

Market forces and competition are not necessarily detrimental to sustainability

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The consumption of sustainable foods and drinks is becoming common in certain categories. This provides us with an opportunity to study markets that have transformed from merely “unsustainable” to “sustainable” consumption. As approximately three fourths of the coffee consumed in the Netherlands is being produced in a sustainable way, the Dutch coffee market is a market from which we can draw lessons. To this end we analysed the case in a historical way by using available documents and conducting interviews with actors that played key roles in the transformation of the market.

The driving forces behind the growth of this market segment are not consumers, but coffee roasters and supermarkets, as shown by our study. For many years, Fair Trade was the trendsetter in the market for sustainable coffee. When its coffee was first introduced in 1989 as a store brand under the name ‘Max Havelaar’, market researchers predicted a 15 percent market segment for this sustainably produced coffee. Looking back, Max Havelaar certainly played a role in bringing awareness to the consumer, but the Max Havelaar/Fair Trade market share did not exceed three percent.

From 1997 onwards, however, the market share of sustainable coffee – beans with a certificate of sustainability – grew rapidly to probably reach 75 percent this year, after an agreement reached by coffee roasting companies and supermarkets with community organisations. But the consumer was not the driving force of this growth. The coffee roasters and supermarkets were behind it. They were the ones who started to offer sustainable coffee. First of all, Perla coffee, the house brand of two major supermarket chains, switched to sustainable coffee, not in the least because one of the managers made it his personal mission to improve the situation in the countries of origin where he had worked and lived for many years. A third supermarket chain followed suit. The coffee roasters announced on their websites that they not only roasted “normal” coffee, but also Fair Trade, Utz Certified and Rain Forest Alliance coffee. They thus offered an assortment of different sustainable coffees to retailers and brand managers in the business-to-business market.

At first, the leading A-brand Douwe Egberts (DE) put up strong resistance against Fair Trade, seeing it as a threat to its own brand. The power of the top brands subsided however in the nineties when people turned to buying more store brands. In addition, the coffee crisis of the 1990s caused the supply of good coffee beans to fall. As such, purchasers started to make one-to-one deals with suppliers about quality and price and sought the help of certifiers like Rainforest Alliance and Utz Certified, which thus got the wind at their backs. They offered companies that didn’t want to commit to Fair Trade an alternative to be sustainable. In addition, a new generation of company managers took over that was not just trained in efficient business but also acquainted with social responsibility. As the last major brand on the market resisting the trend, DE eventually switched over as sustainable coffee became mainstream.

The creative strength of coffee roasters and supermarket purchasers has led to roaring sales of sustainable coffee in the Netherlands. We can say that they created the demand. The big group of consumers in the middle went along with the choice of the companies, rewarding them by remaining loyal to their brands.

The study tells us that Fair Trade played a vital role in creating a market for sustainable coffee, but perhaps not the role that it is sometimes believed or expected to play: it was an initiator of the sustainable development process, rather than the accelerator. In the process of acceleration, the Fair Trade experience played a vital role as a yardstick for others. We therefore recommend that new research also takes a broader look beyond Fair Trade to the broader sustainable transformation of markets.

At a higher level, the findings suggest that market forces and competition are not necessarily detrimental to sustainability. Companies can create sustainable markets while at the same time strengthening their brand equity. Initiators like Fair Trade may question the legitimacy of mainstream brands. That creates a demand on the part of the mainstream producers in the business-to-business market and they start searching for sustainable inputs as a means to protect brand equity. It is therefore the understanding that these companies have about the expectations and norms of their consumers, rather than actual consumer-decision-making, that drove the shaping of a market for sustainable coffee.

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Notes:

- This article is based on the authors' paper [The Development of a Market for Sustainable Coffee in The Netherlands: Rethinking the Contribution of Fair Trade](#), in the *Journal of Business Ethics*, March 2013, Volume 113, Issue 3, pp 461-474.
- In creating this blog post, the authors adapted text written by Albert Sikkema.
- This post gives the views of its authors, not the position of LSE Business Review or the London School of Economics.
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