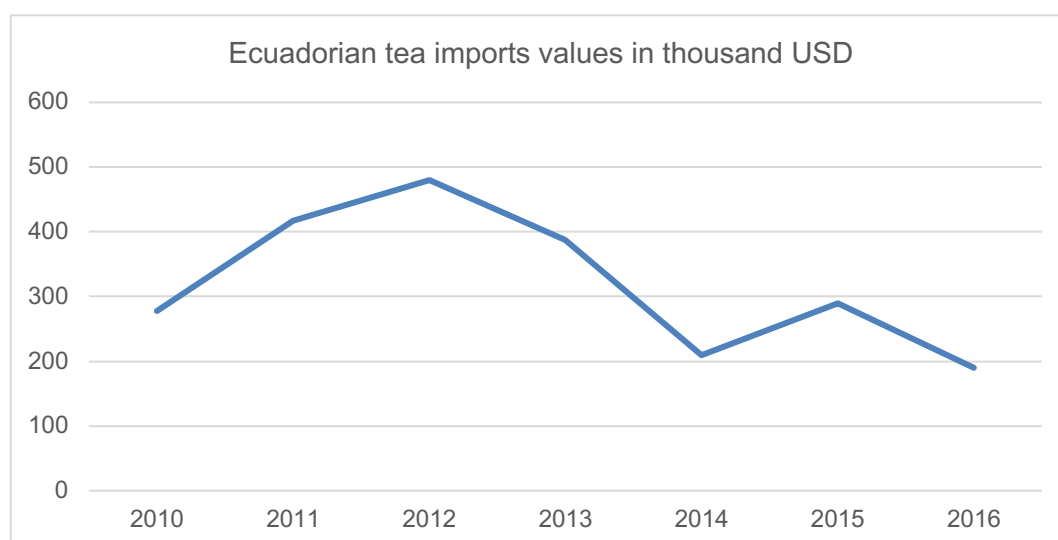
Table 14 Ecuadorian tea imports values, 2010 - 2016

(Thousand dollar)

	2010	2011	2012	2013	2014	2015	2016
Imported value	278	417	480	388	209	290	160

Source: ITC, Trade map (2018)

Figure 17 – Ecuadorian tea imports values, 2010 - 2016



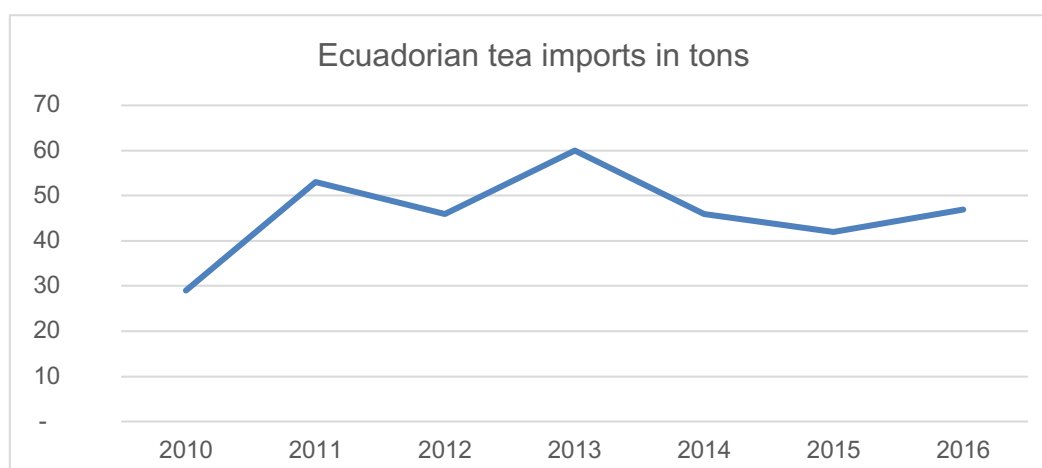
Throughout the six years, there has been an upward trend in tea imports in tons until 2013, where it reached the highest value with 60 tons (Table 15). The values doubled in three years, going from 29 tons in 2010 to 60 tons in 2013. Before that in 2011, the imports were also high with 53 tons of tea imported in Ecuador.

Table 15 Ecuadorian tea imports in tons, 2010 - 2016

	2010	2011	2012	2013	2014	2015	2016
Imported tons	29	53	46	60	46	42	47

Source: ITC, Trade map (2018)

Figure 18 – Ecuadorian tea imports in tons, 2010 - 2016



How could Tippytea penetrate the organic, sustainable and premium Swiss tea market?

Ecuador is importing tea from China, US, Germany and Spain. As China represents the largest producers of tea worldwide, Ecuador had an imported value of USD 126 thousand in 2016 from China (Table 16). China produces mainly green tea and black tea, which are some varieties that are not grown in Ecuador. Year after year, the import values have been decreasing. Before 2016, Ecuador did not import tea from Spain and since then, the imported value reached USD 7 thousand.

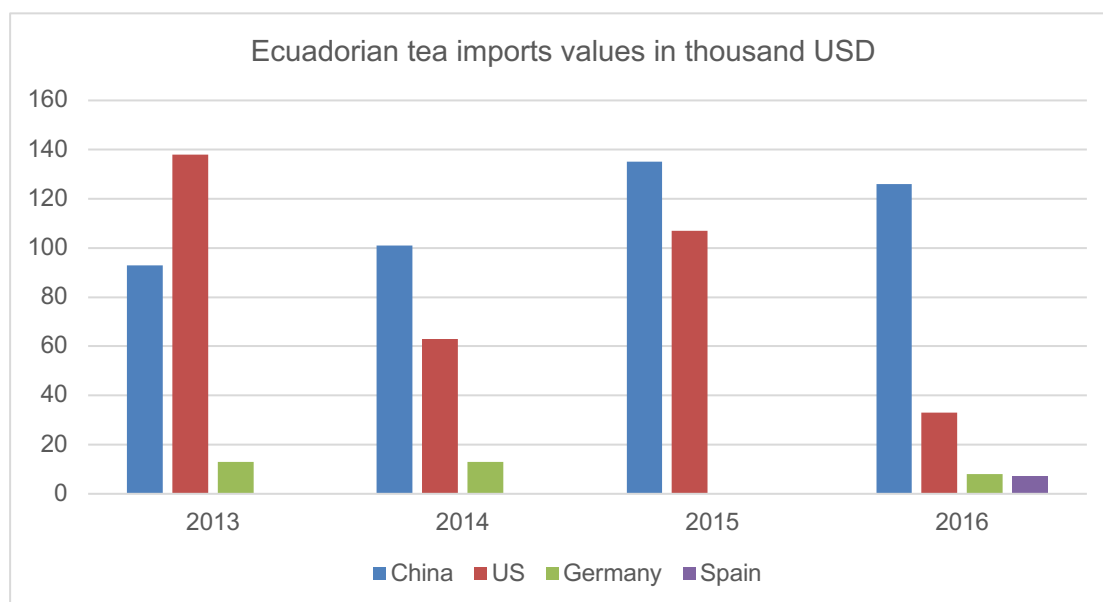
Table 16 Ecuadorian tea imports values, 2013 - 2016

(Thousand dollar)

	2013	2014	2015	2016
China	93	101	135	126
USA	138	63	107	33
Germany	13	13	0	8
Spain	0	0	0	7

Source: ITC, Trade map (2018)

Figure 19 – Ecuadorian tea imports values, 2013 - 2016



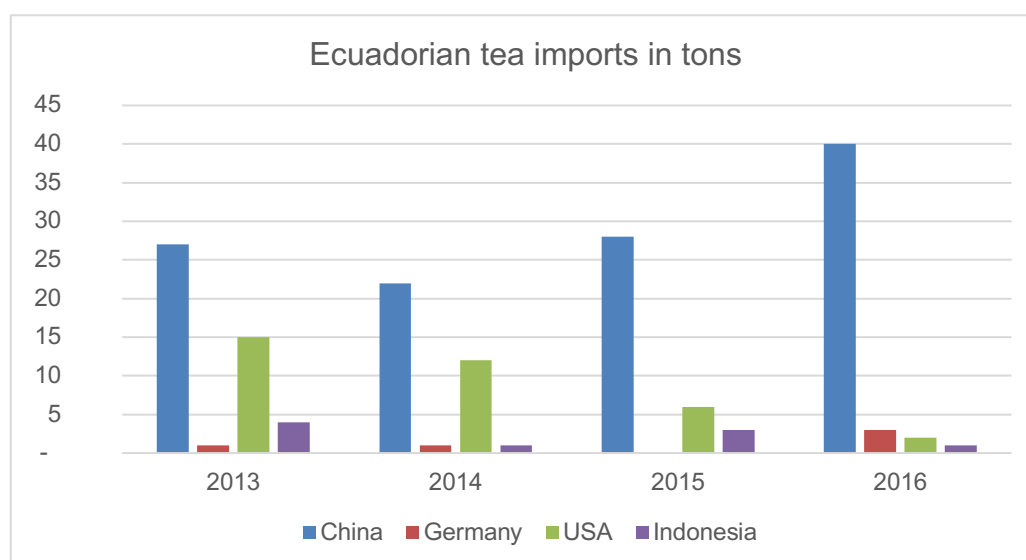
The tea imports in Ecuador are coming from all over the world, China, Germany, USA, Spain and Indonesia. Comparing the values of tea imports in USD and in tons, USA has been a major actor, but its market decreased, while imports from China continue to growth (Figure 19 and 20).

Table 17 Ecuadorian tea imports in tons, 2013 - 2016

	2013	2014	2015	2016
China	27	22	28	40
Germany	1	1	0	3
USA	15	12	6	2
Indonesia	4	1	3	1

Source: ITC, Trade map (2018)

Figure 20 – Ecuadorian tea imports in tons, 2013 - 2016



Summary

To sum up the Ecuadorian tea trends, the market is relatively small in the country. The competing beverage of coffee is very strong in Ecuador. Tea supply is expected to grow again, with more hectares to be planted referring the levels of 2012. Ecuador's tea exports are low and need to expand to other regions than the Americas, such as Europe. The demand for tea in Ecuador is also small. Few companies are developing this niche market of fruit and herbal premium teas within the country. However, the substitute coffee might loose some market shares, as the benefits of tea are raising awareness for a healthier lifestyle.

2.1.2 Swiss tea market

According to the FAO statistics, Switzerland possesses 1,508 hectares dedicated to agricultural activities and 1,254 are forest (FAO, 2015). Switzerland constitutes a large tea consumer, where citizens consume on a daily basis tea. The country has scarce resources and do not produce wider primary products. The trade balance has a deficit of USD 8.5 million, therefore, the tea import values are greater than exports.

Supply

Swiss tea production is extremely low and even non-existent for the FAO statistics. The land and weather conditions in Switzerland do not allow farmers to grow tea. Therefore, they import the raw material from different producing countries and transform it into a final product to be able to export.

Exports

Swiss tea exports have been hugely increasing between 2010 and 2016 (Table 18). Considering only 2010 to 2013, the values doubled from USD 8.4 million in 2010 to its highest USD 32 million in 2013. This represents an increase a 380% in the Swiss export tea market. Between 2013 and 2016, the values decreased of USD 7.3 million but still higher than in 2010.

Table 18 Swiss tea exports values, 2010 - 2016

(Thousand dollar)

	2010	2011	2012	2013	2014	2015	2016
Exported value	8,443	17,242	20,088	32,149	26,036	23,826	24,799

Source: ITC, Trade map (2018)

Figure 21 – Swiss tea exports values, 2010 - 2016



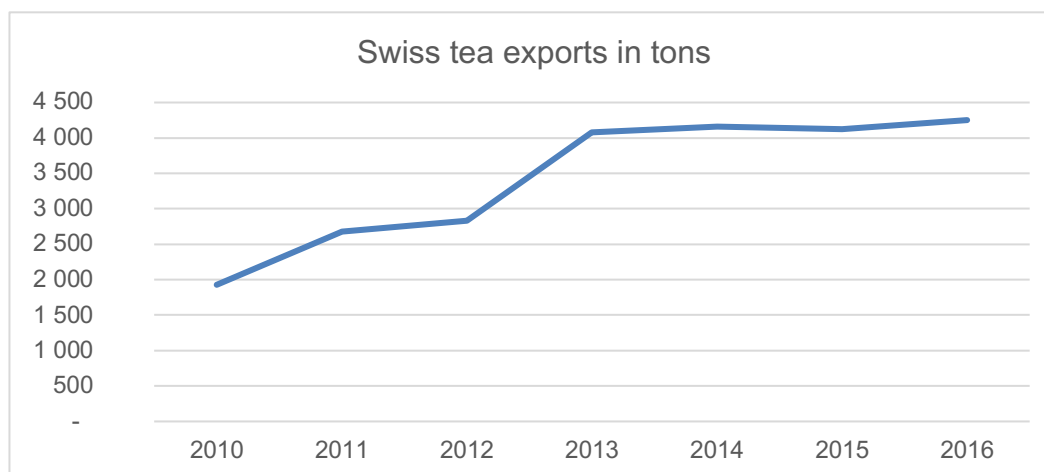
In 2016, Switzerland exported 4,252 tons of tea. Between 2010 and 2016, the Swiss tons of tea exported doubled (Table 19). The largest increase has been done between 2012 and 2013, where it rose by 1,245 tons. As for the exports in USD, in 2013, the country exported at its highest with 4,075 tons on tea.

Table 19 Swiss tea exports in tons, 2010 - 2016

	2010	2011	2012	2013	2014	2015	2016
Exported tons	1,928	2,677	2,830	4,075	4,160	4,125	4,252

Source: ITC, Trade map (2018)

Figure 22 – Swiss tea exports in tons, 2010 - 2016



Swiss tea exports reach mostly European countries such as UK, France and Netherlands. This configuration might be explained by the trade facilitation through trade agreements between the European Union and Switzerland. Japan is positioned fourth in the Swiss export market, which proves the strong culture and heritage of tea since ages of the country. Japan is the only exporters for which the values still increasing. The largest decrease is in the French export values that went down from USD 12.4 million in 2013 to 7.4 million in 2016 (Table 20).

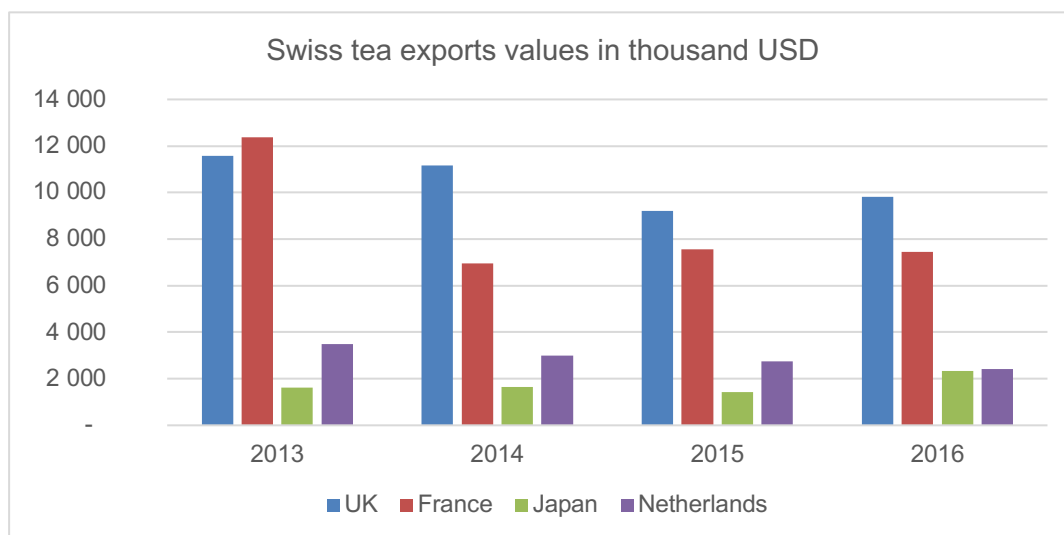
Table 20 Swiss tea exports values, 2013 - 2016

(Thousand dollar)

	2013	2014	2015	2016
UK	11,589	11,155	9,209	9,814
France	12,383	6,942	7,552	7,447
Netherlands	3,488	2,993	2,736	2,423
Japan	1,619	1,654	1,427	2,336

Source: ITC, Trade map (2018)

Figure 23 – Swiss tea exports values, 2013 - 2016



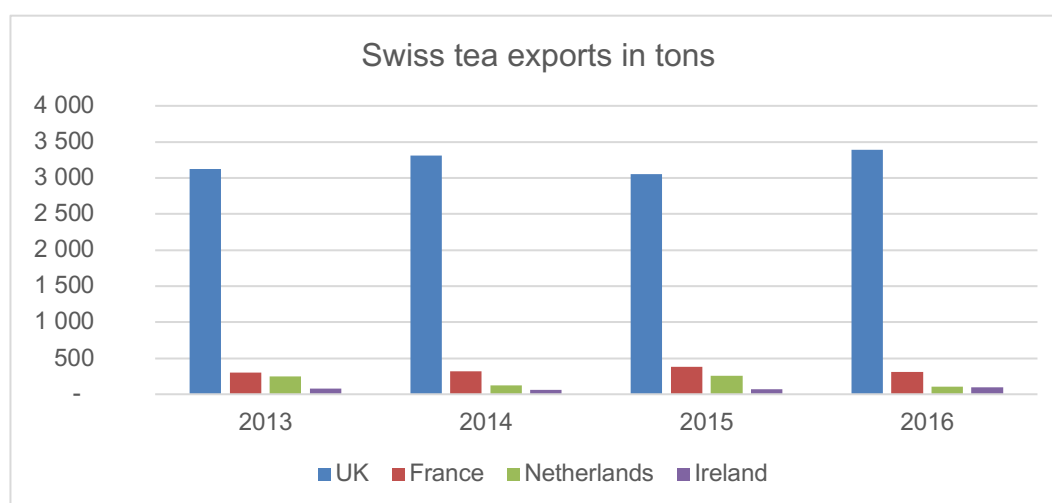
Regarding the Swiss tea exports in tons the three first largest countries are the same as for the values in USD, which are UK, France and Japan. In this case, the fourth ranked is Ireland with a value in 2016 of 93 tons (Table 21). Compared to the values in USD, with the values in tons, the UK is largely the largest exporter country for Switzerland.

Table 21 Swiss tea exports in tons, 2013 - 2016

	2013	2014	2015	2016
UK	3,125	3,309	3,055	3,393
France	296	319	376	307
Netherlands	243	124	256	107
Ireland	76	57	72	93

Source: ITC, Trade map (2018)

Figure 24 – Swiss tea exports in tons, 2013 - 2016



Demand

Three-quarters of Swiss imports come from the European Union (EU) (EIU, 2017). Switzerland has a high purchasing power and according to Euromonitor International, Swiss consumers prefer premium teas (Euromonitor, 2018). The country is a large tea consumer with an imported value of USD 33.3 million in 2016 (Table 22) (ITC, 2018). A survey was done on 2,085 Swiss citizens in February 2015 by the Federal Office for Food Security and Veterinary affairs (OSAV) within Switzerland and showed that people between eighteen and seventy-five years old drink in average 2.9dl of tea per day and per person (OSAV, 2017). The increasing number of tea companies and premium brands selling through retailers and/or their own shop shows the boom of demand for this product.

Imports

As Switzerland do not produce tea, the country imports tea from producing countries to manufacture it within Switzerland, put the premium brand and export it to trading partners. The imports values increased from USD 25 million in 2010 to USD 33 million in 2016 (Table 22). In 2014, the values reached its highest with USD 36 million and afterwards, start decreasing and now are stagnating.

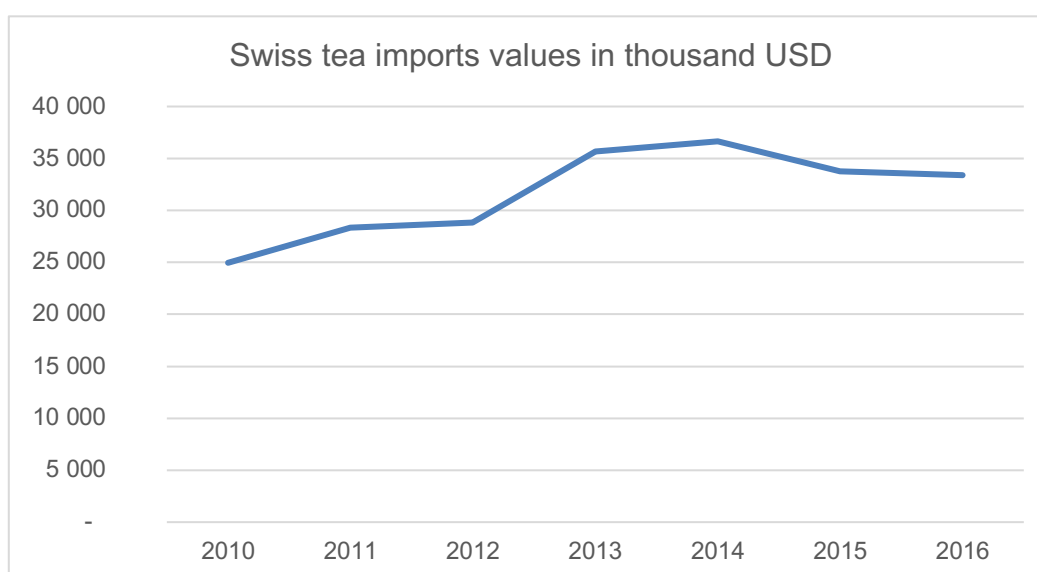
Table 22 Swiss tea imports values, 2010 – 2016

(Thousand dollar)

	2010	2011	2012	2013	2014	2015	2016
Imported value	24,959	28,334	28,809	35,687	36,649	33,761	33,377

Source: ITC, Trade map (2018)

Figure 25 – Swiss tea imports values, 2010 – 2016

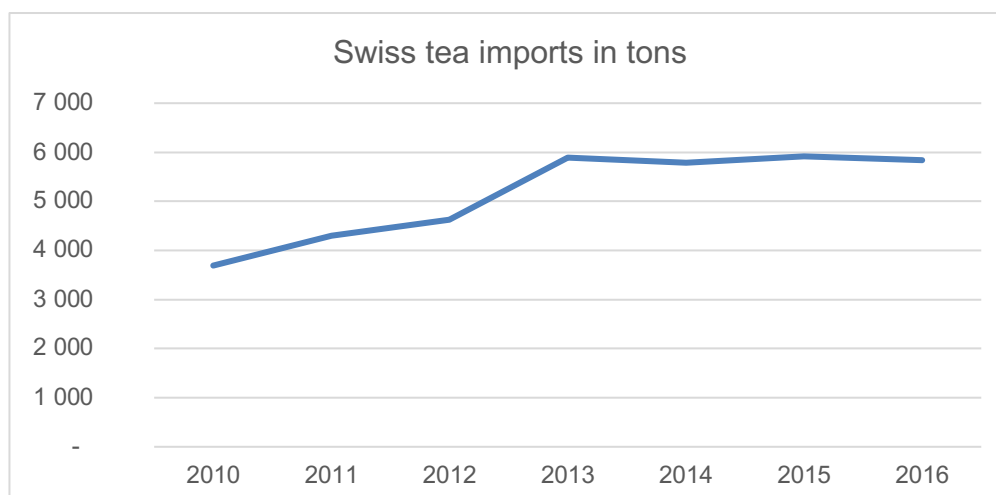


The upward trend in the Swiss tea imports values in USD is also distinguishable in tons (Table 22 and 23). The highest score has been in 2015 with a value of 5,917 tons imported in Switzerland. Since then, the following year, it has slightly decreased, but remained quite stable since 2013.

Table 23 Swiss tea imports in tons, 2010 - 2016

	2010	2011	2012	2013	2014	2015	2016
Imported tons	3,692	4,295	4,623	5,889	5,788	5,917	5,836

Source: ITC, Trade map (2018)

Figure 26 – Swiss tea imports in tons, 2010 - 2016

The main importers of Swiss tea brands are Germany, Netherlands, UK, Poland and China. Most of the importing countries are located in Europe, which can benefit of trade facilitations between the European Union and Switzerland. Germany and Netherlands increased their exports between 2013 and 2016 (Table 24). But the other countries steadily decreased the demand for Swiss tea. In 2013, the UK imported a value of USD 6 million and in 2016, it went down to USD 4 million.

Table 24 Swiss tea imports values, 2013 - 2016

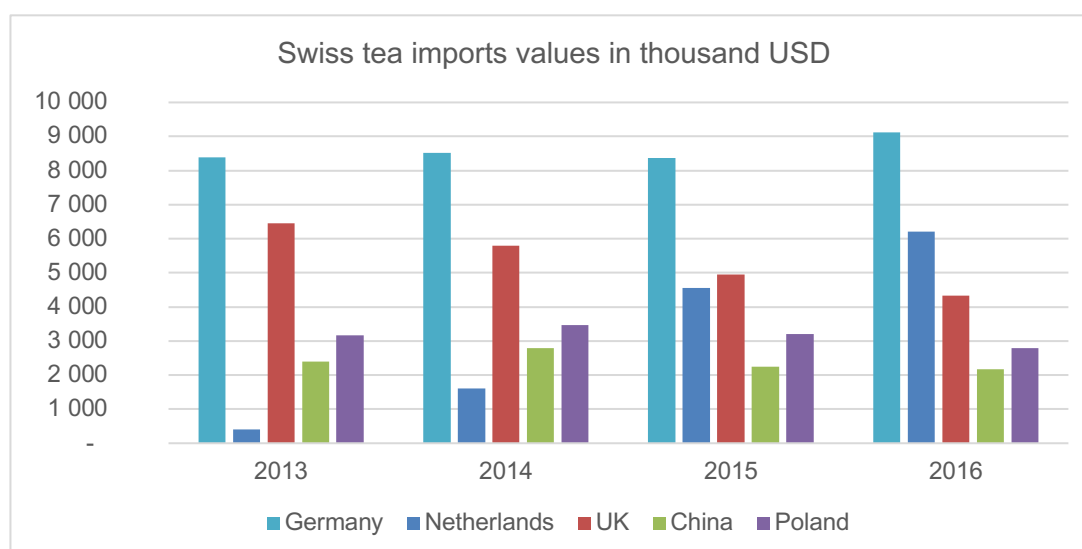
(Thousand dollar)

	2013	2014	2015	2016
Germany	8,383	8,524	8,374	9,124
Netherlands	411	1,614	4,563	6,204
UK	6,448	5,794	4,960	4,336
Poland	3,165	3,460	3,198	2,795
China	2,393	2,796	2,244	2,173

Source: ITC, Trade map (2018)

How could Tippytea penetrate the organic, sustainable and premium Swiss tea market?

Figure 27 – Swiss tea imports values, 2013 - 2016



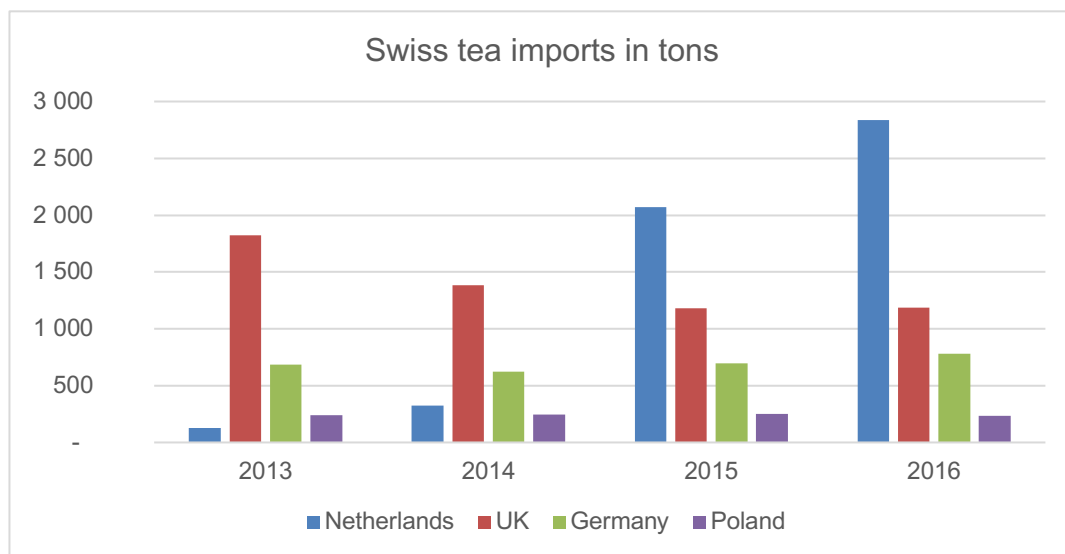
Netherlands have increased their competitiveness towards exports of tea to Switzerland (Figure 27 and 28). In 2016, Germany was ranked first with an import value in Switzerland of USD 9 million, while in tons, the country is third with 779 tons. All the countries mentioned as the fourth largest importers of tea in Switzerland are part of the European Union, which eases the trade with Switzerland.

Table 25 Swiss tea imports in tons, 2013 - 2016

	2013	2014	2015	2016
Netherlands	126	324	2,072	2,834
UK	1,820	1,386	1,178	1,187
Germany	684	623	695	779
Poland	242	243	251	235

Source: ITC, Trade map (2018)

Figure 28 – Swiss tea imports in tons, 2013 - 2016



The Swiss tea market reflects the global consumption of tea. It started with a rapid growth until 2013 and then, it faced a stagnation phase and a small decrease until 2016. The purchasing power and the awareness of tea benefits of consumers can be a combination to increase the tea consumption. Overall tea supply and demand, the markets have been increasing reaching records between 2010 and 2013 but since 2015, the consumption is slightly decreasing. The organic/bio trend has started in 2000 but reached its peak value in 2016. Producing companies of organic products are continuing raising awareness towards their customers on health benefits and tea is one of them.

2.2 Outlook on Tippytea

Tippytea is an Ecuadorian tea company, which has been created in 2013 by Guillermo Jarrin, a tea sommelier and passionate of tea. Tippytea employs fourteen full time staff and it is, therefore, considered as a SMEs. At present, the company' activity is only in Ecuador. It owns two shops, one office, a production plant and a cellar. In addition, the company has two shops franchised located in the country's two largest cities and all the shops are located in shopping malls. In addition, the company sells online within Ecuador. Tippytea average earnings are USD 10,000 to USD 12,000 coming from sales per month per shop.

In its distribution centres, the company serves more than forty varieties of tea. Customers have also the opportunity to buy some tea on a priced by weight base. The company managed to diversify the business by selling accessories for tea and some baked products. Moreover, the company is offering six different tea blends either in bags or loose-leaf tea in the largest supermarket chain in Ecuador, which is called Corporación Favorita. This chain has 293 stores

How could Tippytea penetrate the organic, sustainable and premium Swiss tea market?

in six different countries in South America and had a profit of USD 2,301 million in 2016 (Corporación Favorita, 2018). Tippytea products are sold in the Favorita's main supermarkets throughout the country.

Although Tippytea faced at inception some difficulties in penetrating the local market, it succeeds thanks to their original offering of tea blends. The company creates its blends by using black tea, chai tea, chamomile, fruit tea, green tea, matcha tea, oolong as a base and then it mixes it with ingredients grown by indigenous women in Ecuador's rural areas. The adding are apples, carrots, ginger, hibiscus, lemon, mint, rose extract, orange, physalis and strawberry. The company imports the basic products that possess organic certifications through a Canadian broker such as, black tea, white tea and jasmine from China, lavender from France, green tea and matcha tea from Japan and rooibos tea from South Africa. The company highlights the origin and the bio-organic certification of all its products.

In its business development, the company's strategy was to establish a strong brand image and consolidate its business in Ecuador before starting to export. After four years of activities, the company decided that it was time to explore international markets.

2.2.1 Implementation of a new culture

In 2017, Ecuador produced 625'000 coffee bags of 60kg each and exported a value of USD 17 million in 2017, compared to the exported value of USD 1.5 million of tea (ICO, 2018) (ITC, 2018). Ecuadorian coffee is considered to be one of the best in the world in terms of quality. As the production of coffee is well-developed and the country has an appropriate climate to grow coffee, Ecuadorians are used to consume more coffee.

Four years ago, Tippytea made a market survey on drinking habits in Ecuador before the company establishment. As a result of this survey, people interviewed highlighted their consumption of coffee several times per day and at any season of the year, while the results for tea consumption was pretty low. In order to implement this new culture of tea in Ecuador, the company's strategy was to raise awareness on tea benefits on health.

Tippytea describes its mission as the following: "Create a culture for the consumption of herbals tea; in order to commercialise innovative products, with a certain quality, which will positively influence our clients' lives." This represents an ambitious challenge for the company. Before Tippytea developed its business, there was a low consumption of tea and mainly in cafeterias, while now, the branding is designed to appeal local customers in shopping malls.

2.2.2 Market positioning

Since its creation, Guillermo Jarrin had a clear vision of the brand image and the experience he wanted to deliver with the company's products. Before the company's establishment, he realised a quantitative survey on tea preferences and habits of a sample population in Quito, Ecuador. He based the company's strategy on the following results:

- People associate tea to a healthy and digestive beverage,
- Preference is to drink tea on cold days,
- Tea drinking is sharing it with friends or family, not alone,
- Tea provides a well-being and relaxation feeling,
- People associate tea to brown, green and black colours,
- Potential customers identified tea with: flavour, quality, natural products, healthy, aroma and a positive visual image.

The company's business strategy included to design attractive products, make them look as an international brand, which would enhance a luxury and refined aspect. The founder wanted his brand to contain a part of English style without falling in the boring or classical. This decision was made as England appeared to be the first country to which Ecuadorian citizens relate to when they think of tea. The company wants to be associate to different adjectives as:

- Healthy,
- Innovative,
- International,
- Modern,
- Unique in Ecuador,
- Young.

In addition to all these aspects, Tippytea wanted to ensure the tastes, harmony and quality of the ingredients the company is offering and highlighted the benefits of the beverage. The company does not only serve organic products, but they guarantee a sustainable growth in the production process and all the company's activities, as per the UN SDGs. One of the company's first marketing argument is the culture and heritage of growing primary products in Ecuador. Their suppliers of ingredients are small communities in the country's rural areas that possess bio certifications. This respect of the environment and of the cultural communities' heritage creates a social impact. In fact, it is mostly indigenous women who are in charge of growing the yields in the rural areas.

2.2.3 Competitors

At the time Tippytea started their company, in 2013, there were only few businesses that spotted the market opportunity. Some companies such as Twinning, Lipton, Hornimans or Le Thé were selling tea in bags in supermarkets. These products are well known by Ecuadorians, but they are not considered as direct competitors. These are brands owned by multinational corporations that produce tea bags in larger quantities, which allow them to reduce their costs, therefore, the selling price for final products is lower.

Most of the direct competitors started analysing the business model, expansion and success of Tippytea to decide to enter the market. Even if tea was not the most drinkable beverage in Ecuador, the number of tea companies started increasing since then. Actually, there are four companies competing with Tippytea on a different scale. Two of them have established tea shops in the two biggest cities of Ecuador, one sells tea in a vegan shop and finally, the last one is offering similar tea products in supermarkets. For each competitor, there is no price indication on their website or any media, but according to Tippytea, they are in the same price range.

Tea shops

- Amatea

Amatea, which can be separated into “Ama” and “tea” which means “love tea”, is an Ecuadorian tea shop established since 2013, before Tippytea (Amatea, 2018). The company’s distribution channel is done through three shops located in shopping malls around the capital Quito. These shops offer a variety of premium teas certified by the European Union. The company also uses a basis of green tea, Oolong tea, black tea, Pu-Erh tea, rooibos and other herbs to create tea blends by mixing it with roses for example. On the company media pages, there is no information about the origins of ingredients. In their shops, customers can buy tea in a different format, they have a variety of tea accessories and they can drink a tea either cold as frappés or warm, while enjoying some baked products.

Regarding the packaging, the company wanted its brand to appeal luxurious, the colours used are black, dark brown, gold and white. There is a neutral logo and different packaging proposed to clients for instance, in metallic gold boxes, small glass recipient or loose tea leaves in a plastic recipient.

Finally, Amatea is very active on social media, it is their main channel to reach and communicate with their customers. The company wants to create a close relationship with its

community, therefore, the company is posting almost every day appealing pictures and videos of the team preparing or serving some tea.

- Seitea

Seitea is a tea company that has been created end of 2016 (Seitea, 2018). They are from Guayaquil, second largest city in Ecuador, and the distribution channel is done through stores in a shopping mall, different from the one where Tippytea is located, through various retailers in Guayaquil and by shipping mail orders within Ecuador. According to the company's information, there are more than seventy varieties of tea, that can be consumed either cold or warm. There is no information on the tea ingredients and on their social media, there is no promotion of organic products, however in the company distribution networks, there are organic markets, therefore, it is possible to assume that they use organic components. The company's shop allows customers to buy tea and tea accessories, however it is not arranged to seat and drink a tea. Moreover, at their own shop, the company organises workshops with special guests or sessions to teach customers how to prepare tea cocktails with tea products.

Regarding the company branding, Seitea logo is an orange round with the name in white. The company's tea is sold in two different sizes in colourful metallic boxes, when sold as loose-leaf tea. The company does not sell tea in bags. Seitea reaches their customers through posts on social medias. The posts are mostly appealing pictures and for the videos, the company promotes its tea accessories showing how to use it.

Offering of tea

- Camellias Tea

Camellias Tea is the second type of competitor of Tippytea that has been created before them, in 2012 (Camellias Tea, 2018). "Camellia" is the scientific name of tea. The unique "Tea House", as the owner describes her business, is located in Guayaquil and in the same location where Tippytea is present. Even though its name is the Tea House, the Camellias Tea are an organic and vegan shop, which offers vegan dishes and bakery products, tea, smoothies, lemonades and more products. It represents a direct competitor of Tippytea as their tea offering is based on organic and blend products. There is no information regarding the origins of the ingredients. In its shops, consumers can enjoy their tea with a pastry, buy tea and its accessories or take away food.

The logo uses two neutral colours such as dark brown and green, which reflects the organic and vegan message the company wants to share. Camellias Tea is successfully reaching its consumers through different social media such as Facebook and Instagram. The company

posts or reposts from consumers' profile, pictures and/or videos at least once a day. The posts are always colourful and appealing.

In retail

The last type of competitor of Tippytea is La Gracia. There is no formal information on the creation date but their first post on social media was in March 2015 (La Gracia, 2018). The company is located in Cuenca, another city of Ecuador, where Tippytea is also present through a distributor of organic products. La Gracia is selling their products through different retailers throughout the country and as Tippytea, at the supermarket chain Corporación Favorita. According to the information found on La Gracia's website, the ingredients of their teas are fully natural and Ecuadorian, and they promote seven types of teas. La Gracia divided its tea offering into two collections; the first one is the "classical" and the other one is the "well-being". For those two, teas are mixed with various components such as, ginger, lemon, chamomile, mint and hibiscus. La Gracia sells the different teas sorts and some tea accessories. Regarding prices, the company is selling all its teas at USD 5.00, which is cheaper than Tippytea of USD 3.00 (La Gracia, 2018).

Their logo is simple, but some similarities can be found with the one of Tippytea. The logo has a beige rectangle with the name La Gracia in the middle in black. The company designed its tea offering in small colourful boxes and in bags or in loose-leaf tea. La Gracia reaches tea lovers through different social media, but Facebook is their main channel. The company posts once or twice a month rather than every day or every week as their competitors.

Table 26 Summary of Ecuadorian tea competitors

Tea shops	Offering of tea	In retail
Amatea Seita	Camellias Tea	La Gracia

2.2.4 Target consumers

Since its creation, the goal of Tippytea in the local market has been to equally target women and men. They perfectly managed to reach women of the desired age range, however the company found it difficult to reach out male customers.

In 2013, the World Health Organisation (WHO) realised a survey on the alcoholic drinking habits of South American countries and Ecuador was ranked second with 9.4 litres drunk per habitant every year (INEC, 2013).

Due to the atmosphere the company established in its shops, male customers were not attracted to spend some time drinking tea. Mr. Guillermo Jarrin realised the issue and therefore, since approximately one year, Tippytea is adapting the marketing and decoration of their shops in order to create a neutral and unisex ambiance to attract more men. Nevertheless, their consumer type still being women situated in the medium-high society, in the age range of twenty-five to thirty-five in Ecuador. As the detailed table 14, the last census made in 2010 by the Instituto Nacional de Estadística y Censos (2018) showed that this age range represents 2.2 million persons within the country, but there are split into 761 thousand citizens coming from rural areas and 1.5 million from urban part of Ecuador. The Ecuadorian population is of 14.4 million citizens, therefore, the persons between twenty-five to thirty-five years old represents 15.66% of the population. As Tippytea is mostly present in urban areas of the country, their market constitutes 10.40% of the Ecuadorian population.

Table 27 Ecuadorian population

Urban area	1,506,278	10.40%
Rural area	761,575	5.26%
25-35 years population in Ecuador	2,267,853	15.66%
Total population	14,483,499	

Source: Instituto Nacional de Estadística y Censos, 2018.

2.2.5 Public and private institutions supporting entrepreneurship

In his, last mandate, former President Rafael Correa promised to strengthen the socio-economic environment in order to become a more competitive country. In order to do so, the former President decided to invest in creating institutions that promote this goal. By focusing on different areas, private, public or semi-private and semi-public institutions managed to share the government vision to work on a common objective. Through in-depth interviews and a qualitative analysis, the report shows how two different institutions in Ecuador help entrepreneurs to expand their businesses. These institutions provide technical assistance and work together with private and public actors in different sectors such as SMEs, universities and financial institutions. The first institution is ConQuito. This agency works at the city level in Quito. Then, there is the Alliance for Entrepreneurship and Innovation (AEI) which covers the entire country.

ConQuito

ConQuito is a public-private institution that has been created in 2005 (ConQuito, 2018). According to the constitution of Ecuador, it functions as an ONG, and thus is a public private institution. It receives seventy percent of its annual budget by the city of Quito. Although ConQuito covers only Quito municipality, very punctually it collaborates with other cities on selected issues. The institution mostly helps other cities through technical and on-site assistance in order to let them reproduce the working model adopted in the capital city. The areas the agency covers include employment creation, productive capabilities, economic empowerment and competitiveness. The agency fundamental goal is to promote the social and economic development of Quito in order to increase the productivity, the competitiveness, the application of the knowledge in scientific and technological areas. The programmes and projects the agency leads are to breed the new generation entrepreneurs, capacity building and the supply chains improvements. Institutional values include transparency, sustainable responsibility, openness to change and honesty. The institution has eight areas in order to tackle the city's economy growth and among these there is the Entrepreneurship and Innovation program.

ConQuito closely assists entrepreneurs in expanding markets locally. As many potential entrepreneurs may have ideas that cannot be concretised, the agency selects entrepreneurs positioned in the first phase of the business cycle, those that are already producing and selling their products. Many institutions have the role to strengthen and expand the entrepreneurship ecosystem, and thus ConQuito tries to collaborate with all other stakeholders. Once ConQuito has completed its tasks with entrepreneurs, they are directed to other institutions that can continue helping them for the business expansion. At the beginning of their assistance programme in ConQuito, the institution suggests entrepreneurs to participate in the Empretec programme.

Empretec is a capacity-building programme of UNCTAD for the promotion of entrepreneurship and micro and SMEs to facilitate sustainable development and inclusive growth (UNCTAD, 2018). Empretec has been launched thirty years ago and counts now on a network of Empretec centres in forty countries coordinated by the DIAE in Geneva. Their main product is the Empretec Training Workshop (ETW), which has the goal of developing entrepreneurship competencies and behaviours for daily life as entrepreneurs. The workshop is offered by certified trainers, which are also entrepreneurs, to twenty-five or thirty participants per session (UNCTAD, 2018). The target audience is micro and small businesses, young entrepreneurs, women entrepreneurs and intrapreneurs. Since its creation in 1988, the programme trained 422,000 people. In 2016, 868 ETW were conducted, which allowed 21,100 entrepreneurs to

beneficiate of the training. Empretec centres measure impact of its training on four indicators which are; sales, employment, profitability and new businesses created in the following three and twelve months post training (UNCTAD, 2018).

Empretec and ConQuito are working together for six years and ConQuito is the national centre for UNCTAD's entrepreneurship training. ConQuito offered ten workshops to local companies in six different sessions. Entrepreneurs and citizens are welcomed to participate by paying a fee and the training is given either in ConQuitos' offices or in other co-working spaces. Before starting the Empretec programme, first, a diagnosis is established between an entrepreneur and a consultant and then, at a group level, in order to design the workshop according to entrepreneurs' needs. Thirty people are trained in average per sessions.

After the Empretec training, the company has the opportunity to attend a program full of workshops offered once a week, where for instance the segmentation of the market, the product value proposition and the target customers are analysed. People generally attend those two programs and then they choose between two different incubation programs:

1. On demand program: For six months, once a week, an entrepreneur meets a consultant to work on a preferred subject chosen by the entrepreneur. If the entrepreneur is part of ConQuito network, these workshops are free of charges.
2. Intensive program: This program is articulated as a semester at university. For four months, a structure of classes is organised. Twice a week, entrepreneurs have the opportunity to attend workshops on intellectual property, consultancy courses, management of a company and technological advancements for example. This intensive program is organised with ten to fifteen other entrepreneurs that have been previously chosen. Through this second programme, entrepreneurs are able to build a network and create synergy among them.

Regarding Tippytea, in 2016, they took part of the Empretec programme. ConQuito saw in Tippytea an attractive business model because it reinvents the experience of drinking tea. According to Mr Flores from ConQuito, the way Tippytea has developed the business, the concept and the brand locally is interesting and inspiring (Appendix 1).

Alliance for Entrepreneurship and Innovation

The AEI is a network of public, private and academic actors that are seeking to strengthen the entrepreneurial and innovation sector to foster the economic development of Ecuador (AEI, 2018). The institution counts on 68 stakeholders, and they have worked for three years in areas of training and assistance to entrepreneurs, legal issues, market analysis, development, access to finance, innovation, human talent and culture etc.

How could Tippytea penetrate the organic, sustainable and premium Swiss tea market?

The institution also shares the same development goal as ConQuito. The AEI wants to strengthen the ecosystem at the country level. AEI has an observatory to analyse the economy, benchmarking Ecuador with other South American countries, such as Argentina, Chile or Colombia. On this basis, AEI sets yearly objectives to improve the country's positioning internationally. If an entrepreneur requests assistance but his/her project cannot fully contribute to the established institution objectives, AEI will review alternatives or guide them to other institutions that could better help. Entrepreneurs, institutions, companies that are part of the AEI network are proactive in implementing the agreed activities. The stakeholders should be ready to offer their services and the network will give them something back, by doing this, the stakeholders maintain a long-term relationship and help the ecosystem to work well.

Regarding the entrepreneurship area, the Alliance helps three different type of entrepreneurs;

- Businesses that have an extremely large ability to export, a high growth potential and that are innovative.
- Entrepreneurs that can satisfy the local market demand within the retail network of the institutions. For instance, if retailers ask for a fully organic shampoo, AEI transfers this request to members entrepreneurs in order to satisfy this demand.
- SMEs that do not have an innovative product or that are not ready to export but they are needed in the local market. After the earthquake in Ecuador in 2016, many entrepreneurs in the affected zone of the country lost their jobs and houses. The AEI decided to create a fund for investors to help the affected entrepreneurs to return rapidly to their normal activity. The institution created credits only available to entrepreneurs with a preferential interest rate and also consultancy support. At present, there are 4'000 programme beneficiaries.

Membership requests are evaluated and accepted by AEI board. After acceptance, the AEI helps entrepreneurs according to needs and will integrate them into the network. Assistance is not free of charge but by being part of the network, entrepreneurs get access to preferential fees for these services.

Concerning Tippytea, the founder, Guillermo Jarrin, participated in a boot camp organised by the AEI in 2015. The boot camp is offered to the first type of entrepreneurs the AEI assists. Various workshops are proposed according to the needs of the entrepreneur. When Tippytea arrived at the AEI, the company wanted financial support, access to shopping malls and mentor assistance. During its boot camp, Tippytea was presented to around fifteen investors together with two other entrepreneurs and the investors saw the potential in his company and decided to invest. More than the financial investment, investors help entrepreneurs by sharing as mentors their experience, trade-offs and contacts. Their investment could be transformed to

How could Tippytea penetrate the organic, sustainable and premium Swiss tea market?

no more than forty percent of shares of the company. Investors are looking for interesting entrepreneurs' profiles with an innovative product. Then, the other actors of the network helped the company to enter the local market.

Since 2015, the AEI created a contest awarding the best entrepreneurs in the country. The first year, the institution rewarded the members of the network and in the second year, in 2016, Guillermo Jarrin won the contest thanks to the company's growth, the increase in sales and an active membership. Tippytea represents the result and success of the network of the AEI. The Alliance saw a considerable potential in Tippytea. First, the company contributes to the sustainable social and economic development, in improving life quality, as the company works with small indigenous communities in Ecuador by buying at a fair price from local communities. Secondly, the company offers innovative products within the country as there was no tea culture. The company developed shops, where you can sit and share a tea among their fifty offerings in a friendly environment. According to Ms Almeida, the AEI Deputy Director, the Tippytea's CEO profile is that of a young entrepreneur, a visionary that looks to create alliances and contacts, that has opportunities to grow, that is diversifying its actions, looking for new ideas and challenges to attract more clients (Appendix 2).

After winning the contest, Tippytea entered the premium Club AEI, which regroup the best and most dynamic entrepreneurship of the ecosystem and receive help in different aspects. For the AEI, the members of the premium Club represent the tops entrepreneurs and they want to support them in their expansion. Entrepreneurs benefit of interviews, publications on media, presence in events, and they are able to use the Ecuadorian labels promoting "Made in Ecuador".

2.3 Swiss export market analysis

The third part of the analysis is the analysis of the Swiss export market potential. It starts with a macro-economic environment analysis of Switzerland and then, the various organic tea brands present in Switzerland. To continue, the tastes and preferences of Swiss citizens are analysed through a quantitative online survey that was conducted and finally, the report analyses tea imports patterns by different actors present within the country.

2.3.1 PESTEL analysis

The PESTEL analysis is a tool used in marketing to design a strategic analysis based on the assessment of the company's external environment. This macro-environment study allows a company to identify factors that might impact positively or negatively the company business or

its market. If factors are well analysed and kept under close monitoring, companies can more easily control risks and adapt to changes (Oxford College of Marketing, 2018). PESTEL stands for political, economic, social, technological, environmental and legal. The following PESTEL analysis shows the good position of the Swiss economic environment internationally.

Political

Switzerland has always been active on the international scene, because of the different international organisations present in the country, and particularly in Geneva. The establishment of one of the UN headquarters and many international organisations help Switzerland to generate an image of a peaceful place.

In addition to this, Switzerland developed a direct democracy style, which is an example the entire world is looking at. The Constitution, and the body of laws, are written and divided into three levels; the Federal, Cantonal and Communal. Citizens have to comply with the laws of the three levels, however the government has a great flexibility in establishing cantonal and/or communal laws.

Therefore, due to the strong and stable political system, the country is known as a stable and neutral sovereign state and does not have any political risk known.

Economic

The best indicator to measure economic activity and to which countries are compared and rated is the Gross Domestic Product (GDP). Switzerland has one of the highest GDPs in the world in relation to the population. In 2016, its GDP reached USD 659.8 billion (Federal Statistical Office, 2018).

Salaries in Switzerland are high compared to surrounding countries, however they are in accordance with the level of expenses, such as cost for insurances, rent and taxes. The high purchasing power of citizens allows them to be very selective in their consumption behaviours.

Moreover, as Switzerland does not have a variety of natural resources, it processes the imported raw material to transform them into a final product to export. Therefore, the country enjoys large exports and imports exchanges. For the year 2017, Switzerland reached an exported value to the world almost USD 300 bn and imported value USD 268 bn (ITC, 2017).

Social

The population of Switzerland exceed 8.4 million in 2016, located in the twenty-six cantons. According to the Federal Statistical Office (FSO) (2018), older citizens and women are more numerous than young people. The cities have a multicultural atmosphere, and more than 150 nationalities live together. Switzerland has four official languages; German, French, Italian and Romanche. In 2016, there are 62% of the Swiss population having German as a native language, 22.9% have French, 8.2% Italian and finally, 0.5% Romanche. Afterwards, English represents the most spoken language by 5.1% of the total population (FSO, 2018).

Swiss universities models and curricula of studies are analysed worldwide and well rated. Its public schools provide a good level of education. Overall, Switzerland has highly educated people.

Technological

Switzerland is qualified as a rich country and companies and the State invest yearly considerable amounts in research and development - 3% of its GDP, which is approximately sixteen billion. The country's leading research fields are biotechnology, computer science and micro technology. Regarding the research and development expenditures, technological advancements are mostly led by the private sector. Within the 3% of investment of its GDP, 69.3% are made by businesses and led Switzerland to be ranked 7th in the world (UNESCO, 2018). According to the Global Competitiveness Report 2017 (2017-2018), Switzerland ranked first in Innovation.

Environmental

Switzerland has a high level of imports due to the few natural resources grown within the country. Nevertheless, Swiss citizens feel very concerned and care about the ongoing global environmental issues and are ready to change and adapt their consumption habits. The low level of food production in Switzerland does not allow the population to only consume local products, but they have been trying to buy more consciously.

Labels such as, Genève Terre Avenir, Bio Suisse, Suisse Garantie and Terre Suisse have the goal to prioritise the local consumption even if the price is slightly higher. Moreover, the trend of organic products also impacted Switzerland. In 2014, the average spending in organic products was of 8.2%, it increased and almost doubled it in 4.5% in 2000 (FSO, 2017).

Legal

Switzerland has been known as a Tax Haven for decades due to its well-known financial system, institutions and fiscal advantages for individuals and companies. In the past, the system was flexible but at present, it is more controlled by authorities and laws became more rigorous due to the financial crisis and changes in the international financial system requiring more transparency and adherence to internationally agreed principles.

Its particular democracy system lead citizens to propose laws to be adopted by collecting a determined number of signatures. In 2005, the National Council rejected an initiative on Genetically Modified Organisms (GMO) and at the beginning of 2018, citizens collected sufficient signatures to propose a bill to the National Council against the use of pesticides in agriculture.

Therefore, regarding the food industry, the Swiss government is very meticulous on the production methods, traceability and transparency. The various existing laws and certifications of the country prove the rigorous system in place.

Table 28 PESTEL analysis of Switzerland

Political	<ul style="list-style-type: none">• Stable• Democracy based on electoral system• Levels of Constitution (Federal, Cantonal and Communal)
Economic	<ul style="list-style-type: none">• High GDP per capita• High salaries• High purchasing power• Large exports and imports levels
Social	<ul style="list-style-type: none">• Aging population• Highly educated
Technological	<ul style="list-style-type: none">• High expenditures in research and development• Technological advancements
Environmental	<ul style="list-style-type: none">• Scarce natural resources• Bio-organic trend• Local consumption privileged
Legal	<ul style="list-style-type: none">• Laws and tariffs favour bio

	<ul style="list-style-type: none"> • Certifications are in place • Referendums put a ban on pesticides
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2.3.2 Tea competitors

Switzerland is a large consumer of tea even if coffee is the most popular beverage. The number of tea shops and rooms rose significantly in big cities of Switzerland such as, Basel, Bern, Geneva and Zurich. Leading and large tea companies continue to develop their products and markets and small companies are gaining more market shares with their offering of green and organic tea (Euromonitor, 2018). As for the Ecuadorian tea market, Lipton and Twinings are indirect competitors due to their size. The following analysis looks at the tea brands that were identified by the Swiss population throughout the quantitative survey presented in the next section and analyses the marketing of tea in the local retails chains.

Dammann Frères

Dammann Frères has been started in 1692 in France (Dammann Frères, 2018). The company is offering typical and simple infusions, but its brand is well-known for the main blends of tea products. The company uses more than seventy ingredients such as fruits, plants or spices to create their blends. The origin of their teas is located in the East part of the world, in Africa, China, Korea, India, Japan, New Zealand, Sri Lanka and Taiwan. There is no information on their website on whether the products are organic.

The company established their own shops internationally in five different countries, France, Republic of Korea, Japan, Italy and Portugal. The company's distribution channel is mainly done through retailers and distributors worldwide and the website offers online sales. In Switzerland, the company products can be found in a retailer such as Globus, or in tea rooms as Thé La Tsarine. In the shops, the company sells tea, tea accessories and jar of jams made from their teas. There are three types of presentation for their teas: small metallic boxes, or in plastic bag in loose-leaf tea, or in paper boxes with twenty or twenty-five bags.

Dammann Frères created a sophisticated brand image. The logo is the name of the company in gold letters and the products have a luxurious appearance. For the metallic boxes, the company uses three different colours, black, gold and burgundy. Regarding the paper packages, Dammann Frères apply the same colours as the metallic boxes. But the company developed an interesting code of colours on the paper packaging to be able to have a selective and quicker consumption choice. For all the blends using green tea as a base, the paper box

is either fully green or has the front label in green, for fruit infusions, the company used an orange colour and for black tea, a black box.

Kusmi Tea

The appealing brand Kusmi Tea has been created in 1864 in Russia and moved its headquarter to France in 1917 (Kusmi Tea, 2018). As the other tea brands, Kusmi Tea offers a variety of seventy blends and infusions. The origin of the teas is from Africa, China, Japan, Sri Lanka and Taiwan.

In 2010, Kusmi Tea decided to create a fully organic tea brand, Lov Organic (Lov Organic, 2018). This second brand has organic certifications from USA and Europe and the company even guarantees a sustainable packaging for their paper boxes and recycled metallic boxes. Regarding the ingredients, the company certifies organic products, without GMOs, additives and preservative and a traceability but there is no formal information on the origin of the tea ingredients (Lov Organic, 2018).

Kusmi Tea owns stores worldwide, in Austria, Belgium, Canada, France, Germany, Hong Kong, Italy, Japan, Lebanon, Singapore, South Korea, Sweden, Switzerland, UK and USA. The company also possesses international retailers and distributors and an e-commerce facility that ships worldwide. In Switzerland, the company owns two shops in the French part of Switzerland, in Geneva and Lausanne and sells through local retailers such as, Bon Génie, Globus and Manor. At their shops, the company sells tea in two colourful formats and tea accessories. Tea is sold in small metallic boxes, or in paper boxes or in bags.

Regarding the brand image, the products are targeting a young audience, probably the same as Tippytea between twenty-five to thirty-five years old. Kusmi Tea logo, the company used the simple colours of black, gold and white and then make it more appealing with the colours of the packaging that are always original. Moreover, Kusmi Tea does partnerships with designers to create limited editions.

Mariage Frères

This third tea company, Mariage Frères, started in 1854 in France. The company also created tea blends and infusions, without stipulating the number of products it offers. The tea ingredients are from thirty-six different countries (Mariage Frères, 2018). Mariage Frères' distribution channel is done through their own shops, in France, Germany, Italy, Japan and UK and worldwide retailers and distributors. In Switzerland, the company is selling through retailers such as Bon Génie and Globus, which target the upper class. Mariage Frères established restaurants and tea rooms worldwide and at these places, customers can enjoy

brunches and/or pastries with tea. These facilities also sell tea in loose-leaf tea or in bags, tea accessories, chocolate, biscuits, books and tea perfume incense.

Regarding the brand image of the company, Mariage Frères has the typical image of an old tea company with their logo and the atmosphere of their shops is original wood furniture. They have a sober and luxurious image also due to the design of their logo in black and beige. However, the company has decided to start designing colourful boxes in metal or in paper.

Newby

Newby is the typical British tea company that has been created in 1950, offering blends and infusions to its customers (Newby, 2018). The company has more than forty varieties of teas with ingredients coming from China, India, Japan, Kenya and Sri Lanka. Newby is part of the Ethical Tea Partnership (ETP), which is based in London and ensures raising standards for smallholder tea farmers, tea workers in tea producing countries (ETP, 2018). Newby has offices worldwide, including one in the French part of Switzerland. Newby sells its tea products through its online e-commerce and retailers and distributors. The company's clients are worldwide prestigious hotels, tea rooms and restaurants, which ensures a high quality. On its products, any organic certification is mentioned. In Switzerland, Newby has one shop in the French part of Switzerland, near Lausanne and Globus is their retailer, but their main customers are luxurious hotels for instance in Geneva the hotels located at the lakeside.

Regarding the tea packaging, Newby has two presentations, either in small metallic boxes or in paper boxes in loose-leaf tea or in bags. The tea offer includes cold and warm teas and cold teas have a different packaging. The design of their packaging is original and sober. The logo is also very simple written in gold. Newby created several exclusive tea collections and limited editions.

Sirocco tea

Sirocco tea is a Swiss tea company, from the Swiss German part, created in 1908 (Sirocco, 2018). It is the unique brand that offers tea blends, infusions, coffee and capsules for the Nespresso machines. The company is also part of the ETP organisation, possesses several ISO certifications and ensures 100% organic ingredients in teas. The company's distribution channel is done through an e-commerce platform and worldwide retailers, distributors located in Austria, Denmark, Hong Kong, Germany Russia and UK, the company does not own any store (Sirocco, 2018). As Switzerland is their country of origin, the company is especially present in retail shops such as Globus and Manor, hotels, tea rooms and even in the airline industry, in the business class of the Swiss airline. Through its retailers, consumers

can only purchase tea however, on the e-commerce, the company sells tea, tea accessories, coffee and coffee capsules, chocolate, meat and veggie stock.

Regarding the brand image, Siroccos' logo is in gold with a man carrying a cup. For the packaging, the company has designed colourful metallic or paper boxes with loose-leaf tea or in bags. The metallic boxes are either rose gold or silver, and for the bags, the company does not use twice the same colour.

Tekoe

Tekoe is the second Swiss tea company, from the French part of Switzerland, created in 2002 that also offers tea blends and infusions (Tekoe, 2018). According to its website, the company offers hundred and twenty-five teas and are always looking to create new blends. The company values enhance an ecological and sustainable dimension for their business, however there is no further information on whether the products are organic. The tea origins are from China, India and Japan among others. The company located its own shops in railways and/or airport, which allow them to target customers that commute every day. In Switzerland, the company owns seven shops in the Western part of the country, two in Paris and one franchised in Madrid. Moreover, the company also distributes its products through hotels, restaurants and spas.

In Tekoe shops, customers can buy tea, tea accessories, pastries, ice teas and frappés. The loose-leaf teas are sold in small and big metallic boxes, in small glass recipient or in plastic bags. The company's brand image is completely green with the name in black and the metallic boxes and furniture at the shops are also green.

Yogi Tea

Yogi Tea is an organic American tea company founded in 1984 (Yogi Tea, 2018). The company produces tea blends, infusions and four ice teas with more than eighty plants and spices to create fifty-nine varieties of teas (Yogi Tea, 2018). The origin of the ingredients is from Africa, Honduras, India, Madagascar and Peru; however, the company is not fully transparent on origins as there is no specific written information. The company certifies organic products with various labels from the European Union, France, Germany, Netherlands, Norway, Sweden, UK and US (Yogi Tea, 2018). The company does offer an e-commerce platform; however, it does not own any store worldwide. Nevertheless, the company sells the products through worldwide retailers and distributors. Most of them are organic shops and pharmacies. In Switzerland, the products are present in supermarkets, such as Coop, Manor and Migros and in bio shops.

Yogi Tea sells its products mainly in bags in paper boxes, but it also sells loose-leaf tea. The company's logo is different in the US than in Europe. In the US, the company only used the brand name of "Yogi", while in European countries, its tea is known as "Yogi Tea Organic". The packaging is colourful, and the different tea names are for example, "bedtime", "detox", "digestion", "immune support", "positive energy" and "stress relief", which might highly influence consumers' behaviours. The company is not only targeting tea lovers but also yoga lovers. On its website, Yogi Tea associates one or two yoga poses according to tea brands.

Summary

Table 29 Summary of tea brands in Switzerland

Certified organic	Young and appealing	Luxurious
Lov Organic Sirocco Tea Yogi Tea	Kusmi Tea Newby Tekoe	Dammann Frères Mariage Frères

Swiss citizens are influenced by healthy behaviours trends and the rise of awareness on organic products. Consumers have changed their consumption habits accordingly and have allocated an increased share of their spending to buy quality products with bio certification. Even if the organic trend has been present for many years, few tea companies decided to modify their product range. Some changed their packaging to target a new and younger audience in making it more appealing, such as Mariage Frères and Dammann Frères. However, the only tea company, which completely adapted its tea offering to the new trend is Kusmi Tea by creating in the middle of the bio trend boom, its fully organic brand, Lov Organic.

Moreover, Sirocco would represent the second biggest competitor of Tippytea, as they promote fully organic ingredients in their teas and have a strong implementation in their country of origin which is Switzerland.

Finally, Yogi Tea is the last competitor. They managed to target two large audiences, tea and yoga lovers for only one product. The various certifications emphasise their competitive advantage. Adding to this, their tea names might be a strong selling argument.

These three tea companies marketing strategies confirm the ongoing worldwide healthy trend and particularly in Switzerland.

2.3.3 Consumers' analysis and consumption habits

According to the Federal Office for Food Security and Veterinary affairs (2017), Swiss citizens drink 2.9dl of tea per day, women are above this average with 3.7dl and men just below with 2.0dl of tea.

Elderly people, from sixty-five to seventy-five years old, tend to drink more tea than any other age range with 3.8dl per day compared to the lowest score of 2.3dl of tea per day for young adults from eighteen to thirty-four years old.

To assess the tea consumption habits of Swiss citizens, a quantitative online survey was developed and sent throughout Switzerland (Appendix 4). In order to reach the maximum of citizens, the survey has been translated into four languages, which are English, French, German and Italian. The survey was sent via email to universities, a list of dedicated contacts provided by the DIAE section and posted on social medias. It successfully reached the entire country and got 636 answers, from where 392 are women and 245 are men (Appendix 5). Most of the answers were collected in the Swiss German part of Switzerland with 352 persons, then, in the French part of Switzerland with 168 persons and finally, 116 from the Italian part. The target set was 500 answers and in an age range of twenty-five to thirty-five years old. The results showed that among respondents 90% are from eighteen to twenty-nine years old and 8% of the total persons interviewed do not drink tea.

When respondents hear the word “tea”, 60% of them firstly think of a flavour, 36% of a healthy life and 23% to a feeling. For them, the principal idea associated to tea is the wellbeing with 70%, healthy lifestyle 40% and peace 31% and 49% connect tea with England, then, to China and finally, to India. 72% of Swiss citizens tend to drink tea to be warm, 60% to stay calm, and 29% to satisfy the thirst and maintain a healthy lifestyle. The perfect time for them to drink tea is mostly during cold days 81%, rainy days 58% and after a day at work 38%. A considerable amount of them emphasised also that they drink tea before going to sleep or after a meal as a digestive. Switzerland has a cold climate and winter lasts approximately for four months, therefore, 56% of respondents drink tea during winter, 37% all year long and 29% when they are sick. People questioned do not tend to drink tea every day, nevertheless, 33% drink one cup of tea per day and 21% two cups. Their consumption is counted per week at two or three cups of tea.

Regarding the preferred tea flavours, respondents drink mostly black tea with a score of 44%, followed by green and fruit tea with 39% and finally, 29% tea blends. Moreover, some of them also mentioned fennel, Jasmine, mate and mint tea. Half of them do not add neither sugar or honey but in black and green tea, 29% add sugar and 22% honey.

People interviewed mainly purchase their tea in supermarkets such as Migros and Coop and 28% go to specialised tea shops. Therefore, most of them consume tea from the large tea companies such as Twinings, Lipton, Special Tea from Nespresso. However, a considerable number cited Kusmi Tea, Lov Organic, Mariage Frères, Newby and Sirocco Tea, which would represent direct competitors for Tippytea. Only a few respondents highlighted they purchase their tea through Internet or in pharmacies.

The decisive factors to purchase tea are firstly the tea benefits, the traceability and the quality of the company producing the tea. The respondents did not take into account the brand recognition or a lower or medium price of tea as long as the other quality factors are present. 586 respondents would be ready to pay a higher price for a tea produced by indigenous women, certified organic, guaranteeing that producers are receiving a decent salary and have good working conditions. 472 would be inclined to pay the higher price depending on the price difference and if the certifications are truly reliable.

Summary

The survey is quite representative of tastes and preferences of tea in Switzerland, however the respondents mostly represent young Swiss between eighteen and twenty-nine years old. They have a lower income and purchasing power, therefore, they are more inclined to buy cheap tea brands in supermarkets, but they are still looking to gain tea benefits.

The respondents mostly drink tea to relax and to lose weight and due to their benefits, they prefer black, fruit and green tea. There is a 29% of total respondents, who already drink tea blends, which represent a potential market for Tippytea.

Consumer profile of tea blends

The results of the quantitative survey recorded a 29% of respondents who consume tea blends. They allow the establishment of a potential consumer profile of tea blends. In the Appendix 5, the results detailed analysis can be found.

According to the 636 answers of the quantitative survey, 29% of them consume tea blends, which represents 185 Swiss respondents. More than half of them have between eighteen and twenty-four years old and are women. Similarly to the general results, the 185 respondents associated tea with firstly well-being with a strong 75%, a healthy life with 48% and finally, peace with 39%. Tea is still perceived as a seasonal product as 81% of consumers of tea blends drink tea to be warm when it is cold and/or rainy days and 51% in winter season. Moreover, 66% of them drink tea to calm and 36% to satisfy the thirst.

Consumer of tea blends also drink fruit tea 46%, black tea 42% and green tea 39% and more than half do not add any sugar or honey. The majority of respondents buy tea blends in Migros and 64% in Coop, but there is also a considerable 33% who purchase their tea blends in specialised tea shops. The 185 respondents value three aspects at the moment of purchasing tea; the benefits of tea, the ability to trace the tea and tea producer company. Finally, 96% of them would understand an increase of price for a tea produced in a sustainable manner.

2.3.4 Potential importers

Switzerland is a large market for tea brands and in 2017, its imported value of tea reached USD 35.5 million, which represents 6,422 tons of tea (ITC, 2018). According to the quantitative online survey assessing the consumption habits of Swiss citizens, most of them purchase their teas in supermarkets such as, Migros and Coop, which are the two largest retailers in Switzerland.

An analysis of the two largest supermarket groups have been developed to analyse existing commitments to sell organic products and labels. Then, a face-to-face interview with the manager of Optymis has been carried out in order to assess how actors in Switzerland import and adapt their importation levels to current market trends.

Migros Group

In 1925, Migros Group was created as a cooperative. It has been established in Zurich and now, it represents the largest retailer in Switzerland. In 2017, Migros Group managed to expand its activities throughout the country and also internationally to reach CHF 28.1 billion sales. Its core business is retailing, but the company also owns approximately fifty enterprises including industrial, commercial and services companies as well as foundations. In 2017, its sales by the cooperatives reached CHF 15,557 million (Migros Group, 2017). Migros' sales volumes decreased by 0.4%. Since then, the group regained market shares and adapted to the digitalisation era by creating "LeShop.ch" the first online supermarket in Switzerland. The online commerce has been constantly increasing. In 2000, the company's online revenue was of CHF 6 million, in 2008, it reached CHF 112 million and in 2017, the online platform attained CHF 181 million (LeShops.ch, 2018).

The group is committed to sustainable development by addressing ecological, social and community issues and acts in a sustainable way according to its different activities. Regarding retailing, the group offers more than 4,500 organic products to its customers and managed to generate CHF 2,964 million sales by its sustainable labels (Migros Group, 2017). The Group possesses own brands such as, M-Budget, Migros Sélection, Frey, Anna's Best, but also sells

various brands such as De la région, Migros Bio and TerraSuisse. Moreover, Migros commercialises international labels such as, MSC, ASC, FSC, UTZ and Fairtrade Max Havelaar.

Firstly, “De la région.” label commercialises products grown not only within Switzerland, but close to the region, to preserve the economic development of Swiss regions and its hinterlands. Concerning “TerraSuisse”, the label embraces the farming close to the nature and respect of the animals. The label works closely with farmers from the IP Suisse label, that counts approximately 18,500 Swiss farmers (IP-Suisse, 2018).

Finally, “Migros Bio” ensures the respect of the nature and the environment, a natural production following the harmony of the nature cycle, preserves the natural fertility of the soil, bans the use of genetically modified products and forbids the airway transportation (favour boat or railway to reduce pollution). The label favours organic products grown within Switzerland than imported products. The label follows Bio Suisse requirements as a legal basis. Moreover, imported products should be in line with the Ordinance of the European Union on organic farming. Regarding raw material coming from the developing countries, Migros Bio develops partnerships with FairTrade Max Havelaar or UTZ, and their certifications are recognised by Migros Bio. Migros Bio label ensures that any product having it, provides sustainability throughout the supply chain, from the farmer to the end consumer. Therefore, the label requires a packaging that has to be certified by the ecologic and sustainable development label of Migros Bio. In accordance with the Swiss and European Laws regarding standards of packaging, packaging should be made from recycled products and certified “de production biologique étrangère” which means “from a foreign organic production”. Moreover, two independent agencies, Bio-Inspecta and Procert, are controlling the respect of the requirements within Switzerland and outside (Migros Bio, 2018).

Coop

Coop Group has been created in 1969 in Olten and is the second largest retailer in Switzerland. Its core business is retail, wholesale and production of own labels products. In 2017, the Group generated CHF 29,207 million of total sales, counting on a value of CHF 17,405 million in retail sales. The company also has an e-commerce “Coop@home” created in 2001, which had a positive evolution of 18.5% year after year, resulting on online sales of CHF 676 million in 2017 (Coop Group, 2017).

Coop aligns its different activities with market-driven, environmental and ethical practices. In their annually sustainable development report, the company incorporated the UN SDGs into their business strategy and confirmed that its sales of organic products stood at a value of

CHF 1.3 billion, with a 6% increase yearly (Coop Cooperative, 2017). Coop owns various brands such as Betty Bossi, Fine Food, Karma, Ma région, Naturaplan and Prix Garantie.

Naturaplan is its Coop largest and powerful organic label. In order for a product to be certified as a Naturaplan organic product, the requirements to fulfil are the ones from Bio Suisse and Bud Bio Suisse, which have the strictest requirements. Its sales reach approximately CHF 1.1 billion in 2017. In 2018, the labels count on 6,400 farmers and sells 1,700 organic products certified by Bio Suisse (Naturaplan, 2018). Coop Group is working closely with different labels such as MSC and European Vegetarian Union. Moreover, the label Naturaplan created partnerships with Bio Suisse, Max Havelaar, Demeter, FiBL, ProSpecieRara and Bio Inspecta. Quality controls in farming are done jointly by the State, Bio Suisse and Coop (Coop Group, 2018). The packaging of Naturaplan products has also to respect some requirements such as to be made from recycled material. According to Labelinfo.ch (2018), Naturaplan is the best label for organic products.

Optimys

The results of the detailed interview can be found in the appendix 6.

Optimys is a Swiss company that has been created in 1989 and only sells natural products (Optimys, 2006). The company purchases fifth teen different products all over the world such as Goji berries, chia seeds and walnuts from China, Mexico or Brazil. The company generally imports in large quantities, for instance, 10,000 kg of Goji berries yearly in one or two deliveries of boxes of 10 or 20kg.

Optimys buys the raw material and ships it to France or Germany and packs it at their production site in Colmar, France. The final product contains the brand name “Optimys” in Switzerland. Consumers are able to find their products in Manor supermarkets, specialised organic shops and pharmacies. In France and Belgium, Optimys products are available in supermarkets. Optimys has an e-commerce and delivers to France, Liechtenstein, Monaco and Switzerland.

In order to control the production process, Optimys has partners in some countries that regularly visit the plantation sites to monitor production. The most important factor for the company is to select a product which has organic certifications. Moreover, when merchandise is going to be shipped by vessel, there are independent inspection companies that deliver certificates of quality. In addition, at the Optimys warehouse, which is also the production site, there is a quality manager who takes care of controlling the quality of incoming and outgoing merchandise.

In the past years, Optimys attended fairs to connect with exporters visiting bio fairs worldwide, however in the recent years, they decided to only attend the most important ones. At the beginning of each year, there is one fair in Nuremberg, Germany, where every exporter of organic products is present. According to Mr. Ley, the BioFach fair is the best for bio products. The fair counts 2,700 stands from different exporters (BioFach, 2018). Governments offer the opportunity to exporter to be known in order to conquer markets.

The supply chain of Optimys articulates as follows:

Figure 29 – Optimys’ supply chain



The technological advances slightly changed the work of importers. The largest impact has been made on the simplification of administrative formalities as the profession of food importers still needs to develop a direct contact with producers to touch and taste a desired product. If the network of Optimys is insufficient, the company uses Internet to connect with additional exporters.

Even if they have always been importing organic products, the company noticed an increase in the market demand for organic products.

Others

Manor and Globus might be other potential importers of Tippytea products. Both are targeting consumers with a higher purchasing power, but, their disadvantage is that they are not specialised and well-known for food retail, and they do not have the same commitments to organic labels.

2.4 Swiss certifications standards and regulations

Switzerland established rigorous laws and standards for any type of goods produced within the country and also for imported products. Swiss authorities firstly ensure the protection of local industries. They regularly update its regulations to compete internationally and follow potential progresses in different areas. Laws are monitored by the Federal Council of Switzerland and depending on the topic, various actors make sure that laws are followed by everyone and provide information such as the State Secretariat for Economic Affairs (SECO) and the Federal Customs Administrations. In order to respond to the bio boom, Switzerland

developed a legal basis for organic products with a precise definition and requirements that products need to ensure to possess the label of “bio” in Switzerland. Thanks to trade agreements and public and/or private institutions assessing trade, countries have been able to develop facilities to promote worldwide trade and increase its competitiveness internationally.

2.4.1 Bio quality standards

Switzerland has put in place strict standards for organic products as the trend for bio products has rapidly increase. The legal basis organic products are written in the “Ordinance on Organic Farming and the Labelling of Organically Produced Products and Foodstuffs” established by the Swiss Federal Council in 1997 status as of 1 January 2018 (The Federal Council, 1997).

The Article 3 of the Ordinance “Principles” (1997) describes organic products as:

“ Art. 3 Principles

The production, preparation and marketing of organic products is governed by the following principles:

- a. natural cycles and processes are taken into consideration;*
- b. the use of synthetic agrochemicals and ingredients is avoided;*
- c. genetically modified organisms and their secondary products may not be used. This does not apply to products for veterinary medicine.*
- d. the products are not treated with ionizing radiation and no irradiated products are used.*
- e. the number of production animals must be adjusted in accordance with the holding's own or rented agricultural acreage suitable for the use of farmyard manure.*
- f. throughout their whole life on organic holdings, production animals are kept in accordance with the requirements of this Ordinance and are fed with feeding stuffs which have been produced in accordance with this Ordinance.*
- g. The provisions of the Animal Protection Act of 9 March 1978, Waters Protection Act of 24 January 1991, Environmental Protection Act of October 1983 and the Federal Act of 7 October 1983 on Nature and Cultural Heritage Act which are relevant for agricultural production are complied with.”*

In order to certify an “organic” product, Swiss authorities make sure the product complies with the requirements for production, preparation, import, storage and marketing. When the product is validated as “organic”, the labelling “biologic” can be placed on the product and translated into one of the four national languages at least (Art. 2 of the Ordinance). Chapter 4 of the Ordinance specifies the diverse requirements for organic imported products as the Certificate of Inspection. The Agriculture and Rural development - Organic Farming of the European Commission developed an electronic certificate of inspection for imports of organic products

into the EU. This system called Trade Control & Expert System (TRACES) is also used in Switzerland (European Commission, 2018). The EU also monitors farming through the Common Agricultural Policy (CAP) established by the Agriculture and Rural Development of the European Commission. For organic products farming and labels, in 2007, the European Council of Agricultural Ministers agreed on the Council Regulation (EC) on organic production and labelling of organic products and repealing Regulation (EEC) monitor them (European Commission, 2018). According to UNCTAD's report on tea (2009), there are standards used such as Fairtrade International, Rainforest Alliance, UTZ Certified and Ethical Tea Partnership.

Bio Suisse

The most common and well-known label for bio Swiss products is Bio Suisse. The label is stricter than the EU relations for bio products. The private organisation has been created in 1981 and counts 6,423 members (Bio Suisse, 2018). To be part of the organisation, producers and companies have to get a licence contract granted under certain requirements imposed by Bio Suisse to use the Bio Bud label on its products (Bio Suisse, 2018). The organisation promotes a balance between people, animals and nature for a more friendly and sustainable production of foodstuffs. In order to maintain this equilibrium on a long-term view, independent entities control the entire supply chain. Bio Suisse establishes various projects on sustainable development such as biodiversity, fair commercial relations, climate, ecological packaging, transparency on markets, reinforcement of direct sales and evolution of sustainability.

Bio Suisse has four different labels for its products. The Bud is present on every label, the first one, called "Bud Bio Suisse", has the flag of the Swiss Confederation, which has the meaning that ninety percent of the raw materials come from Switzerland. The second one is labelled "Bud Bio", which certifies that more than ten percent is raw materials imported. The products have to follow the same requirements and controls than products of Bud Bio Suisse. Then, the "Bud Reconversion" is used for products issued in a two-year period, where fields of farming are transformed from a non-organic to an organic field. During the two year of conversion, the requirements and controls are the same than for other Bud Bio Suisse products. Finally, "Bud Gourmet" distinguishes the awarded products during contest of quality.

Regarding Bud Bio label, imported products can be certified only if the company holds the Bio Suisse licence and if the products are compliant with the Bio Suisse and Swiss Ordinance on Organic Farming requirements (Bio Suisse, 2018).

According to Labelinfo.ch (2018), the best organic label is the Coop Naturaplan in terms of process and controls, social and ethical aspects, welfare of animals, climate, biodiversity, field,

water and management compared to Bud Bio Suisse and Bud Bio, which are ranked three and four places after respectively.

2.4.2 Trade agreements

Switzerland is a member of the WTO and it has lowered its import tariffs on goods from non-EU countries (the Economist Intelligence Unit (EIU), 2017). Economic Affairs of Switzerland are taken in charge by the SECO. Switzerland is a member of the European Free Trade Association (EFTA) with Iceland, Liechtenstein and Norway. The agreement has twenty-seven partners around the world such as Canada, the six-country Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates), Hong Kong, Mexico and Singapore. Switzerland has multiples free-trade agreements on a bilateral basis, for instance with China and Japan.

Switzerland and Ecuador are in negotiations to reach a bilateral agreement. Even if Switzerland is not part of the European Union, the country has more than hundred bilateral agreements with EU and non-EU countries (EIU, 2017). The bilateral agreements with EU countries count for three-quarters of Swiss imports.

Concerning tariffs and import taxes, Switzerland is using the Harmonised System (HS), which is a standardised system where names and numbers classify internationally traded products (Federal Customs Administration, 2018). Standardisation of procedures facilitate global trade. For countries that are not part of the EU, EFTA agreement or does not have any bilateral agreement with, Switzerland tries to grant favoured rates as for its trading partners. Since end 2017, the value-added tax (VAT) rate decreased and at present, importers pay a VAT of 7.7% (EIU, 2017). Switzerland does not have anti-dumping law, but the country established temporary quotas on fruits and vegetables to protect the Swiss farming, however it does not affect tea. The WTO website regroups a technical note concerning the tariffs profile of every country member of the organisation.

In order to maintain a good level of foreign trade and economic cooperation between Switzerland and other countries, Switzerland is trying to avoid technical barriers to trade. Based on the Federal Law on Technical Barriers to Trade, Switzerland has three instruments to reduce trade barriers:

1. Harmonisation of Swiss technical regulations with trading partners,
2. Conclusion of international trade agreements,
3. Application of the “Cassis de Dijon principle” (SECO, 2018).

The “Cassis de Dijon principle” has been developed by the European Court of Justice. The principle specifies that any product legally placed on the market in the EU or European Economic Area (EAA) complying with the technical regulations of the EU, may in general be placed on the Swiss market without any further controls (SECO, 2018).

2.4.3 Institutions

In the home and destination country, commercial agencies and/or institutions have been created for export promotion and facilitations.

Ecuador

For Ecuador, the foreign affairs are monitored by the Ministry of Foreign Trade and Investments. The Federal Customs of Ecuador is the monitoring party authorising the export of goods. The Customs take care of verifying if the documents and products are complying with the requirements and tariffs codes. Ecuador encourages SMEs to export and facilitate the process through a public institution called Pro Ecuador. At present, Ecuador has eleven trade agreements mostly with countries from the North and South America and the EU (Ministerio de Comercio Exterior e Inversiones, 2018). In 2017, the exported value from Ecuador to Switzerland reached USD 12.9 million, mainly from flowers, pearls, precious metals and stones. While its import value is of USD 113 million, where approximately half of it is from pharmaceutical products and machinery, mechanical appliances (ITC, 2018). On 25th April 2018, Ecuador closed the negotiations with the European Free-Trade Association countries and reached an agreement that will be in force the 25th June 2018. This agreement represents an opportunity for Ecuador as it concerns a market of fourteen million persons with a high purchasing power and a preference for products with added value (Castillo, 2018). Ecuador will benefit of a free trade tariff for non-agricultural products and preferential tariffs for other products.

Pro Ecuador

Pro Ecuador is a public Institute for Promotion of Exports and Investment, that is part of the Ministry of Foreign Trade and Investments in charge of the execution of policy and investment and export promotion regulations. Its goal is to promote Ecuadorian products and analyse international markets to lead to a strategic positioning and market penetration. Pro Ecuador counts on a vast network of seven local agencies to analyse the local needs and look to make contacts with national producers and exporters. In addition, thirty-one international agencies are focused in the analysis, negotiation and opening of markets that will beneficiate the

country. In Switzerland, Pro Ecuador does not have any commercial agency, therefore, they closely work with the International Trade Centre (ITC) based in Geneva.

Pro Ecuador basically guides entrepreneurs, offers them assistance and training through different promotion activities. The services purposed by Pro Ecuador are designed as an “Exporter’s Route” (Appendix 7). As soon as an entrepreneur thinks he/she is ready to export, they require help from Pro Ecuador and together they establish a diagnosis to know if the company will start the process in the red, yellow or green light phases.

The first phase, the red light is called “orientation and advice”. At this stage, Pro Ecuador suggests to the company to think about three different markets they want to explore. Thanks to their international agencies, the institution possesses market analysis of the current market trends for a similar product or they work with partnering institutions that can help them to find out the necessary information.

Pro Ecuador helps the entrepreneurs with the requisites of the importing country, but the exporters need to identify first a list of three preferred destination. In this first phase, the institution also organises workshops for entrepreneurs to train them in all the export requirements process and other internationalisation modalities. For instance, the requisites in the three selected export destinations that an edible product should contain, the local health inspections to guarantee that there are no bacteria, and then, the authorities will provide a certificate allowing the company to export the specific controlled product. The issued certificate is valid internationally, but it has to be done firstly in the home country to then be accepted by the sanitary control entity of the importing country. If the product has been processed several times, more controls will be established at the sanitary health control and at the customs to be able to secure a complete traceability. This document contains a tariff code that can be identified at customs, which is a combination of eight digits to identify the specific product worldwide through the Harmonised System (HS) and for the teas of Tippytea the tariff code is the 12119000 (Federal Customs Administration, 2018). Depending on the products, local and international customs can require other certificates, for instance, stevia, a common used plant grown in South America, is under investigation in Europe. As European governments are not used to deal with this plant, before the EU authorises the importation of stevia, the EU wants to certify its benefits.

Moreover, at this stage, the entrepreneur should know by which distribution channel he/she wants his/her product to be sold internationally. When the decision on distribution channel is made, whether on shelves in supermarkets, online or in cafés, Pro Ecuador activates its network to find contacts to access retailers, wholesalers or other entrepreneurs.

Then, comes the second stage which is represented by the yellow light which is the “Training and assistance”. In this phase, the goal for entrepreneurs is to know how they will sell their products into the international market and what needs to be improved. Pro Ecuador established partnerships with universities and specialized companies in different sectors. If for example, a company needs to have a better website or change their website to target luxurious clients or to sell via e-commerce, the institution will ask students in partnering universities studying digital marketing to collaborate.

In addition to this, the institution looks at the website of the company. It is very important for exporting companies to have an appealing website and where customers can find all the information about the company, the products and origins. The entrepreneur can keep a website for the local market but there should be a tab for international customers. It should be translated into English at least and any other language spoken in the target destinations. The institution advises entrepreneurs to always translate the label into English and also in other national languages according to destination.

Once the three destinations have been selected, Pro Ecuador looks carefully at ways to improve the product in order to perfectly fit the markets’ demand. For example, the agency experts analyse the product packaging. First, it has to have an appropriate packaging to be transported with no risk of loss and then, the label in languages. The label of every product has to be in the language of the export market. For Pro Ecuador, as soon as the product arrives, the importer should be able to distribute the product and sell it.

Afterwards, Pro Ecuador realises the “Test of Potential Exporter”. The institution goes to the production site, where the products are elaborated and processed to quantify the production capabilities and validate their quality. This visit allows then to introduce the exporter into a catalogue list that will be sent to the international agencies that will promote the products. The promotion will be done through the company’s website, which therefore implies that the website will be the main channel to disseminate information outside Ecuador.

Between the yellow and the green stage, Pro Ecuador implemented a “yellow double A” phase. This is one of the most important challenge for an entrepreneur who wants to export. He/she should be prepared with a selling price list, a list of costs and prices to be able to seat and negotiate with an importer and make sure to realise a profit. For instance, if the entrepreneur wants its product to be presented in shelves, the first deliveries will mainly be at the cost of the exporter. However, as soon as he or she becomes a confirmed importer, the entrepreneur should be requiring from the importer a minimal quantity of products to be ordered. According to Ms. Pulupa from Pro Ecuador, Ecuador is a small country and cannot pretend to satisfy a

worldwide demand. Local producers are not able to fill in a container, there are less competitive, which means they have to carefully look at the details, sell the products highlighting the variety and quality of ingredients.

In addition to this, the entrepreneurs should have adopted an export vocabulary, he/she should be able to use the export terms, such as FOB, CIF and FCA. For the promotion, Pro Ecuador organises fairs in the country and attends others organised by the other Ministries of Foreign Trade and Investments of South American countries, where international importers are also present. At these events, Pro Ecuador has a limited number of available places to showcase products and therefore, they carefully select the companies to join these fairs. The main criteria to be selected is related to which stage the companies are. The closer they are to the green light the better it is.

Regarding Tippytea, the company joined the institution Pro Ecuador to start the exporter process during an interview conducted at the institution with Ms. Pulupa, the Area Technical Specialist at Pro Ecuador. Before the meeting, Pro Ecuador heard about Tippytea's success of the company and was aware of its interest in starting to export.

Switzerland

Switzerland is known for being a neutral country. Thanks to this status, twenty-five international organisations established their headquarters within the country. Through the establishment of dedicated support institutions, the Federal Council, SECO, and international trade organisations such as UNCTAD, WTO and ITC help developing countries in developing international exchanges. In 2017, Switzerland imported from Ecuador mostly cocoa and edible fruits, nuts and flowers for an amount of USD 77.8 million (ITC, 2018).

International Trade Centre (ITC)

The ITC has been created in 1964, is established in Geneva, employs three hundred persons and is a joint agency of the UN and WTO (ITC, 2018). The primary goal of the ITC is to support the internationalisation of micro, small and medium-sized enterprises (MSMEs) and it is the only agency that is focused on developing and transition economies. The institution aims at generating an impact on the integration of the business sector, the performance of trade and investment support institutions, and develop the international competitiveness of SMEs. They implement and deliver practical trade related technical assistance (TRTA) projects. ITC's work focuses on six main areas:

- *“Providing trade and market intelligence,*
- *Building a conducive business environment,*

- *Strengthening trade and investment support institutions,*
- *Connecting to international value chains,*
- *Promoting and mainstreaming inclusive and green trade,*
- *Supporting regional economic integration and South-South links” (ITC, 2018).*

To reach these goals, the ITC works in collaboration with various partners such as the governments, the private sector and other international organisations. According to the measurements of its impact made in 2015, it generated USD 50 million in export opportunities for women entrepreneurs and delivered over USD 100 millions of technical assistance (ITC, 2016).

3 Discussion

3.1 Options and recommendations

Tea consumption represents in Switzerland a market where small enterprises, such as Tippytea could compete in niche segments. In niches, added value of products can make the difference compared to existing products. The apparently uniformization of tea as good, offers to Tippytea the advantage of differentiating its production by introducing new trends appreciated by consumers such as, the traceability of the production, the organic components and the social impact such as promotion of decent jobs in rural areas, mainly for women. Making internationalisation a mean to increase trade opportunities could certainly offer many opportunities for SMEs to access the global market. The availability of cheap, rapid and reliable communications permits such development, connecting people in different places with producers and consumers around the world.

Tippytea's potential target consumers and preferred tastes

Switzerland has high level of elderly persons, in 2016, the number of persons older than sixty-five years old is of 1.5 million and Switzerland forecasts an increase up to 2.7 million inhabitants due to the low birth rate with 1.5 children per women in 2045 (Federal Statistical Office, 2018). Elderly people represents now 18% of the Swiss population and in thirty years approximately 27%. According to the survey made by the Federal Statistical Office, elderly people (over fifty-five) are the age group drinking more tea. In addition to this, this age group has a strong purchasing power. Therefore, despite the fact that Tippytea is targeting in Ecuador an age range between twenty-five to thirty-five years old, elderly people should not be neglected if it wants to export their products to Switzerland. However, if Tippytea decides to target this older people age range, the brand image and packaging need to be adapted to this different type of customers. In Switzerland, competitors of Tippytea, such as Newby or Dammann Frères, which have the most expensive prices, have a sober packaging using neutral colours. In the contrary, Tippytea's brand image is similar to its competitors Lov Organic, Sirocco Tea and Kusmi Tea, who target a younger audience.

Within the young age group surveyed, customers already drinking tea are more inclined to drink black tea, fruit tea and green tea without any sweet added product such as sugar, stevia or honey. Tippytea already created tea blends using those ingredients as a basis, such as the "Strawberry green tea" which is antioxidant and contains green tea, strawberries and carrot or the "Chamomile lavender & roses", which is an herbal tea that helps to relax. Most of Swiss consumers interviewed primarily drink tea to relax and because of its various health benefits.

Potential niche markets

In the past, Migros and Coop were considered as a duopoly in Switzerland. They are the largest actors in retailing in Switzerland. Migros has 619 and Coop 791 supermarkets within Switzerland. The actual field of production of Tippytea is small and may not be able to satisfy the Ecuadorian demand and the Swiss national demand of the large clientele of Migros and Coop. In addition to this, the two chains have their own organic certifications, Migros Bio and Naturaplan, which can represent a challenge in certifying the bio production of Tippytea products, except if these retailers would validate the European organic certification or Bio Suisse. Supermarkets as Migros and Coop sell more than ten different tea brands and their customers are looking for a low-medium price product compared to those offered by upper scale retailers such as Manor or Globus, whose customers possess a higher purchasing power.

According to the existing branding of Tippytea, including its values, quality of their products and potential importers, I recommend Tippytea to firstly introduce its products in a niche market as a pilot and then, try to access other consumers through medium high-end supermarkets as Globus. Another niche market for Tippytea could be the middle-class or luxury hotels or cafés/bars industry in Switzerland. Newby and Sirocco companies already explored this niche market, but it can represent an existing and untapped opportunity for Tippytea.

Organic standards

Regarding the organic standards, Tippytea products possess already organic certifications from the US Department of Agriculture, which is the USDA Organic label. In Ecuador, the perception of people in Ecuador concerning this label represents a considerable value added to the product. Nevertheless, for the European or Swiss market, the label may not benefit from the same level of credibility than in the Americas. Swiss consumers buy very consciously a Bio Suisse or European organic label and having these certifications will have a greater impact on potential consumers and importers in Switzerland. Moreover, some basic ingredients of Tippytea's teas, such as the green tea or black tea, mainly come outside of Ecuador, from Asian countries or South Africa. This may represent an obstacle at present because of the requirements of proving the fully organic production to Swiss authorities if Tippytea plans to get a strict Swiss certification as Bio Suisse.

4 Conclusion

The entire study, including the various steps as the analysis of tea market in Switzerland, the tastes and preferences of target consumers and the Swiss regulations for trade has attempted to respond to the research question “How could Tippytea penetrate the organic, sustainable and premium Swiss tea market?”.

The internationalisation of SMEs such as Tippytea, would represent an important step for the business itself as long as the company can satisfy the demand of international markets, but also for the country. Tea represents the second most popular beverage in the world. In the past few years, the trend of organic products rapidly and sharply increased. Tea benefits have been highlighted and increased consumers awareness towards this trend.

Switzerland is a country with large consumption of tea and therefore, an interesting market for tea premium quality products. The boom of organic products proves that Swiss customers consume consciously, are aware of health issues and benefits of consuming organic products. While purchasing tea, there are decisive factors for Swiss consumers such as tea benefits, traceability and the brand.

The Swiss market has a number of established brands with strong reputation. Any newcomer should create a new demand and carve a niche market. Competing tea brands in Switzerland have strong reputation and are present in the market for many years. However, not all the competitors certify their products or communicate about the product origin to their consumers. In the case of Tippytea, the company already has one organic certification however, the way the company communicates is very efficient, particularly on its environmental and social impacts through the website, social medias or on the packaging.

According to the Swiss citizens interviewed, 29% of 636 already drink tea blends, which can represent potential consumers for Tippytea. The survey revealed that Swiss young consumers purchase their tea in large supermarkets. Their tastes are similar to the actual offering of Tippytea blends. The predominant flavours of tea are black tea, green tea and fruit tea. However, for Tippytea, retail supermarkets as Migros and Coop are not worth to enter as the main competing brands have already established there and the consumers preferences are guided by price. On the other side, Globus and possibly Manor already have a more selective product offering, a smaller size of supermarkets and the type of consumers are looking for distinctive products as they have a higher purchasing power.

However, tea is still being perceived as a seasonal product, drunk only in cold and rainy days during winter and not in summer, as a frappé or ice tea. As many tea companies start

developing ice teas, the industry would need to raise awareness about its products even if changing mindset and people perception is difficult.

Swiss consumers prefer products with organic certifications. For the Swiss market, the best certification to have is the Bio Suisse. However, this certification is the most strict and difficult to get. The Cassis de Dijon principle allow products to have the European organic certification, which is less rigorous than Bio Suisse, but it allows products to be sold in the Swiss market. Moreover, the Ethical Tea Partnership certification can be an interesting label to have for any tea company.

Tippytea, and Ecuador overall, does not have sufficient capacity to compete on large volumes in international markets. The Ecuadorian climate is favourable to grow edible products that may rarely be found in another part of the globe. And consequently, by internationalising, Tippytea can add value with its products regarding the organic and sustainable tea blends, the variety of ingredients the blends have and the different flavours and mixes.

Elderly people (over fifty-five years old) represents at present 18% of the Swiss population and they have a higher purchasing power than young adults between twenty-five and thirty-five years old and should not be neglected. However, in the four years of successful business expansion in Ecuador, Tippytea gained experience in targeting young people between twenty-five to thirty-five years old.

There are some niche markets segments that can be explored including the organic, sustainable and premium tea. Tippytea's brand image and any type of products would need to be adapted. For instance, in Switzerland, medium or luxury hotels or cafés/bars attract customers with high purchasing power. These can be potential importers for Tippytea.

To conclude, Tippytea could penetrate the organic, sustainable and premium Swiss tea market by adapting its brand image to the ideal target customer, which is represented by young people and elderly people that appreciate premium organic tea and also value the social impact of the company.

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Appendix 1: Interview with Mr. Hernando Flores 31.01.2018

Technician on Entrepreneurship and innovation at CONQUITO

National level

General:

1. Which prerequisites the selected companies ConQuito decide to help should have?

ConQuito offers workshops where any company or an individual person can assist. They are used to help companies that are located in the introduction phase of a project but that need a small help to remove roadblocks.

2. If Conquito decides to assist, does it offer any kind of financing?

ConQuito does not offer any type of financing to companies or individuals. It only offers consultancies and workshops. If a company needs financing, ConQuito directs them to other institutions, allies or private ONGs, as Crisfe. Crisfe is a foundation that offers social consultancies through different programmes such as education, sustainable growth, voluntary work, social management, art and entrepreneurship. Crisfe gives financial contribution to entrepreneurs of approximately 5% of their total investment. This foundation has been created for this purpose but for the moment, it is not well-known in the national entrepreneurship ecosystem.

Financing:

1. Which are the most common ways to establish a company in Ecuador, including ways of financing?

- a. National investors**
- b. International investors
- c. Hedge funds
- d. Others

Not really, we are only in charge of Quito, but I think it is through private investors.

2. Does the government provide assistance to entrepreneurs to set up their company or help them to expand internationally?

I do not think the government provides any financial assistance, the public institution, Pro Ecuador, is more in charge of this issue than us.

Legal:

1. How do you help companies in this aspect?

- a. To set up a company**
- b. To hire people
- c. To protect the entrepreneur in case of appeals
- d. In case of bankruptcy**
- e. Others

ConQuito helps entrepreneurs through one of their training programmes, which contains a workshop on legal issues. It is rare that entrepreneurs require legal help for something else than what is taught in the workshops. Under a specific demand, there is a legal coordinator inside ConQuito, who can help them.

International level

1. Do you help company to expand?

No, we work in very few and specific themes that enhance an international aspect.

Conquito & Empretec Program

1. How many have you been working with Empretec?

Five to six years.

2. What is the main goal of Empretec here in Ecuador?

ConQuito is the national centre of Empretec in Ecuador. We annually offer ten workshops open to the community and companies. During six times per year, people can attend them by paying USD \$50. Those workshops are offered to ONGs, such as Children International, and also to private companies.

3. Does ConQuito have some particular criteria that are established for companies to attend the Empretec programme?

Before attending the program, each entrepreneur meets ConQuito and together, they establish an analysis of each business. Afterwards, the workshops are designed in accordance of the individual entrepreneurs' profile and as a group.

4. How many persons did attend the last programme?

There are approximately 30 persons per workshop.

5. After the workshops, do you stay in contact with entrepreneurs, do you follow their growth?

We are doing it for one year now, before we did not do it.

6. As Guillermo Jarrin, founder of Tippytea, participated in this programme, what potential did you see in his business?

The most impressive element about him is his business model because the tea is not an innovative product, but the way he has developed the concept, brand image and its expansion within Ecuador is very admirable and inspiring.

Appendix 2: Interview with Ms. Natalia Almeida 08.02.2018

Subdirector

National level

General:

- 1. Do the selected companies the Alliance for Entrepreneurship and Innovation decide to help should have some prerequisites?**

Yes, we favour companies that help the economic system of the country to progress. We first give preference to entrepreneurs that have a growth potential within the country, that are innovative and have a high potential to export.

- 2. If yes, does it include any kind of financing?**

No, we help entrepreneurs through workshops.

Financing:

- 1. Do you know the most common ways to establish a company in Ecuador financially speaking?**

- a. National investors**
- b. International investors
- c. Hedge funds
- d. Others

Most of the companies that we help have the opportunity (if they are selected) to pitch in front of business angels, who may invest.

- 2. Does the government provide assistance to entrepreneurs to set up their company or help them to expand internationally?**

Yes, it is done through Pro Ecuador.

Legal:

1. How do you help companies in this aspect?

- a. To set up a company
- b. To hire people
- c. To protect the entrepreneur in case of appeals
- d. In case of bankruptcy
- e. Others**

Entrepreneurs have the opportunity to require a specific workshop or meeting with one of our stakeholders concerning this matter or any other they want to. We mostly help them, when an investor decides to invest by providing legal help regarding administrative formalities.

International level

1. Do you help company to expand?

Yes, but our help is small compared to Pro Ecuador.

General:

1. What are the prerequisites that you are looking for to help a company to expand?

- a. Production capacity
- b. Product innovation**
- c. Profit**
- d. Ecological and bio aspects**
- e. Others

Financial:

1. Do you have a minimal capital that a company has to have to benefit of your help to export? If yes, how much?

No, in this aspect, we can only help entrepreneurs by going through the presentation of their business model in front of investors.

2. Are there some public-private associations or entities that help entrepreneurs to export?

Yes, for the public sector, there is Pro Ecuador, we closely work with them.

3. Does the government give financial assistance to companies to export?

No.

Legal:

1. How do you help companies in this aspect?

- a. With administrative formalities**
- b. Health registers
- c. Certifications
- d. Requisites in the wanted country to export
- e. Others

AEI awards

1. What are the criteria required to be part of the 10 best entrepreneurship in Ecuador?

First and this is very important for us and the economic system, we reward the most active, supportive and that has obtained the best result allies and their product or business model should be innovative.

2. Is the contest organised yearly?

Yes, since 2015. We started with 3 stakeholders in 2013 and now, we have 80. The first year (2015), there was no former winner, we decided to reward every stakeholder. In 2016, Guillermo Jarrin won with TippyTea, and in 2017, it is a woman producing snacks Quinoa bars.

3. How does the AEI elect the winner?

We look at the profiles of entrepreneurs. For us, the “ideal” entrepreneur should be persistent, should go on even when it faced hard times and is determined and of course they should be an active ally in our system.

4. What is the price of the award?

The most important price is the recognition of the country toward the company. By winning they get six hours of workshops in the field they prefer and then, for each additional workshop they get a discount and pay only USD \$50.

Afterwards, they can participate to the same contest at UNCTAD's level (worldwide) and if they are part of the finalists, they win a trip to Geneva and this is what Guillermo Jarrin won in 2016 and went to Geneva in 2017.

5. After winning the contest, do you follow the evolution of the company and continue collaborating?

When an entrepreneur wins the contest, they become automatically members of the Club AEI. This club is only made by the best entrepreneurs in the country. They mainly get visibility and advertising such as, interviews, participate in trade fairs and other events and get certifications for their products.

6. As Guillermo Jarrin, founder of Tippytea, won the contest, what potential did the AEI see in his business?

The judges of AEI were impressed by the business model Tippytea has. They generate huge social benefit to small communities in Ecuador by establishing good working conditions, fair salaries etc. They have an innovative product and offer a new way of consuming tea in Ecuador. By having locals, they are trying to promote and develop a tea culture in a country where citizens are mostly coffee drinkers. Tippytea manage to diversify their business, they are not only selling tea but also accessories and food and their marketing is very good. Moreover, Guillermo Jarrin, as a person, he is not only the "ideal" entrepreneur but he is also a visionary and someone who wants to take every opportunity he has. Because of all this and more reasons, he has been elected as the best entrepreneurship in Ecuador in 2016 and thanks to this, he starts selling in the Corporación Favorita, which owns 293 locals in six different countries.

Appendix 3: Customer survey on tea consumption habits in Switzerland

General

1. You are...

Man Woman

2. Age range

- 18 - 24
- 25 - 29
- 30 - 34
- 35 - 39
- 40 - 44
- 45 - 49
- 50 - 54
- 55+

3. From which canton are you from?

- Genève
- Vaud
- Neuchâtel
- Fribourg
- Berne
- Zurich
- Ticino
- Other (please specify)

4. Do you drink tea?

Yes

No - *If "No" end of the survey.*

First impressions

5. When you hear the word "tea" what are the first things you think of?

- A feeling
- A colour
- A flavour
- A physical sensation
- A place
- A healthy life
- Someone
- Tradition
- Nothing
- Other (please specify)

6. To which value or principal idea do you associate the word "tea"?

How could Tippytea penetrate the organic, sustainable and premium Swiss tea market?

- Well-being
- Peace
- Friendship
- Share
- Solitude
- Healthy life
- Someone
- Tradition
- Nothing
- Other (please specify)

7. To which country do you associate the word “tea”?

- England
- France
- China
- India
- Japan
- Other (please specify)

8. What kind of feelings do you have when you drink tea?

- It reminds me a distant place
- It reminds me a cherished place
- It warms me when I am cold
- I feel like I am losing weight
- I have the feeling that I have a healthy lifestyle
- It helps me to be focused
- It wakes me up
- It calms me
- It gives me energy
- It satisfies my thirst
- It makes me hungry
- It satisfies my hunger
- Nothing
- It relieves stomach pain
- Other (please specify)

Habits

9. When would you drink a tea?

- Before going to work
- Coming back from work
- During an appointment with friends
- When you visit the family
- Before an exam or before studying for an exam to be focused
- After an exam or after having studied to relax
- During rainy days
- During cold days

- During hot days
- During foggy days
- During weekends
- After a meal as a digestive
- Any of those
- Other: please specify

10. When do you mostly drink tea?

- Winter
- Spring
- Summer
- Autumn
- All the year long
- No preferences
- When I am sick
- Other (please specify)

11. How many cups of tea do you drink every day?

- 0
- 1
- 2
- 3
- 4
- More than 4
- Other (please specify)

12. Which flavours do you drink the most?

- Verbena
- Chamomile
- Black tea
- Green tea
- Fruit tea
- White tea
- Rooibos
- Chai tea
- Oolong
- Herbal tea
- Others (please specify)

13. Do you add sugar or honey?

- Yes, some sugar
- Yes, some honey
- No, any of them
- If yes, in which tea?

14. What are the first tea brands you could quote?

How could Tippytea penetrate the organic, sustainable and premium Swiss tea market?

15. In which shop, do you buy tea?

- Migros
- Coop
- Manor
- Globus
- Bon Génie Grieder
- Specialised tea shops
- Bio-organic shops
- Other (please specify)

16. While choosing your tea, which of these parameters are important for you?

	Very important	Important	No opinion	Less important
Cheapest				
Not the most expensive but not the cheapest tea				
Benefits of tea				
The traceability of the tea				
The cultural heritage				
The company of tea producer				
Brand recognition				

17. A tea produced by indigenous women, certified organic and guaranteeing producers to receive a decent salary and good working conditions are justifiable factors for a superior purchasing price?

- Yes
- No

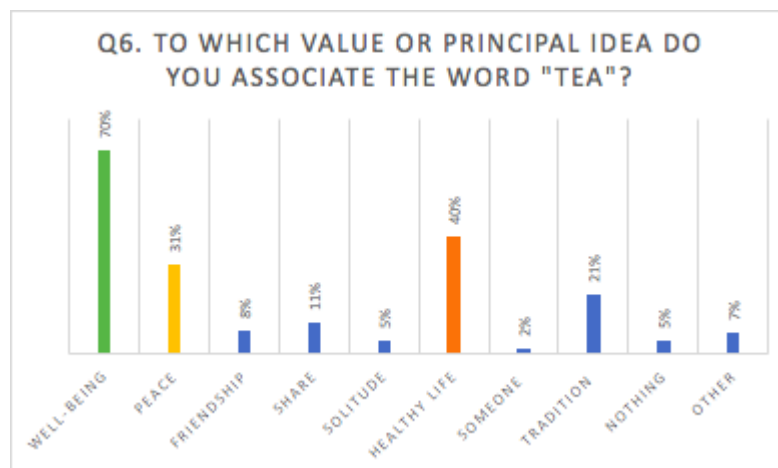
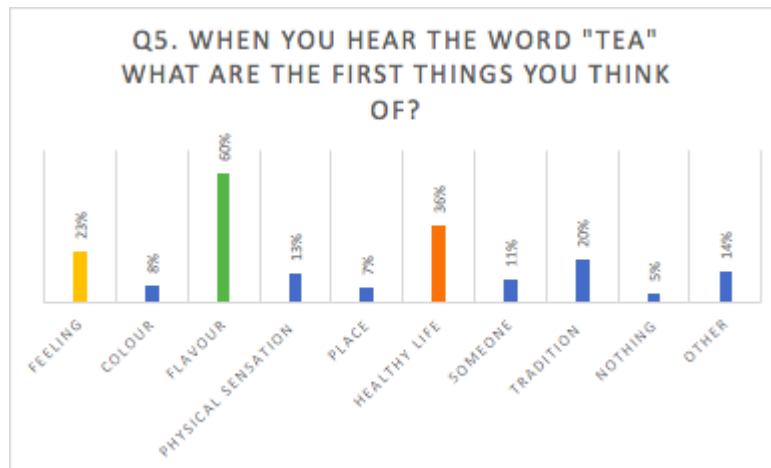
18. Would you be inclined to pay for it?

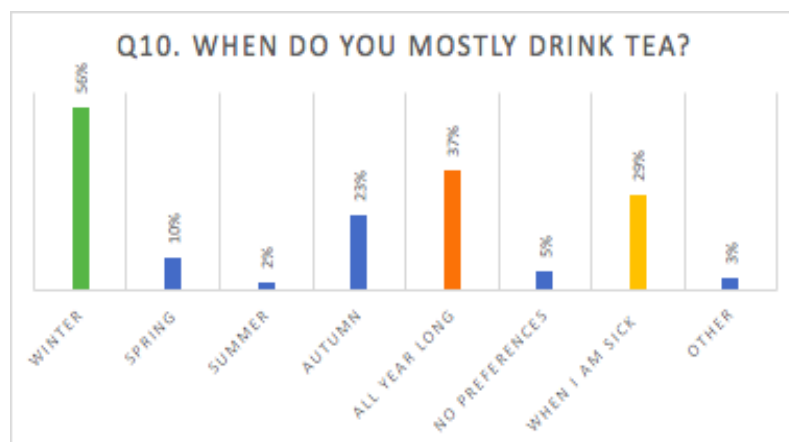
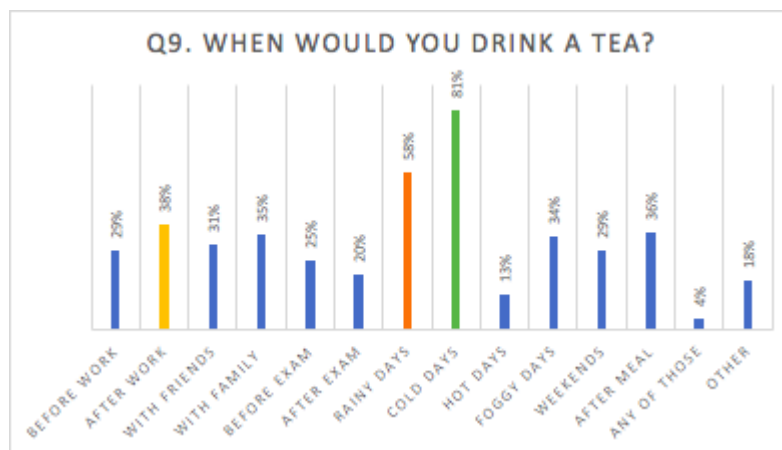
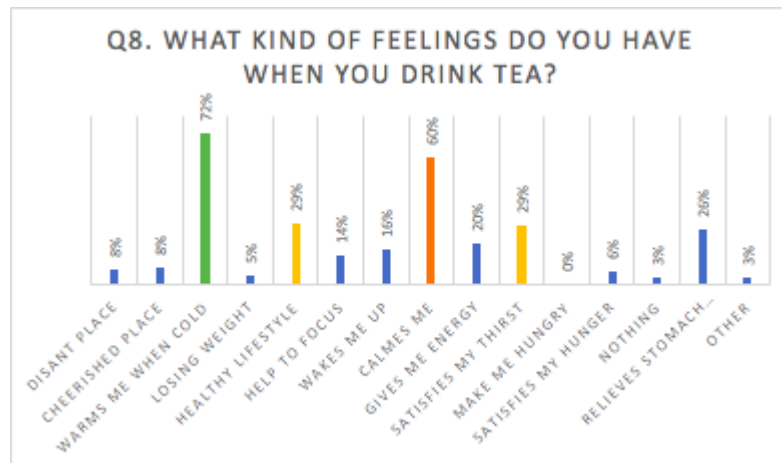
- Yes
- No
- Other (please specify)

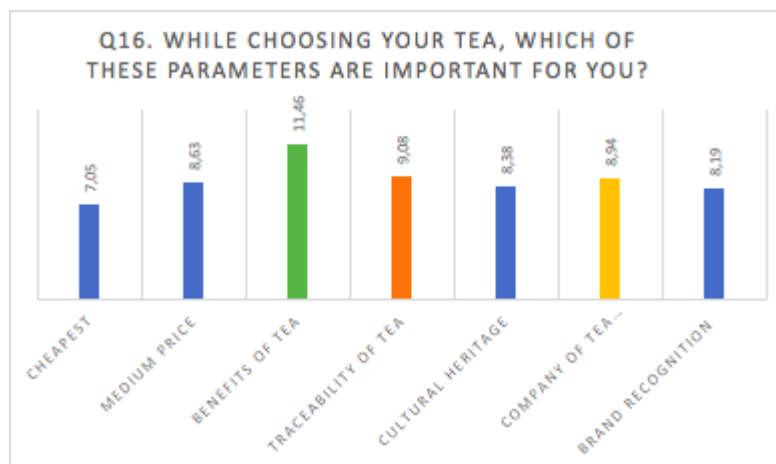
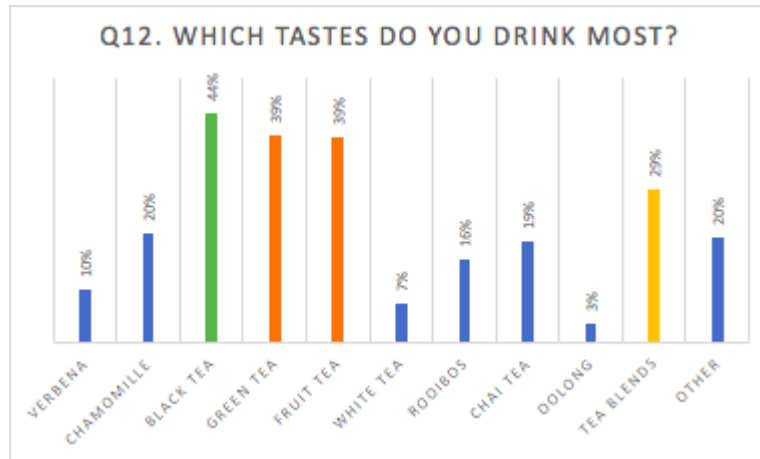
Appendix 4: Results of the survey on tea consumption habits in Switzerland

Not all the answers provided

Codes of colours: 1st score: green, 2nd score: orange and 3rd score: yellow.



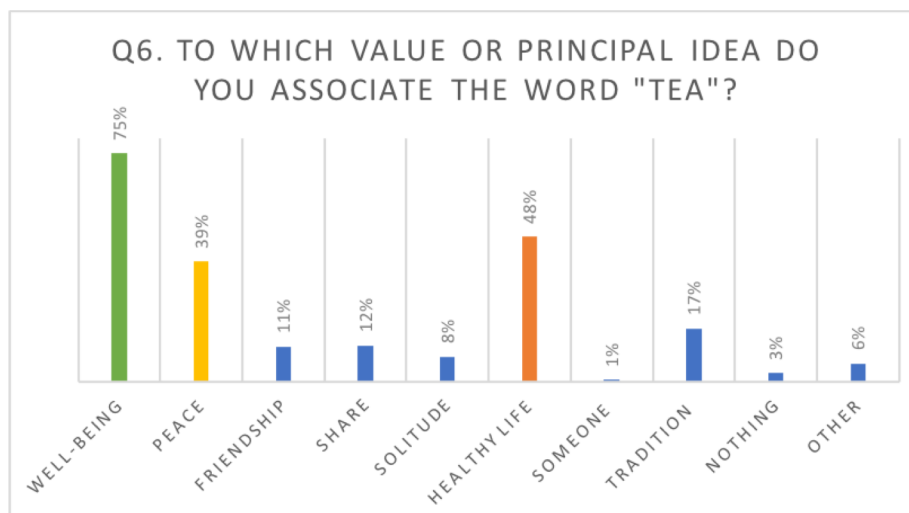
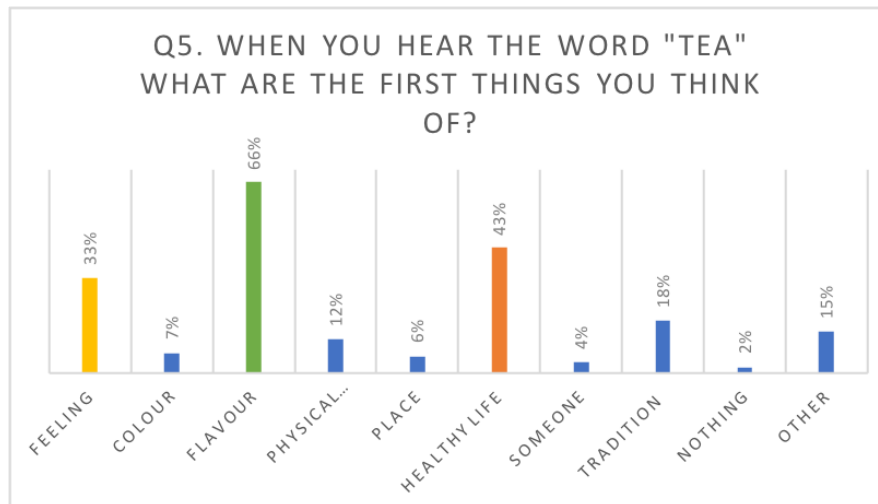


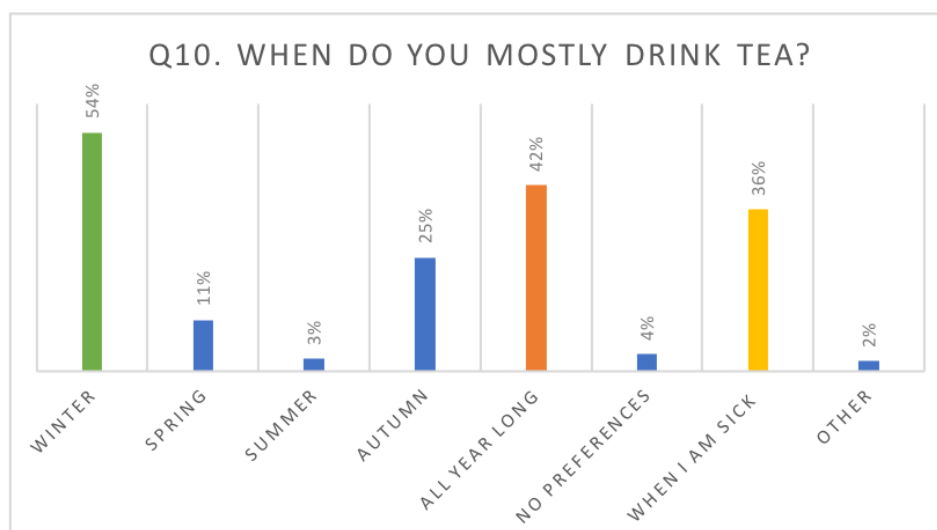
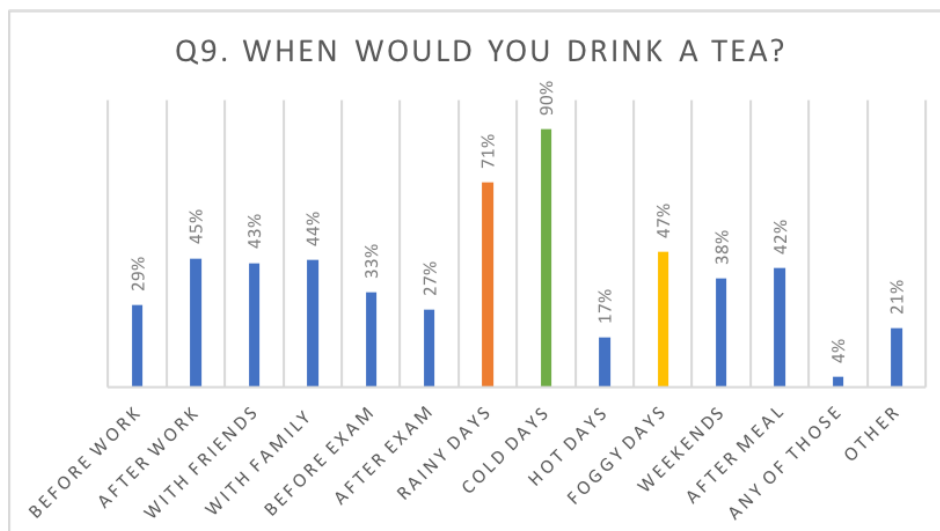
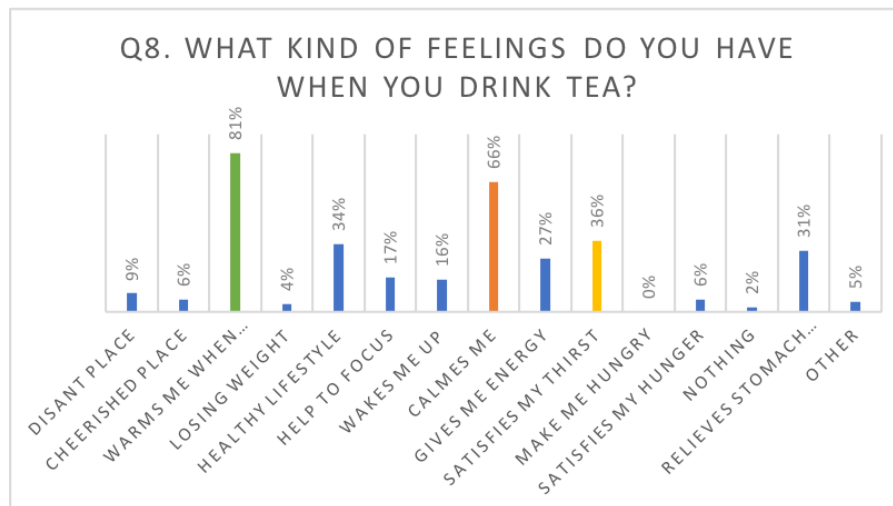


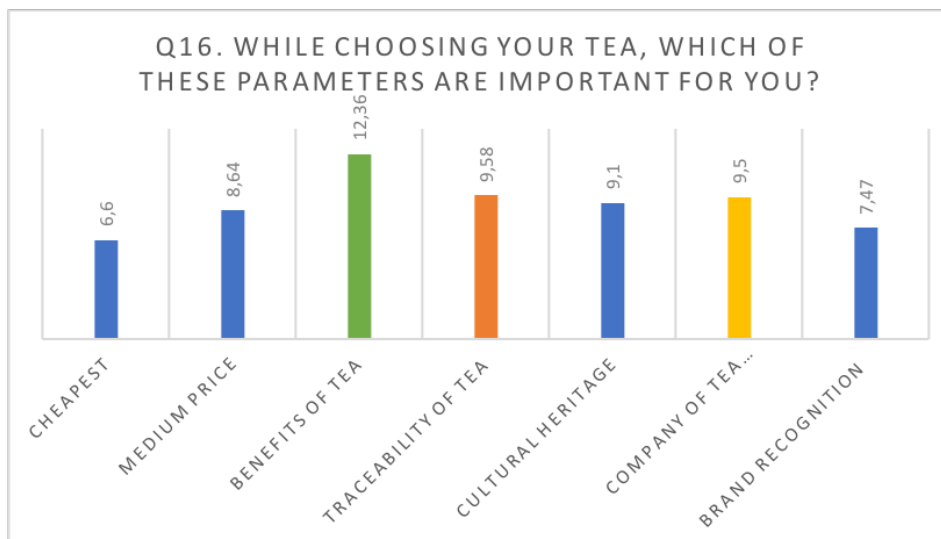
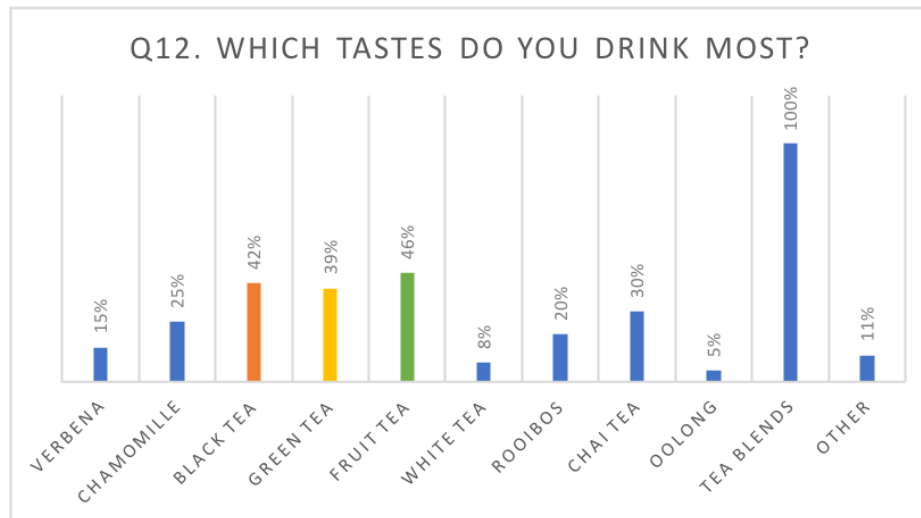
Appendix 5: Potential consumer profile of tea blends in Switzerland

Not all the answers provided

Codes of colours: 1st score: green, 2nd score: orange and 3rd score: yellow.







Appendix 6: Interview with Mr. Robert Ley 12.03.2018

1. For how long have you been importing raw materials to Switzerland?

Ten years.

2. What type of products do you import?

Goji berry (China), rice seeds (Canada), chia seed (Mexico), blackberries and white berries (Turkey), cassis (Eastern Europe), walnuts (Brazil) → 15 products from all over the world.

3. What kind of different types of products and in which quantity do you import per year?

It depends on the products. For example, the Goji berry, we import 10'000kg per year and the delivery is done per 5'000kg or 10'000kg in boxes of 10kg or 20kg. As this product is coming from China, the delivery lasts two months, so we get delivered twice per year. Otherwise, for products such as blackberries from Turkey, we receive a delivery each month to not stock a surplus of merchandise.

4. Where do the products come from?

China, Colombia, Canada, Turkey, Mexico, Eastern Europe, Italy, Brazil, Argentina, United States.

5. Once you approved a product, do you visit the plantation?

Ideally, it should be done but it is not possible every time. For some products, for example the Goji berry, we have a partner that is in China who visits the producers and helps us in this case.

6. What criteria are taken into account to validate a product?

The most important for us is that a product is fully bio-organic and possess the required certifications. Before importing by boat a product, in Shanghai, there an external company that inspects the product and gives a certificate, mentioning if the product is in accordance with the international and European requirements. At the arrival, either in France (Le Havre) or in Germany (Hamburg), there is a second entity that inspect the cargo.

7. How many times do you test a product before selling it?

There are two controls; at the departure and at the arrival of the product. At the arrival, the product is transported to a warehouse in Colmar (France), where there is a quality manager. Her role is to open four to five bags and certify the product quality.

8. Which are the different requirements implied for the price-quality factor?

The biggest requirement is the bio certification. The “bio” mention implies standards to be respected and there are 4'000 norms. For example, no pesticides or a level of pesticides below 0.01%.

9. How do you contact for the first time an exporter?

Bio fairs are the usual and best way to connect with exporters. Otherwise, if we analysed customer trends and we (or a customer) need a specific product, we look for a person that sells it by:

1. We ask our own exporters a recommendation
2. If this exporter does not have enough supply, we look on the internet or use our network
3. We look in bio fairs, where an exporter sells the required product, ask for an offer price and a sample of the product and then analyse it.

10. What kind of relationship do you have with the exporter?

Before deciding to import, we have to be sure about the product, the quality and fill in administrative documents. For example, the exporter usually wants the cargo to be fully paid before sending it, we are talking about €80'000.- per cargo. This merchandise needs to be financed from different banks, so we need to take out a loan and contract insurances. Ideally, you should know the exporter with whom you are doing business.

11. Can you describe the entire supply chain from the producer to the final consumer of a product that you import?

Local producer → Local contact → Merchandise transported to the port → Inspection by an external company → Arrival at destination port (FR or GER) → Inspection by an external company → Merchandise transported to the warehouse Colmar (FR) → Pack in bags as a final product or in smaller sachets → Merchandise transported to the warehouse for sale Colmar or Nyon → Distribution to supermarkets, pharmacies or specialised shops → final consumer.

12. Before trade fairs were the main way for an exporter and importer to establish a contact for future business, do you still participate in trade fairs? If yes, to which

ones? By which frequency (yearly, monthly)? Did you decrease or restricted the choices of fairs?

Every year, we go to bio trade fairs in order to discover new innovations or look for an exporter that offer a specific product. There are important fairs all around the world, in Asia, in the US, in Paris but the biggest and the most important one is in Germany in Nuremberg. The BioFach is the best for bio products, every exporter is in. There are 2'700 stands and governments from each country offer the opportunity to exporter to be known in order to conquer markets. In the past, we went to more fairs, but we realised that in the BioFach fair everyone is present, therefore we decided to focus on this one.

13. How has the e-commerce change your way of working? How could you describe its evolution within the import sector?

The biggest change due to the Internet has been made at the administrative level. Actually, the use of paper decreased, for example, the administrative formalities at customs are now made electronically. Moreover, in the research of an exporter (if it is not done in fairs), the Internet is extensively used. Regarding the importation of products, it has not changed as it is necessary to touch, test and analyse the product.

14. Has the technology allow you to connect with future exporters as if you were in trade fairs?

Yes, sometimes our network does not allow us to reach a desired exporter, so the Internet is an option. The Internet contributed extensively to the development in this case, as we have access to websites of specialised products worldwide.

15. What type of clients do you reach in Switzerland?

Our clients are supermarkets (in France: Leclerc, Auchan and Carrefour and in Switzerland: Manor), specialised bio-organic shops and a pharmacy chain (SunStore) in Switzerland. For those clients our products are sold in small bags.

Actually, there is a new trend where shops sell loose food, which means without packaging. For this type of client, the raw material is directly sold in bags of 5kg without having the need to put it in small bags, or at arrival of a 10kg bag reduce it to 5kg. In the German part of Switzerland, there are several similar shops in Basel, Bern, Luzern or Zurich, which are called "Unverpackt". In the French part of Switzerland, the "Chez Mamie" type of shops are 10 located in Lausanne, Monthey, Payerne and Sion.

16. When you decide to import a product, do you import established brands or only the raw material and put your brand on it? If you buy the raw material, do you use “generic” brands of supermarkets such as M-Budget or Coop Prix Garantie?

No, for our first type of customers, we sell the products on our brand in bags Optimys. For the loose shops, it is not yet well-known, but we sell it in bags of 5kg without any brand or logo.

17. Are there any public or private institution that help you to import? If yes, how?

No.

18. Do you know the different certifications needed to import tea to Switzerland?

The most important to have is the bio certification, the EU certified organic food label.

19. Do you have any type of costs? If yes, which ones?

There are no specific details about it, but there are taxes to be paid at the custom.

Appendix 7: Interview with Ms. Andrea Pulupa 09.02.2018

National level

General:

- 1. Should the selected companies Pro Ecuador decide to help should have some prerequisites?**

Not really, companies or even individual persons can reach Pro Ecuador through the AEI or ConQuito, when the institutions think they are ready to export. Or there are other cases, where they arrive by themselves because they know a person internationally or because they want to start exporting a product they produce.

- 2. If yes, does it include any kind of financing?**

Pro Ecuador do not help them financially to expand, they steer them to public institutions in different sectors, such as Banco del Ecuador.

Financing:

- 1. Do you know the most common ways to constitute a company in Ecuador financially speaking?**

- a. National investors (private)
- b. International investors
- c. Hedge funds
- d. Others

- 2. Does the government provide assistance to entrepreneurs to set up their company or help them to expand internationally?**

There are banks, as for example Banco del Ecuador, that can help them in this case but more often it is done through private investors.

Legal:

- 1. How do you help companies in this aspect?**

- a. To set up a company
- b. To hire people
- c. To protect the entrepreneur in case of appeals
- d. In case of bankruptcy
- e. Others

No.

International level

1. Do you help company to expand?

Yes, this is our main goal in Pro Ecuador and we do it through an “Exporter Road” that we created. This road is made up as a traffic light, when the exporter reaches us for the first time, they are in the red light. They have to define three target markets to export and we analyse if the company is ready for it. Then, they go to the second phase which is the yellow light. At this stage, the marketing of the company is examined and adjusted if needed. The next stage is in between the yellow and the green light, we call it yellow AA. Pro Ecuador wants to be sure that at this stage, the entrepreneur is able to negotiate using in international terms, such as FCA, FOB etc and that has a clear price table. Afterwards, the last phase is the green one, where we judge that the entrepreneur is ready to export, and we can start looking for contacts in the desired markets to help him/her.

General:

1. What are the prerequisites that you are looking for to help a company to expand?

- a. Production capacity
- b. Product innovation
- c. Profit
- d. Ecological and bio aspects**
- e. Others**

The most important parameters we take into account are the market trend in the desired export market and how is the company evolving in the national market.

Financial:

1. Do you have a minimal capital that a company has to have to benefit of your help to export? If yes, how much?

No.

2. Are there some public-private associations or entities that help entrepreneurs to export?

Yes, there are private and public banks that encourages SMEs, other private associations such as Crisfe and private investors.

3. Does the government give financial assistance to companies to export?

Indirectly yes, it is done through banks or national investors and not by us.

Legal:

1. How do you help companies in this aspect?

- a. With administrative formalities
- b. Health registers
- c. Certifications
- d. Requisites in the wanted country to export
- e. Others

Legal help is mainly offered while exporting services and not only products. For example, an entrepreneur wants to know how to get paid by a client, so then, lawyers are contacted.

Pro Ecuador

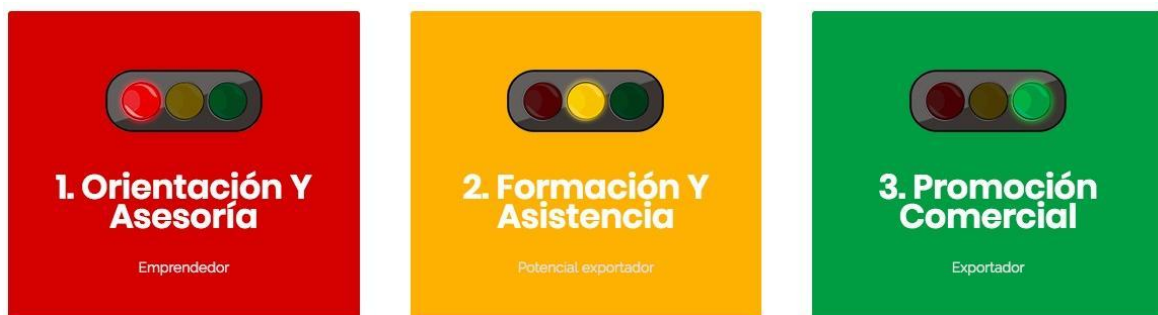
1. How do you work with the worldwide offices of Pro Ecuador?

There are 31 worldwide offices in 25 different countries. Their goal is to promote Ecuadorian products in their local market and give insight to Pro Ecuador Quito on market trends, consumption habits etc. In Europe, their offices are situated in Rotterdam, Hamburg, Paris, Milano, Madrid, Russia and the United Kingdom.

2. Does Pro Ecuador have an office in Switzerland?

No, for Switzerland, we closely work with the International Trade Centre (ITC) in Geneva

Exporter's route



Source from Pro Ecuador Ruta del exportador

<https://www.proecuador.gob.ec/ruta-del-exportador/>