

# **Teekampagne**

## **“Citizen Entrepreneurship” for a Meaningful Life**

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### ***Teekampagne: A Quick Overview***

Even in Germany, Teekampagne (“Tea Campaign”), founded in 1985, is not a well-known company because it spends so little on advertising. Nevertheless, it has become the largest mail order tea business in Germany. According to the Tea Board of India, it has been the world’s largest single importer of Darjeeling leaf tea since 1998.

The idea for the company goes back to the “social entrepreneur” Gottlieb Duttweiler, founder of the “Migros” stores in Switzerland at the beginning of the 20<sup>th</sup> century. Duttweiler’s goal was to provide pure, unadulterated products at an attractive price, through a business model that cut out layers of middlemen between producer and consumer. For this blending of social vision and market economics, he was fiercely attacked by both socialists and capitalists. One camp was defending its doctrine, the other its profits.

The name "Teekampagne" derives from the fact that originally, back in 1985, we sold our tea in "campaigns" -- i.e. only at certain times of the year and only in certain places. Since tea keeps well for long periods, we encouraged our customers to buy their year's supply at one of these "campaign" events. Today, our Darjeeling tea is available year-round, or as long as supplies last. But then as now the term "campaign" speaks to our economic vision: to enable our customers to buy pure Darjeeling tea at an extravagantly small price. This vision requires that we

"campaign" to educate consumers about our concept: we limit ourselves to one kind of tea, so that we can buy in large quantities and import directly from India, and we sell in large packages; specializing in Darjeeling tea allows us to carry out the strictest inspections and select the very best quality. Informed consumers are our most loyal partners. In fact, they "campaign" for us by word of mouth, saving us from using traditional marketing methods, thus lowering our expenses and the price of the product for themselves. Our customers are our collaborators; their understanding of the economic process has been a necessary condition for our success.

At the cost of small inconveniences (limited choices, planning ahead, putting in a year's supply), customers get an exquisite product at a low price. What, then, is the product?

It is named after the mountainous district of Darjeeling, on the slopes of the Himalayas in northern India. Darjeeling tea is considered the best tea in the world. It is cultivated at extreme altitudes, on steep slopes, under intensive sunshine in a generally cool climate. This gives it a distinct and unique flavor. The natural harvest quantities are limited.

Quality is paramount. Before we buy, we conduct many inspections to insure the best quality – a quality which requires the use of much and highly qualified labor to create and maintain. In addition, we look into our growers' use of agricultural chemicals, even in the case of organically grown leaves, to deter fraud. Each batch of tea is checked several times for hundreds of chemical residues (herbicides and pesticides), and we only buy the very cleanest teas. The results of our chemical tests are published on each package – we were the first tea company in the world to do this (even though many told us this would only frighten customers). The customer can also trace where the tea in each package comes from and when it was plucked. In

addition, we have long campaigned for producers to do without chemical pesticides and fertilizers altogether; by the year 2010, all of our teas will be organically produced.

The practice of "sustainable development," of course, has many dimensions and cannot be limited to reducing the use of chemicals, reducing packaging, and reducing transportation. Importantly, in Darjeeling, a sufficient tree population is essential to halt soil erosion on its steep slopes. With this in mind, Teekampagne initiated and still finances a reforestation project entitled "Save the Environment & Regenerate Vital Employment" (Project SERVE). In 1996, the World Wide Fund for Nature, India, agreed to manage our project locally, affirming our efforts with its international prestige.

Unfortunately, what is marketed as "Darjeeling" is not always Darjeeling. The Tea Board of India, the official Indian tea authority, has estimated that up to 40,000 tons of tea are sold world-wide under the name of "Darjeeling," although the district itself only exports 10,000 tons a year. To protect itself against this blending of Darjeeling with cheaper tea from other areas, the Tea Board introduced a special trademark, certifying that the tea sold with this trademark is 100% pure Darjeeling:



We were the first tea company in Germany to be awarded this seal of purity. We decided to use it as our company logo, instead of creating one of our own, to help with the planters' efforts to

prevent adulteration of their Darjeeling with teas from low-lying areas. (All marketing experts considered this a foolish decision.)

With this, we practice fair trade in a different and more comprehensive way than is usually conceived. In addition to using the trademark and protecting the purity of “Darjeeling,” we finance a reforestation project, and we also pay higher prices than other traders would if they purchased 400 tons a year. And there is an additional, important aspect: we don’t charge our customers higher prices for fair trade. Instead, our business model allows us to charge lower prices by breaking with expensive conventions (advertising, expensive packaging, etc.).

The education reformer Ivan Illich who I got to know in the early 1980s, used to argue vehemently against charging extra for fair trade. In this practice, he argued, the customer pays not only for the product but also contributes to an invisible “charity box,” a modern version of buying “indulgences” (paying money to save your soul) – a trade that Martin Luther was already inveighing against. Although charity has some positive effects, it does NOT challenge the business models that put pressure on commodity prices in exporting countries and inflate prices for consumers at the other end. Since it does not represent a systemic change of business practices, it is also not sustainable: it may stop when the charitable giver’s attention is drawn to another urgent need. We practice fair trade with a different method: we do not charge the consumer so that we can feel good about ourselves; instead, we challenge costly conventions, and the savings benefit everyone.

"Trade, Not Aid" is an effective and sustainable way of benefitting the region of Darjeeling as well as our customers and partners. We wanted to help create a trading situation, using market principles, that benefits both the producer and the consumer. There is much research to demonstrate

that in developing a regional economy which has the potential to survive, charitable donations and political subsidies often do more harm than good. Our aim is to raise consciousness about, and increase the demand for, genuine high-quality tea; embracing the Indian trademark as the sole guarantor of genuine Darjeeling quality is an effective strategy in support of Indian tea producers. A better quality will be achieved through hiring more labor, which increases some production costs, but will result in disproportionately higher sales revenues for the producer. Higher prices for better-grade tea, on the one hand, and greater demand for labor, on the other, allow the influential trade unions in Darjeeling to negotiate better wages and working conditions.

One tangible result we observe is that the employees on the Darjeeling plantations already enjoy better working conditions relative to other parts of India. High-quality production is also important for another reason: cheap mass production puts a downward pressure on prices worldwide, creating a glut in which supply exceeds demand. Neither the consumer nor the producer benefits from the creation of an inferior, adulterated product.

Such a product also tends to suffer from the “terms of trade” problem: as long as a finished product is created in the buyer country, exporters of raw materials will find it difficult to get a decent price. In the case of tea, merchants in the buying countries do this by blending teas of different qualities and places of origin, as well as by creating a variety of flavors through aromatic additives. By contrast, Teekampagne buys and markets Darjeeling as an end product. There is a much smaller span between the price paid to the producer and the price charged to the customer, while the overall cost to the consumer remains low. This is a “win-win” concept that benefits all sides. Our customers, too, can feel good about their cup of tea, knowing that their purchase sustains the people of Darjeeling.

## ***Anyone Can: How I Got There***

Although I was attracted to the field of economics quite early, starting at age 14 to invest my pocket money in the stock market, this was regarded as an inappropriate, even evil, activity in small-town Bavaria of the 1950s, and my family and teachers were emphatic in their disapproval. Naturally, I went on to study economics – only to find that the university curriculum had managed to turn an exciting subject into a boring and meaningless chore. I finished my coursework quickly, completed a doctoral dissertation in order to savor university life a little longer and, at age 31, as a sharp critic of how economics was taught, found myself being offered a tenured professorship, with a lifetime job guarantee from the government. When I accepted this position, I promised myself that I would study and teach the subject in a way that would keep my students awake and engaged. I already considered entrepreneurship, in its combination of theory and practice, the most vibrant field in which to bring economics to life, and I thought long and hard about starting a company. But how? I pored over the question which kind of business might offer good prospects. During visits to Tanzania and India, I was stunned to see how much more people have to pay for products like coffee, sugar, and tea in Germany, compared to the prices paid for them in the producing countries. In the case of tea, especially, the difference was huge. With only rudimentary knowledge about the tea business, I began to crunch numbers for tea and compare them with those for products in other fields. It turned out that the tea trade had very little price competition and relied on very traditional methods. After I analyzed the costs of trading tea, I realized that by challenging a number of conventions in the tea business, I could create a business idea that might (and did) look crazy to everybody else, but made superb economic sense: one variety of tea; only big packets: "buy your supply for a year." What looked like a joke at the beginning became a big success story. I learned that you can conquer a well-

established market with a good idea; that the quality of an idea is more important than the availability of resources; that you do not need to know everything about business administration to succeed as an entrepreneur; that imagination and disciplined persistence trump everything else. I learned that (almost) anyone can be an entrepreneur. And I learned that you can not only keep your students awake, but that you can also have fun and do a lot of good at the same time.

### ***Puzzling Out Simplicity***

Neil Churchill, an entrepreneurship expert, once said that for a good idea to turn into a reality, up to 50,000 pieces of information need to be processed. It may take up to 10 years before an idea turns into a successful startup.

The history of ideas, experiences and insights that created Teekampagne resembles a puzzle, put together both playfully and persistently, and it certainly took years before the pieces came together in the simple, yet elegant picture we can see today. Some of the first pieces came about when I was a student at St. Gallen business school in Switzerland: I shopped at a Migros store, where one Swiss Franc bought you two and half chocolate bars. How come? In his early years, Duttweiler, selling from trucks, had rounded off prices to whole numbers (to save time on giving customers change), which resulted in charmingly odd product weights and measures. And why was Duttweiler so fanatical about purity of products and value for money? Why did he succeed, contrary to all conventions and expectations? My travels abroad added more pieces, leading to my discovery that the high price of tea in Germany was a function of expensive packaging and complex distribution systems. But how could one convince customers to choose only one kind of tea and buy enough for an entire year? Could one succeed in the marketplace by appealing to customers' reason, rather than distracting them with promises? Was it possible to educate, rather

than seduce, the customer? To create (and rely on) economic literacy, rather than count on customers' ignorance? Treat the customer as a true business partner, rather than a prey?

Our initial gamble was that customers would reward an effort to enlighten them about their own best interests; that they would embrace a new concept which would offer them significant advantages. At its very core, this was an attempt to create the economic framework for a new, rational simplicity. Today, Teekampagne has over 180,000 customers, 93% of them by word of mouth.

One kind of tea; large packages; direct import and direct sale; purity; ecology; transparency. Seems simple. Why was this a radical idea? How can simplicity become a business concept?

Reasoned simplicity is indeed central to our business venture and to our philosophy of entrepreneurship. Think creatively, choose consciously, live wisely: these ideas can be found in Eastern philosophy, as well as among the ancient Greeks, in the tradition of the Enlightenment, but also among the 19<sup>th</sup> century Romantics. One of the thinkers we have found inspirational is Henry David Thoreau (1817-1862) of Concord, Massachusetts, best known for his book *Walden; or, Life in the Woods* (1854). Thoreau tells us that the richness of life consists of rich ideas and insights, not of an accumulation of material things. We should possess and consume few but excellent things. Teekampagne has embraced this idea. We offer "luxury through simplicity." In doing so, we not only make excellent tea available at a reasonable price. We also propose a new, and yet old, philosophy of life, which includes intelligent economics and consumption.

Rational simplicity is crucial to a person's well-being, as well as to our planet's survival. Declining resources, along with overpopulation and pollution, make a return to simpler approaches to life an absolute necessity. Proponents of simplicity enrich their lives by

unburdening them. They try to calm "this chopping sea of civilized life" by choosing wisely among the thousand-and-one items offered daily. "Simplicity, simplicity, simplicity!" I say, let your affairs be as two or three, and not a hundred or a thousand; instead of a million count half a dozen, and keep your accounts on your thumb nail," Thoreau advises. The message sounds astonishingly modern: live with a few excellent things, and live more deliberately.

### ***Breaking with Convention: Simply Better Economics***

"Simplicity" brings up some images that raise skeptical eyebrows: the well-situated professor advocating asceticism, or the holy man in his hair shirt; even the admirable Gandhi at his hand loom is not everyone's idea of the good life. To keep your eyebrows at rest, let me spell out how the principle of rational simplicity actually makes for better economics and for a superior enterprise. Here are some key features of our business model:

- (1) Simplicity means saving on unnecessary costs (e.g., packaging), while focusing on the most important functions (e.g., purity, transparency). Avoid waste! In our current project, the CO2 Campaign (importation of high-efficiency, energy-saving light bulbs), the Chinese factory that makes the bulbs also packages them in the exact same cartons in which they arrive on the German customer's doorsteps. No additional repackaging (common in conventional distribution systems) occurs along the way.
- (2) Simplicity means efficiency: polishing away at the business model, until everything irrelevant (merely conventional) has been removed. The key aspects are in plain view.
- (3) Simplicity means plain speech, factual information, rather than advertising lingo. Customers are treated as rational beings; they are informed, not manipulated.

- (4) Simplicity means responsibility: satisfying a customer need with a good product, rather than creating a need that may be frivolous, wasteful, or even hurtful.
- (5) Simplicity means being clear about one's cause. If it is a social cause (e.g., environmental responsibility, fair prices, etc.), its cost should be borne not by the customer but through a rational business model that produces savings. These savings then support the cause.
- (6) Simplicity means helping the customer understand how things work: economic mechanisms as well as processes of production and distribution. An enlightened customer who can explain to others why Teekampagne can deliver great tea at low prices becomes an ally and ambassador for the company. Simplicity means respecting the intelligence of others.
- (7) Simplicity means avoiding unnecessary complexity. Many founders fail because they are overwhelmed by the challenge of complexity that comes with growth along conventional business models.
- (8) Simplicity means taking the long view. This sounds like a paradox: of course we could increase our profits quickly by selling inferior teas, adding inexpensive flavoring (which German law would even allow us to call "naturally identical aromas"), and giving them fantasy names ("Tropical Dreams"). But in the end, we would become like all the others and lose our competitive advantage. We would also lose our identity and our integrity.  
Taking the long view requires the discipline to resist temptation.

Finally, rational simplicity acknowledges the fact that we live in a global economy that is characterized by fierce competition, by a never-ending battle for customer attention. You can seek that attention with gigantic marketing budgets – or you can gain it by being different, by being unconventional, by being clearly and unequivocally on the customer's side. Customers

respond with respectful affection and become durably attached to your company; they become a community. This is the way of the future.

In the end, rational simplicity means better economics.

I am an economist. Some have called me an idealist – not intending to pay me a compliment. If what I have described is indeed “idealism,” it is simply the belief that reason will have the upper hand. Our company’s continuing success proves that this is not an unreasonable assumption.

### ***Teekampagne and the Notion of “Social Entrepreneurship”***

“Social Entrepreneurship” is a concept that seeks to describe how social problems and social needs can be addressed with the tools and methods of business entrepreneurship, such as creativity; opportunity recognition; unbureaucratic procedures; looking beyond resource constraints; focus on the customer or client; ‘can-do’ ambition and resolute optimism. Although the concept arose out of an academic discourse about philanthropic and not-for-profit enterprises, it has now expanded to include a discourse about the non-individualistic ends served by for-profit enterprises and about the social responsibilities and/or obligations of business in general. I would even go so far as to speak of a “convergence theory”: every enterprise should be conceived as a “social enterprise” in some sense; for-profit and not-for-profit enterprises should have more in common than is suggested by the fact that the one seeks to maximize profits (and distributes them to owners or shareholders), and the other seeks to optimize service to its cause.

I am troubled by the word “should,” however; it smacks of the kind of moral admonition that spoils so much of the discourse about business ethics. People (and businesses) quickly tire of

being told what they “should” do; it is much more effective and sustainable in the long run to acknowledge and appeal to their self-interest: to show them what they can do that benefits both themselves and others. In the case of “social entrepreneurship,” therefore, it is more instructive to look at businesses that already function well as social enterprises, and to figure out what they do.

Universities could be one example. In the United States, private universities are technically not-for-profits, but many have for-profit subsidiaries whose revenue stream helps to lower the cost of tuition and fees. Is Harvard University a business or a charity? It is both. With its need-blind admission practices, it will educate anyone with sufficient talent, regardless of that person’s economic resources. Is it run like a business? Absolutely. Does this business serve a greater good? Indeed it does.

The search for conceptual commonalities between for-profit and not-for-profit enterprises recognizes that all good enterprises go for a cause, that they make meaning.<sup>1</sup> The focus on commonalities may also help us around the intellectual trap of claiming altruism as the sole spring of not-for-profit economic activity; we can acknowledge the legitimacy of self-interest as a motivation for economic engagement, while pointing out that there is such a thing as enlightened self-interest that includes but transcends economic individualism; that seeks to serve the interests of multiple constituencies. “Cui bono? Who benefits?” may be a more pertinent question to ask about an enterprise than whether it distributes dividends or pays taxes.

In the for-profit business world, too, it is worth looking at businesses that function as “social enterprises.” But what does that mean? Does it mean “giving back” some profit to a local community? Does it mean supporting a social cause, either from the company’s profit, or by a

surcharge on its product, or both? Or does it mean working with a different business model altogether?

My colleague Mohammad Yunus, for one, has been insistent about calling Teekampagne an example of “social entrepreneurship.” We are a for-profit business and pay taxes, but if I ask the “cui bono?” question, I do see that our economic activity has quite a few beneficiaries. The list could include (but not necessarily be limited to) the following:

- (1) Our customers get an exquisite product (of unparalleled purity) at a low price.
- (2) The producers of our tea (owners as well as workers) get a decent price for their efforts.
- (3) We run a profitable company that employs people and gives work to other businesses.
- (4) Our Project SERVE has benefits for Darjeeling: we have planted 2 million seedlings so far, 70,000 last year alone, and such related projects as our model village Tinchulay or the Batasia Eco Garden produce long-term economic and educational results.
- (5) Our business model benefits the environment: using large packages reduces trash and cuts back on shopping trips; shortening the path from the producer to the consumer saves energy as well as money.
- (6) Resources have been made available to endow the “Stiftung Entrepreneurship” (“Faltin Foundation for Entrepreneurship”) in Berlin. Its purpose is to show that important causes, addressed with creative ideas and artistic imagination, are at the root of entrepreneurial success, and to build bridges between business and social entrepreneurship.
- (7) Students and collaborators of mine have started successful companies of their own that apply the “campaign” principle of rational simplicity:
  - a. Artefakt is a company that markets high-quality olive oil through the campaign method;

- b. Zait directs high-quality olive oil, wine, and other gourmet products directly from the producer to the consumer;
- c. Ratio Drink AG sells organic apple juice concentrate (add tap water and drink!);
- d. Rapskernoel.Info offers cold-pressed organic canola oil;
- e. EBuero, which has 250 employees in Berlin alone, as well as branches in several European countries, offers low-cost virtual office support to anyone who needs a secretary.
- f. Teekampagne's latest venture is the already-mentioned CO2 Campaign, the distribution (in large packets) of high-quality energy-saving light bulbs. (When our bulbs were featured -- not advertised! -- on prime-time German TV on July 16, 2008, our internet server collapsed under the inquiries that night.)

The most lasting benefit is still evolving: my long-standing university workshop on generating and refining entrepreneurial ideas, in which I apply everything I have learned from my Teekampagne work, has encouraged a growing number of persons (not just students, but people of any age) to develop business ideas of their own.<sup>ii</sup> More importantly yet, it has sharpened my own concept of what I call "citizen entrepreneurship" or "entrepreneurship for all."

### ***"Citizen Entrepreneurship": Self-Determination as a Philosophy of Life***

"Everyone can be an entrepreneur," says Yunus; he has demonstrated in Bangladesh how even the poorest of the poor can take charge of their own life with micro-loans and a support system that helps them succeed. But is that experience universally applicable? In most countries, but certainly in the industrialized world, doesn't it require a lot of resources and expertise in business management to start a company?

Not necessarily.

First, let me point out that the customer can already be a co-entrepreneur. For instance, the Teekampagne customer orders a year's supply and provides storage (thus relieving us of this task). The Ratio Drink customer buys organic apple juice concentrate and adds water. In both cases, the customer understands the specific business concept and has a general understanding of how markets work. In both cases, the customer may become an ambassador for the company and the product. In both cases, the customer adds value and gets value in return. The customer thinks and works alongside the entrepreneur.

Secondly, what I teach in my workshops and what Teekampagne (along with its offspring) demonstrates is that an intelligent, sufficiently refined and developed idea is more important than the availability of resources or a complete understanding of business management. As to resources, experience shows that really good ideas do not necessarily require a huge amount of startup funding or, if they do, funding will follow and find them. With regard to business management, acquiring what some consider the "necessary" expertise can actually stand in the way of refining and implementing the business idea. Management expertise can be delegated and bought with relative ease; working through and refining concepts is something we need to do ourselves.

Thirdly and finally: what of the ideas? Does it require genius to come up with a great business idea? Of course not. Idea generation and refinement can be learned and taught; in many instances, a successful business idea is the application of existing knowledge to a new field, the combination of existing ideas, or an improvement of something that already exists. What is required, however, is a focus on function and a willingness to break with convention. If

Darjeeling is sold in 2 oz. packages, in stores, and in pretty wrapping, is that a convention or a necessity? Once I understand that such convention is not necessary for getting the tea to the consumer, I can begin to develop a different business model.

If entrepreneurs do not require huge capital or expertise or genius ideas to get going, what do they need? They need three things: appropriate methods and techniques to enhance initial ideas; perseverance; and faith in their ability to determine the course of their own lives.

The moral philosopher Adam Smith, known mostly for his book *The Wealth of Nations* (1776), already envisioned a form of “citizen entrepreneurship”: the ability of individuals to participate in the marketplace as agents of their own fate. “Every man ... lives by exchanging, or becomes in some measure a merchant,” says Smith, developing what his biographer Jerry Muller has termed “a vision of ‘commercial humanism’”<sup>iii</sup> that is morally uplifting as well as practically empowering. To practice economic self-determination has long been recognized as a necessary (though not sufficient) condition for personal and political self-determination (“an empty sack cannot stand upright,” we are told by Smith’s contemporary and acquaintance, Benjamin Franklin). So considered, economic self-determination can become the basis of a life plan that conceives of a well-lived life as a multi-dimensional work of art. In our own day, the futurist Max Horx describes the ideal type that embodies this idea: “Our culture of individualism will produce a type of entrepreneur who will work for more than money, who wants to be good because she is ambitious – ambitious in a new, qualitative sense: he wants to create an individual life that is a work of art, as harmonious and exciting as possible.” The citizen entrepreneur is that type: free to create, free to gain, and free to share. The “great enterprise” envisioned in the title of this volume can be your own. Once a utopian thought, it is now within your reach.

Finally: fun, in the sense of excitement, fulfillment, pride of accomplishment. Nothing is more exciting than to send a brainchild into the world and see it prosper. My students who started working on

entrepreneurial projects did not just start new companies; they also re-fashioned themselves as human beings. They became more focused, more curious, and more communicative; their optimism and *joie de vivre* was infectious; they even looked better. Were these changes the natural result of success? No – all of this happened before it was even clear whether their business idea would ever survive in the market. Was it because they were having fun? Yes, that too – but what really happened was that their life achieved a new direction and purpose; it gained meaning and perspective. Some are getting rich now; but that is not what makes their faces shine. They have become the entrepreneurs of their own lives.

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#### Notes

<sup>i</sup> Kawasaki 2004, S. 3

<sup>ii</sup> Many of these ideas are now available in my new book “Kopf schlägt Kapital”:

<sup>iii</sup> References to Smith and Muller can be found in Fritz Fleischmann, “Entrepreneurship as Emancipation: The History of an Idea.” Lecture delivered at the Free University of Berlin, July 12, 2006. See <http://www>.

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