1-1-2012

Fair Trade, Marketing and Consumer Behaviour

Brigit Derler
Vicky O'Rourke
Simon Stephens

Follow this and additional works at: https://sword.cit.ie/irishbusinessjournal

Part of the Behavioral Economics Commons, and the Marketing Commons

Recommended Citation
Derler, Brigit; O'Rourke, Vicky; and Stephens, Simon (2012) "Fair Trade, Marketing and Consumer Behaviour," Irish Business Journal: Vol. 7 : No. 1 , Article 5.
Available at: https://sword.cit.ie/irishbusinessjournal/vol7/iss1/5

This Article is brought to you for free and open access by SWORD - South West Open Research Deposit. It has been accepted for inclusion in Irish Business Journal by an authorized editor of SWORD - South West Open Research Deposit. For more information, please contact sword@cit.ie.
Fair Trade, Marketing and Consumer Behaviour

Birgit Derler, Vicky O’Rourke, Dr Simon Stephens

Abstract

This paper examines different aspects of fair trade marketing. Firstly, secondary research examines the development, advantages and challenges of fair trade. Secondly, primary research explores consumer buying behaviour in Ireland and Austria in the fast moving consumer goods (FMCGs) market. Thirdly, the attitudes of consumers towards mainstreaming and clean-washing are explored. Phase one of the data collection involved one hundred and twenty consumer surveys. In phase two exploratory research using mixed modes collected data from nine suppliers of fair trade FMCGs. The findings suggest that the effects of mainstreaming are perceived to be predominantly positive. The research findings also suggest that more needs to be done to manage consumer perceptions of fair trade. Specifically, consumers need to be convinced that their purchasing behaviour can actually make a difference. This paper will be of interest to marketing professionals and stakeholders in the fair trade and the FMCG sector in relation to: merchandising strategy for fair trade products; developing tailored brand communications for fair trade; and new fair trade product development.

Keywords: Fair trade, Mainstreaming, Clean-washing, Marketing

Introduction

Consumers can choose from a wide range of competitively priced fair trade products which are available from the main FMCGs providers and new products are becoming available on a continuous basis. In addition to traditional fair trade products such as coffee and tea, large retailers are extending their ranges to include products such as wine, rice, chocolate, fruit, juices, snacks and clothing. According to Low and Davenport (2005) the use of mainstream marketing tools appears to have changed the message of fair trade from participation in an international programme of trade reform, to a message of shopping for a better world. Doherty and Tranchell (2007) argue that mainstream marketing increases sales of fair trade products substantially. However, there is a risk from mainstream business of absorption and dilution of the fair trade brand. This can then lead to clean-washing which occurs when a company derives positive benefits from its association with fair trade, however minimal its efforts to uphold the value of fair trade (Jones and Comfort, 2003).

The Characteristics of Fair Trade

Low and Davenport (2005) explain that fair trade has evolved into a global social movement that combines an alternative model of business with political activism – a business and
a campaign. According to Jones et al. (2003) the purpose of fair trade is to improve the position of poor and disadvantaged food producers in the developing world by helping them to become more involved in world trade and providing them with better trading conditions. Fair trade has a positive impact on the establishment of conditions that foster a higher level of social and environmental protection in developing countries and is particularly helpful to small-scale producers that live in isolated, rural areas. Davies (2007) classifies the development of fair trade into three eras. The eras are the Solidarity Era (1970-1990), the Niche Market Era (1990-2002) and the Mass Market Era (2002-present). He states that supporters of fair trade in the solidarity era were predominantly Alternative Trade Organisations (ATOs). The ATOs aimed to raise awareness and demonstrate solidarity with the developing world. The product range was very limited and quality was generally perceived to be poor. Products that were marketed in this era were mainly craft products and coffee. Distribution relied on mail order and a limited number of world shops (for example www.giftswithhumanity.com). The niche market era saw an increase in participants. In addition to ATOs fair trade companies started to emerge. The target market was ethical consumers. The product range and brands extended to a wider choice of commodity products, such as tea, chocolate, cocoa, sugar, nuts and fruits. Furthermore, quality levels and consistency improved. During the niche market era the distribution of fair trade products extended to supermarkets. The mass market era saw a shift from ATOs to companies, adopters and branders. This made it possible for fair trade to reach a larger customer base and appeal to a wider range of consumers in different segments. Product ranges increased and quality and consistency improved substantially. Fair trade products are now available in supermarkets, corner shops, world shops, online, and through mail order.

According to Nicholls (2002) the most significant influence on fair trade has been the emergence of ethical consumerism and cultural and informational changes in western society. Furthermore, Carrigan and Attalla (2001) and Jones and Comfort (2003) explain that the increased demand for ethically produced products is based on consumers’ increased levels of awareness and concerns about economic, ethical, environmental and social issues linked to food production. Price, quality and safety are still the most important factors that influence consumer buying behaviour in the food sector. However, ethical factors are becoming increasingly important. Low and Davenport (2005) believe that the mainstream success of fair trade FMCGs is also based on the development of the fair trade label. This is significant because Crispell and Brandenburg (1993) found that consumers spend less than four seconds evaluating a supermarket shelf before making a purchase decision and brands make this decision easier. According to Jones et al. (2003) there are two main routes to market for fair trade products. The first route is through the work of ATOs and the second is through labeling initiatives. In the early stages fair trade initiatives were dependent on ATOs which were often established by charities or churches. Later ATOs developed into independent companies which sold food and handcrafts from disadvantaged producers in the developing world. The main aim of this activity was to raise awareness and to campaign
for changes in conventional international trade. Products were sold through a variety of channels, such as charity shops, church groups, mail order, internet and fair trade shops. This route to market is characterized by a lack of labeling. However, the reputation of the organizations acts as a guarantee that the products meet fair trade standards. The second route to market is labeling initiatives (the certification of products that are produced under fair trade principles) as described by Jones et al. (2003). This allows fair trade products access to traditional retail distribution channels and makes fair trade products more accessible for a larger number of customers. The importers and retailers are commercial organizations and products are marked by a fair trade logo or label which is awarded by a fair trade certification agency. Criteria concerning production and marketing processes are set by these agencies. Criteria are harmonised internationally and cover a wide range of factors, such as employment conditions, environmental regulations and freedom for workers to participate in trade union activities.

**Fair Trade and Consumer Behaviour**

According to Nicholls and Opal (2005) one of the main challenges facing fair trade companies is how to reach a wider audience for their products; an audience that goes beyond the segment of ethically aware and concerned consumers. Nicholls (2002) reports that in the last decade there was a shift from focusing marketing efforts on process to a focus that incorporates the product and more recently also the place. Alexander and Nicholls (2006) build on this and describe the three Ps of fair trade marketing. These are **Process Focus, Product Focus** and **Place Focus**. Process focus is explained by the Cafédirect example. In the early 1990s, in contrast to other fair trade organizations, Cafédirect was competing directly with conventional coffee suppliers and was a “for-profit” organization. In addition, they were the first fair trade company that achieved direct and sustained success from their marketing activities. For example, they raised awareness by highlighting stories of individual coffee farmers and thereby created an emotional link between the producer and the user. This provision of information to the customer was imperative to the early success of fair trade marketing. Process focus is also about building trust in the authenticity of fair trade standards, which involved the introduction of the fair trade mark. Product focus involves communicating the quality, range and differentiation of products to a wider range of customer segments. In 2000, Cafédirect did this by producing coffee that was of very high quality and using this as their main selling point. This allowed Cafédirect to move out of a niche market and target mainstream customer segments (McDonagh, 2002). The third phase of fair trade marketing, place focus, is designed to target additional consumers. According to Alexander and Nicholls (2006) this target segment includes consumers that are not very concerned about ethics in business but worry about issues that may affect their local area. This phase of fair trade marketing is about involving people in the fair trade movement on a local level, such as gaining the title of a “fair trade town” (examples available at www.fairtrade.org.uk). De Pelsmacker et al. (2005) argue that in addition to in-store marketing efforts, such as
labels, it is important that a fair trade company effectively uses promotion, distribution and branding tools to market their products. They also claim that continuous promotional reminders are needed in order to entice consumers to purchase – even committed fair trade buyers. According to de Pelsmacker et al. (2005) the type of promotional reminders used is important. For example, consumers of fair trade goods tend to prefer package information, leaflets and brochures over mass media advertising.

De Pelsmacker et al. (2005) also highlight the problem of locating fair trade products in stores. Jones et al. (2003) explain that to a large extent fair trade products are not grouped together (unlike organic food) but are mixed with products of the same category. Why? Keller (2002) believes that many retailers have negative attitudes towards stocking ethically produced products as they believe that these goods may have a negative effect on customer perceptions of conventionally produced products. This is often used as an excuse for the reluctance to stock fair trade products. However, Ingenbleek and Binnekamp (2008) found that the “spin-off effects” are very subtle and that retailers should not be concerned with negative effects.

Methodology

The decision to conduct this research in Ireland and Austria is guided by Jorgens (2006) who studied a country where consumer acceptance was high (64 German consumers) and another (53 English consumers) where consumers had little awareness of the product. Data was collected in two phases: firstly, one hundred and twenty consumers were surveyed. Sixty surveys were conducted in Ireland and sixty in Austria. The surveys were administered through personal street interviews outside supermarkets. A mix of multiple choice questions, rank-order rating scales, attitudinal scales, and dichotomous questions were used. The questionnaire examined four key issues: the respondents purchasing behaviour; their reasons for purchasing fair trade; the factors which facilitate/obstruct the purchasing of fair trade; and attitudes towards the provision of fair trade products by multinational corporations. Secondly, indepth interviews were conducted to explore the key issues arising from the questionnaire. The interviews were conducted with suppliers of fair trade products. The authors acknowledge that an alternative approach would have been to reengage the consumers in focus groups. However, the approach adopted in this paper is in line with (Campbell et al. 2008 and Doohan et al. 2009). Guided by Foley (2008) and Stephens and Coyle (2010), snowball sampling was used to identify respondents. Twelve individuals with a wide variety of experience were approached to participate in this study. Nine agreed. The interviews explored three issues: factors that impact on the purchase of fair trade products; the effects of the mainstreaming of fair trade; and if clean-washing dilutes the value of the fair trade brand. The interviews were taped, transcribed, and superfluous material removed such as digressions and repetitions to assist the analysis. Narrative structuring (Kvale, 1996) was used to create a coherent story of the interviewee’s experience(s) of the marketing of fair trade products.
Findings

The results of the survey indicate that less people are aware of fair trade in Austria than in Ireland. However, both countries show a very high rate of awareness (88.5 % and 81.7 % respectively). Austrian consumers purchase fair trade products more regularly than Irish consumers (57% and 46%). However, figures for both countries are quite low which suggests that fair trade still has not been completely embraced. Purchasing patterns are similar in both countries, with the main difference being that the most popular fair trade product purchased in the Irish market is coffee, compared to chocolate in the Austrian market. The main rationale (37%) behind the purchase of fair trade products is to help underprivileged producers in the developing world which, according to Jones et al. (2003) is also the main purpose of fair trade. Another important factor is the perceived feel-good-factor respondents experience when they purchase fair trade products. More Austrian consumers (15% compared to 11% respectively) purchase fair trade products because they believe that the quality, taste and appearance are better than comparable conventional products. More Austrian consumers (9.2% compared to 2.2% respectively) purchase fair trade products in order to boycott multinational firms. Neither Irish nor Austrian respondents appear to be influenced by packaging or fashion.

Impediments to the purchasing of fair trade in Ireland are a lack of knowledge about the fair trade movement (42%) and perceived higher prices (34%). This finding supports research conducted by Radmann (2005) who found that the main barrier to purchasing fair trade is the perceived higher price, compared to conventional products. In Austria the impediments to purchasing fair trade are a lack of knowledge (53%) and belief that the purchase of fair trade does not make a difference in the lives of disadvantaged producers (37%). According to Carrigan and Attalla (2001) consumers need increased levels of information and they need to be convinced that their buying behaviour makes a difference. The factors which encourage the purchase of fair trade products are more information about the effects (38% and 33% respectively), lower price (36% and 45% respectively) and special offers (36% and 41% respectively). It is clear that better information would deal with the lack of knowledge and help to reduce doubts about whether consumers can actually make a difference. Indeed, some fair trade suppliers are attempting to address this factor, such as Cafédirect who try to counteract this by highlighting stories of individual coffee farmers on the packaging of their products (Alexander and Nicholls, 2006). This research indicates that consumers would be persuaded to purchase fair trade frequently if it was easier to find in-store (25% and 33%), and marketed as higher quality (15% and 31%).

De Pelsmacker et al. (2005) and Comfort and Hillier (2003) report that inconvenience and a lack of availability are the primary reasons for not buying fair trade. A bigger assortment (15%) and the introduction of fair trade lines by mainstream companies (17%) would positively affect purchasing behaviour in Ireland. Similarly increased availability (20%) and a bigger assortment (20%) have a strong effect on Austrian consumers. According to Doherty and Tranchell (2007) mainstreaming strengthens the fair trade message by bringing it to a larger
audience. Nicholls and Opal (2005) report that fair trade leads to the improvement of the lives of producers, and this needs to be fostered. Respondents in both markets believe that mainstreaming instills a trust in the quality of fair trade products. According to Crane and Matten (2007) and Carrigan and Attalla (2001) companies that follow a clean washing strategy simply introduce fair trade lines for commercial, profit focused reasons. When asked why companies follow a clean-washing strategy twenty four percent of Austrian consumers and nineteen percent of Irish consumers believed it was to profit from the fair trade movement. Low and Davenport (2005) argue that the introduction of fair trade lines by mainstream companies may lead to consumer confusion about fair trade. However, respondents (54% and 63% respectively) do not perceive clean-washing as unethical.

Findings from the Interviews

Three significant problems faced by fair trade suppliers are the lack of awareness/understanding of the fair trade logo and consumer confusion about what fair trade represents and in some cases consumer apathy to the fair trade cause. One respondent elaborated:

People don’t have a practical understanding of how it works.
(Respondent 3).

Carrigan and Attalla (2001) claim that consumers need increased levels of information in order to make educated purchase decisions and need to be convinced that their buying behaviour can make a difference. Furthermore, it was stated by three respondents that consumers do not believe in the fair trade cause, for example some consumers do not believe that the extra money is really going to the producer but in fact big corporations profit from it. The lack of brand awareness compared to established brands hinders the purchase of fair trade goods. An example provided by one respondent was:

Specialised fair trade chocolate producers may struggle to compete with Cadbury’s/Nestlé, who have been on the market for years.
(Respondent 5).

Four respondents stated that fair trade is not marketed properly, for example, many companies supply fair trade products and do not advertise these products effectively. Others inaccurately advertise their products as fair trade. This contributes to consumer confusion. Furthermore, according to two respondents, consumers are likely to purchase fair trade goods if the product is a substitute for an existing product. It was stated that consumers are also more likely to choose fair trade over conventional products if it complements an already purchased product. For example a fair trade snack with a fair trade coffee. It was suggested by three respondents that the one approach to increase fair trade consumption would be to supply more information on what fair trade actually is:
There is a correlation between how much people know about fair trade and how often they purchase fair trade products.
(Respondent 4).

Eight respondents believe that fair trade branding usually has a positive effect on the perception of a product or brand as introducing fair trade lines can make a company seem more socially responsible or "ethical" as it implies 'concern and caring for the greater good' and this is rewarded in the market. Three of the respondents believe that:

People who see the fair trade brand on a product then have confidence in the quality of that product. Often these products will be organic as well and even if they do not contain the organic logo the consumer who is familiar with fair trade will know that the conditions for organics are very much part of the fair trade way of production.
(Respondent 3).

Fair trade gives a perception of superior quality, as consumers are aware that ingredients used are sourced from legitimate suppliers.
(Respondent 1).

The fair trade logo is recognised more now and especially by children where they have part of their school programme built around it, for example a question on fair trade has appeared in the Junior Cert examination recently.
(Respondent 8).

Three respondents commented that a large portion of fair trade consumers are not affected by fair trade branding at all, but simply choose fair trade because they believe in the cause. It was added that in general fair trade was not well branded and not well explained as there exists a lack of funding for marketing. According to Doherty and Tranchell (2007) mainstreaming strengthens the message of fair trade. The majority of respondents commented that the availability of fair trade products in supermarket chains will help raise awareness amongst the general public about the issues of poor labour practices in developing countries.

It is a positive movement to have fair trade goods available alongside other goods. It will heighten the awareness of the consumers to the wide availability of fair trade goods. Some time ago the only fair trade products people could think of were tea, coffee and bananas.
(Respondent 8).

This potentially increases benefits and revenues for fair trade producers, as products become widely available which leads to increased fair trade production. Higher fair trade consumption and additional access to markets will eventually leads to economies of scale.
With volume comes efficiency and lower prices thus increasing fair trade consumption and production. One respondent proposed that the way forward would be to have fair trade as a standard, not a choice.

*Fair trade doesn’t go far enough. Fair trade doesn’t have to be more expensive than conventionally produced goods. Huge mark-ups are placed on fair trade goods by greedy corporations. They simply charge as much for it, as consumers are willing to pay.*
(Respondent 2).

However, the mainstreaming of fair trade can have a negative impact. According to Low and Davenport (2005) the message may get lost, it may lead to clean-washing and fair trade might lose its radical edge. As stated by one of the respondents the “special” nature of the fair trade brand may get diluted as it becomes mainstream:

*As more and more producers adopt a fair trade policy, the ‘uniqueness’ of only sourcing from ethical suppliers diminishes, and therefore the fair trade brand will no longer be a unique selling point for marketers or important in the eyes of the consumer.*
(Respondent 6).

In addition, one respondent commented that pioneering, small companies may suffer because they cannot compete on price, nor have sufficient promotional resources. Two respondents commented that mainstreaming may also lead to consumer confusion when a company supplies only a very limited amount of fair trade products, like Nestlé’s fair trade Partners Blend Coffee. Indeed Crane and Matten (2007) report that Nestlé admit to simply introducing a fair trade line for commercial reasons. Furthermore, one respondent suggested that consumers may feel that they are making charitable donations by purchasing fair trade products and hence may reduce their charitable donations to other causes. According to Hira and Ferrie (2006) some companies take advantage of the positive effects attached to fair trade branding and state that the consumer’s image of a company improves if the company is viewed as ethical. The majority of respondents believe that a business that follows a clean-washing strategy appears ethical. One respondent agreed:

*That introducing fair trade products to a range does make a company seem more ethical than before.*
(Respondent 7).

However, it was claimed by two respondents that clean-washing only works if the company undertakes extensive advertising. In addition, one respondent proposed that more organisations should be encouraged to add fair trade lines, ‘like Cadbury, Starbucks, Unilever, and Ben and Jerrys have done recently, as the more fair trade products that are on the
market, the more indigenous producers are going to benefit’. One opinion that emerged was that often corporations are simply ‘window dressing’ and introducing fair trade lines only to appear more ethical. Two respondents explained that:

*I believe some large corporations see the introduction of fair trade lines as a good business move but I am not sure whether the motivation to do so is based solely on giving cocoa farmers in developing countries a better way of life.*
(Respondent 2).

*I think that many organisations may ‘stretch the truth’ when it comes to fair trade. For example, only a small percentage of their products are actually fair trade, as opposed to their entire range. You either believe in it or you don’t.*
(Respondent 8).

These findings indicate that companies can take advantage of the positive effects attached to fair trade branding and use it to improve consumer satisfaction. However, clean-washing only works if consumers know about fair trade and if the company significantly invests in marketing.

**Conclusion and Recommendations**

The findings from this research illustrate that mainstream marketing can increase sales of fair trade products significantly. However, there is a risk of absorption and dilution of the fair trade movement. This research reveals that the rationale behind the purchase of fair trade products is the desire to help underprivileged producers in the developing world, which in turn provides consumers with a feel-good-factor. The factors that hinder fair trade consumption are: a lack of knowledge; perceived higher prices; and a lack of awareness/understanding of the fair trade logo. Fair trade companies also struggle to compete against established brands due to the lack of brand awareness. In addition, consumers are sceptical that their purchase makes a difference. Factors which positively affect consumer behaviour are the provision of extra information on the benefits of fair trade consumption and lower prices. Fair trade is still perceived to be of a lower quality than conventional goods. Less than fifteen per cent of consumers surveyed believe that the quality, taste and appearance of fair trade products are better than conventional products. According to fair trade suppliers this is due to lower standards when the products first came to market. Fair trade branding usually has a positive effect on the perception of a product or brand and makes a company appear ethical. However, it only has a positive spin-off effect if consumers know what fair trade is. The mainstreaming that most influenced the consumers’ buying behaviour was increased availability of a range of fair trade products. In addition, consumers are also influenced by the introduction of fair trade lines by mainstream businesses. Consumers believe that mainstreaming has predominantly positive effects and it helps raise awareness of the fair trade movement. However, mainstreaming can have negative effects. There is a
risk that the message is diluted as fair trade becomes mainstream. In addition, small fair trade companies may suffer as they cannot compete with larger organisations. Furthermore, some companies take advantage of the positive effects attached to fair trade branding and use it to improve their image. Clean-washing only works if consumers know what fair trade is and if the company heavily advertises. Consumers do not perceive clean-washing as unethical or that it dilutes trust in the fair trade message.

Based on the evidence collected the following three recommendations in relation to the marketing of fair trade FMCGs are presented: first, marketers must manage the perceptions of the fair trade brand by providing consumers with quality and accessible information about the benefits and effects of fair trade. Second, consumers need to be convinced that their purchase behaviour makes a difference. Even though awareness of the fair trade brand is high, it has not been completely embraced in both markets and marketing communications should be used to counteract this. Third, and finally, the perception that fair trade is of a low quality needs to be addressed. This could be achieved by placing more emphasis on quality, rather than focusing on fair trade issues. These recommendations if implemented would help: retailers to deliver an appropriate merchandising strategy for fair trade products and allow brand consultancies to develop tailored brand communications for fair trade, specifically addressing the existing negative perceptions; and assist new fair trade product development.
References


