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„THE FUTURE OF FAIRTRADE“

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angestrebter akademischer Grad

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**i. LIST OF ABBREVIATIONS**

**CSR** Corporate Social Responsibility

**CRM** Customer Relationship Management

**EFTA** European Fairtrade Association

**FINE** Conglomerate of the four major Fairtrade bodies – EFTA, FLO, NEWS & WFTO

**FLO** Fairtrade Labeling Organization

**FLO** Fairtrade Labour Organization

**NEWS** Network of European Worldshops

**NGO** Non-government organization

**UK** United Kingdom

**WFTO** World Fair Trade Organization

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## **ABSTRACT**

Fair trade as a business model aims to improve the living standards of raw-material producers by ensuring a fair distribution of profits throughout a production chain. The sales of Fairtrade products have growing year on year in many consumer markets across the world. Thus, Fairtrade has been hailed as a tool with which poverty can be alleviated.

Fairtrade products traditionally command a price premium versus non-Fairtrade alternatives, resulting in the future of Fairtrade being questioned due to increased price sensitivity brought about by the economic recession. Given the overwhelming amount of food purchases that are made in supermarkets, supermarket buyers hold a large balance of power in ensuring that Fairtrade food products reach the end consumer. As gatekeepers to the mass consumer market, their decisions in part can ultimately determine the future of Fairtrade.

This thesis aims to assess the abilities of Fairtrade to continue to succeed in the future. Through in-depth interviews with supermarket buyers and Fairtrade agencies, findings show that Fairtrade products need to achieve price competitiveness, and must incur additional benefits such as streamlined and safeguarded supply chains to ensure continued success in the future.

## **GERMAN ABSTRACT**

Fair Trade ist ein Geschäftsmodell, dessen Ziel es ist, den Lebensstandard der Rohstoffproduzenten durch die Gewährleistung der fairen Verteilung des Profits innerhalb der Produktionskette zu verbessern. Die Verkäufe von Fair Trade Produkten stieg Jahr für Jahr in vielen Verbrauchermärkten überall in der Welt an. Daher wird Fair Trade als ein Mittel zur Armutsbekämpfung gepriesen.

Fair Trade Produkte sind traditionell teurer als nicht Fair Trade Alternativen, was dazu führt, dass die Zukunft von Fair Trade wegen der Rezensionsbedingten erhöhten Preissensibilität in Frage gestellt wurde. Vor dem Hintergrund der enormen Mengen an Nahrungsmittelverkäufen in Supermärkten, verfügen die Einkäufer der Supermärkte über große Macht um zu gewährleisten, dass Fair Trade Nahrungsmittel den Endkonsumenten erreichen. Als Torwächter zum Massenkonsummarkt, können ihre Entscheidungen letztendlich die Zukunft von Fair Trade bestimmen.

Diese Arbeit versucht die Fähigkeiten von Fair Trade zur Weiterführung seines Erfolgs zu beurteilen. Tiefeninterviews mit Supermarkt Einkäufern und Fair Trade Agenturen zeigten, dass Fair Trade Produkte wettbewerbsfähige Preise erlangen müssen, und zusätzliche Vorteile wie rationalisierte und gesicherte Nachschubketten übernehmen muss, um ihren Erfolg in der Zukunft zu sichern.



## INTRODUCTION

### 1.1 Fairtrade: a viable solution for marginalized producers?

Fairtrade is a method of trading which aims to ensure better living and working conditions for all producers involved in a commodity production chain through fairer allocation of financial compensation. Fairtrade aims to correct free-market distortions where producers of raw material can be economically disadvantaged due to below-cost returns for their product.

Once a poster-child for ethical consumption, Fairtrade has come under criticism in recent years for a variety of reasons. Its effectiveness towards poverty alleviation has been questioned, along with its ability to leverage greater equality for producers in the production chain. Additionally in light of the recent economic downturn the sustainability of Fairtrade sales has been challenged, as sales of other ethical initiatives such as organic products suffered significantly.

Whilst the sales of Fairtrade products have increased year on year, the future viability of Fairtrade rests largely in the hands of retail buyers who determine which products are available to the mass consumer market for purchase. Although decisions made by this group of actors are in response to consumer demand, they hold an unequal balance of power within the commodity chain and their decisions can greatly influence the performance of Fairtrade in the future.

#### 1.1.1 Case Specifics

Broadly speaking, Fairtrade refers to a certified trading arrangement between purchasing groups such as retailers, processors and wholesales with the producers of raw materials. The Fairtrade Labeling Organization (FLO) developed and currently monitors the standards which need to be met by actors in the production chain in order to become Fairtrade accredited. These

standards include, but are not limited to: purchasing from co-operatively owned producer groups, the payment of a minimum Fairtrade price, the sustainment of long-term trading relations, the advance of credit and a transparent use of Fairtrade premiums<sup>1</sup>.

Fairtrade certification exists for many commodities such as food items, beverage items and non-edibles such as flowers and cleaning products. Standards also exist for wearable goods such as cotton and linen, beauty products such as soap and fragrance, and craft items. A more exhaustive list of current Fairtrade standards for various commodities can be found at [www.fairtrade.org.uk](http://www.fairtrade.org.uk).

Fairtrade presents itself as a tool which can be used to actively fight poverty, improve the sustainability of supply chains and to help empower impoverished producers against powerful purchasing conglomerates. The ability of Fairtrade to actively shift traditional power structures away from the buyer and back to the producer remains in question, as the movement does not appear to have reached the critical mass needed for producers to be able to influence trading terms further towards their favour.

The United Kingdom (UK) represents one of the biggest consumer markets of Fairtrade products<sup>2</sup>. The British media is highly influential and has both praised and criticized the Fairtrade certification program, having the potential to affect consumer perception and thus the sales of Fairtrade products. In addition, the UK is home to organizations with some of the most formidable purchasing power in the food industry, such as Tesco which is the world's third biggest retail group<sup>3</sup>. Therefore the UK has been chosen as the focus for this piece of research.

## **1.2 Research Objectives**

This study aims to initiate an assessment of the future capacity of Fairtrade to work towards providing a better standard of living for impoverished producers. In order to achieve a level of insight in formulating conclusions, several smaller objectives will work together. This includes researching the history of the Fairtrade movement, along with the trading conditions in which it exists today. Furthermore, an effort will be made to try and establish the future viability of the movement, given the catalytic factors that have established Fairtrade's current position. In order to estimate the future performance of Fairtrade, both retailers and providers of Fairtrade products will be utilized as information sources in order to triangulate results.

## **1.3 Research Approach**

Qualitative data alone has been used as the primary and secondary sources of information for this thesis. Interviews will be carried out with supermarket buyers and Fairtrade producers alike, along with a thorough consultation of existing academic theory regarding Fairtrade. Up-to-date sources such as newspaper articles and journal discussions will also be used.

## **1.4 Contribution to knowledge**

Much existing Fairtrade literature investigates the characteristics and motivations of the Fairtrade end consumer. In addition, there is a current body of literature that reviews the effectiveness of Fairtrade with regards to poverty alleviation and equality promotion. Commercial motivations are sometimes discussed, however it appears few articles consult supermarket buyers directly. Simultaneously, few academic pieces seem to directly consult a breadth of Fairtrade agencies, choosing only one or two on which to base their findings. It is

hoped that a closer relationship with these two stakeholder groups can help to elucidate a more accurate and generalized conclusion regarding the true capacities of the Fairtrade movement.

### **1.5 Structure of dissertation**

A review of the body of literature surrounding Fairtrade follows this introduction in the form of a literature review, and sets a framework within which resulting primary research will be conducted. Following this, specific research questions are highlighted, along with a more defined scope of the research objectives. A methodology for the primary research approach will be provided, along with an outline of sources. Upon conclusion of the research, results will be captured and a critical discussion will be based upon the findings. Finally, overarching conclusions will be accompanied by limitations of the research and suggestions for further research in the area.

## 2. LITERATURE REVIEW

### 2. 1 Defining Fairtrade

Fair trade is a method of trade which aims to ensure better living and working conditions for all producers involved in the production chain of a commodity. Its aim is to help correct free-market distortions by ensuring better equality for all actors in a commodity chain, especially for producers of raw materials who have been marginalized or economically disadvantaged.

The Fairtrade Labeling Organization defines fair trade as such:

*“It improves the position of the poor and disadvantaged producers in the developing world, by setting Fairtrade standards and by creating a framework that enables trade to take place at conditions respecting their interest”.*

Source: [www.fairtrade.net](http://www.fairtrade.net).

Fair trade and Fairtrade are two different terms. Fairtrade comprises a set of standards which any ‘Fairtrade’ marked product must adhere to. This certification scheme was created and is monitored by Fairtrade International, which uses the logos in Figure 1 below on any Fairtrade products. Fairtrade International is also known as Fairtrade Labeling Organizations International, and is commonly referred to as ‘FLO’ by producers and retailers alike. When one refers specifically to Fairtrade (spelt as one word), they are referring to the set of standards set by the FLO.



*Figure 1: Fairtrade International Fairtrade logos, sourced from [www.fairtrade.net](http://www.fairtrade.net).*

Fairtrade standards encompass a broad spectrum of aspects associated with production. The overall objective is to ensure that producers receive adequate compensation to cover their average cost of sustainable production<sup>4</sup>. This is represented by a pre-determined Fairtrade price for a raw materials, which more often than not is a higher price than the conventional market price. In instances where the market price is higher than the Fairtrade price, the Fairtrade price adapts to become the market price with an additional price premium. Pre-financing and credit should be provided for producers who require it, and a fund should be made available for investment into ‘social, economic and environmental development’<sup>5</sup> in producer communities. Actors along the supply chain should aim to foster long-term partnerships, giving increased security to all<sup>6</sup>. Fairtrade also stipulates that producer co-operatives must represent small-holding farmers, and must be democratic in their governance<sup>7</sup>.

Fair trade refers to a broader idea of more equitable trading, but does not necessarily include all the Fairtrade standards. Fair trade and Fairtrade are similar in their nature – products can still be traded fairly without being accredited as ‘Fairtrade’ as such. The implication here is that the producers of that product have chosen not to seek formal accreditation, despite ethical trading practices that may be taking place. The term fair trade is used broadly in both academia and popular media, and commentary is almost always relevant for both Fairtrade accredited products and fair trade products.

FINE is an umbrella organization comprising of four key players in the fair trade arena (the acronym of which is based on the names of these four players). The group includes Fairtrade Labeling Organization (FLO), the World Fair Trade Organization (WFTO), the Network of

European Worldshops (NEWS) and the European Fair Trade Association (EFTA). An informal association, the group extends the definition of fair trade to include the following central principles:

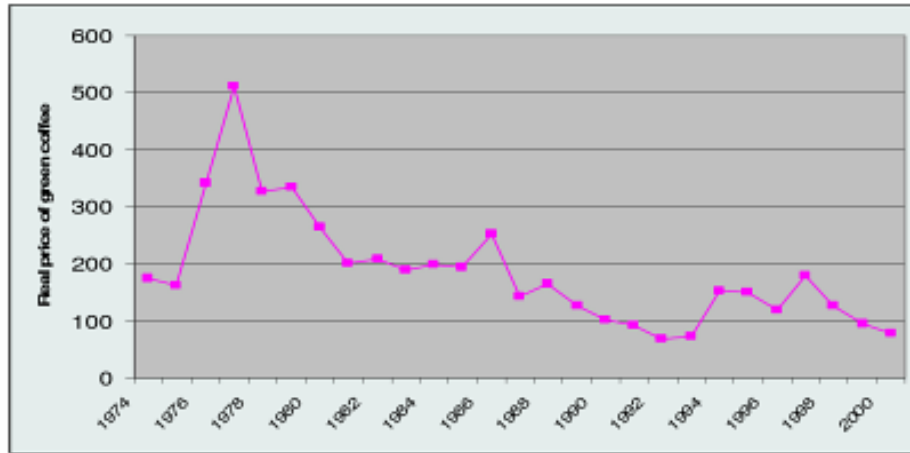
- a) Fair trade “deliberately works with marginalized producers and workers in order to help them move from a position of vulnerability to security and economic self-sufficiency”
- b) It “empowers producers and workers as stakeholders in their own organizations”
- c) It “actively plays a wider role in the global arena to achieve greater equity in international trade”.

*Sourced from FINE’s 2006 publication, “Business As Usual”*

Litterell & Dickson (1999) define fair trade along a continuum. At minimum, the essence of fair trading requires a minimum ‘fair wage’ along with a ‘safe and clean’ workspace for all employees. Products that are considered to be fair trade are therefore ones that include at least these minimum requirements. In its entirety however, fair trading includes sustainable business development, empowerment for producers, social and political justice along with cultural preservation<sup>8</sup>.

A coffee price crisis in the early 1990’s is hailed as being a key catalyst for the growth of fair trade and its introduction in to the mass market. Coffee as a commodity in isolation has experienced extreme price volatility in recent years, as illustrated by Figure 2 below.

Figure 1 Real Price of Green Coffee, US cents/lb, constant 1995 dollars<sup>12</sup>



Source: ICO, WDI; author's own work

Figure 2: Real price of Green Coffee, US cents/lb., constant 1995 dollars. Source: World Bank.

Small-holding producers, who represented 70% of the world's coffee production, could no longer cover their costs of production due to the low price they were receiving<sup>9</sup>. Towards the end of the 20<sup>th</sup> century, coffee was the second most valuable traded commodity after oil, carrying a huge influence in terms of employment and poverty<sup>10</sup>. This reality highlights the gross disparity in distribution of the final price paid for the product along the production chain.

Due to the adverse effect the fluctuations were having on producers and communities across the world, a wide range of policy interventions were developed, along with a surge in demand for Fairtrade coffee.

### 2.1.1 The Evolution of fair trade

Fair trade was originally developed as a means for humanitarian assistance. For example, in the UK, fair trade was an alternative form of trading carried out by charities in order to help support refugees from World War II<sup>11</sup>. However by the 1960's, the fair trade movement shifted its focus towards the structural reform of capitalism in order to correct injustices experienced by producers in



the global south<sup>12</sup>. Moving away from a focus of charity and giving to alleviate poverty, fair trade directly targets international market regulation as a vehicle with which to better achieve development<sup>13</sup>. Fair trade represents an unconventional production and consumption pattern as it traditionally does not follow the orthodox buying practice of sourcing the most competitively priced products or inputs<sup>14</sup>. It aims to mitigate exploitative supply chain relationships through stronger networks of mutuality and reciprocity<sup>15</sup>.

Max Havelaar is one of the oldest and most prominent fair trade movements in Europe, and is credited with being the first brand to popularize the initiative. It was founded in 1988 as a brand by a Dutch non-government organization (NGO) called Solidaridad<sup>16</sup>. The organization initially had its own set of accreditation standards, assuring certain labour and environmental standards were met. It inspired several key international spin-offs, including Transfair and the Fairtrade Foundation. In 1997 the organizations merged together to form the Fair Trade Labeling Organization (FLO), which launched the international Fairtrade certification standards and logo<sup>17</sup>.

The fair trade movement has experienced much market success over the last few years. Sales of Fairtrade products alone have increased year on year, from global sales of €220 million<sup>18</sup> in the year 2000 versus sales of €4.36 billion<sup>19</sup> in 2010. This represents an increase of 1882%, with an average growth rate of 188.2% per year. This growth of Fairtrade sales is believed to be an adverse consumer response to market liberalization where vulnerable, small-holding producers receive little protection. Products containing coffee, cocoa and cotton have surged in retail value over the years, yet many producers involved in the production of these 'cash-crops' live on the cusp of poverty. Consumers are becoming increasingly aware of this, and purchase Fairtrade goods as a way of showing support for these producers. Popular Fairtrade products include coffee, cocoa, sugar, tea and flowers.

The evolution of fair trade has followed two paths. The first path represents what Dolan (2008) terms to be an ‘idealist’ path, which actively targets structural change. Goods in the production chain are produced and distributed through entirely alternative distribution channels, and the process represents an integrated supply chain working towards a common cause<sup>20</sup>. The second path, epitomized by FLO, focuses on certification of raw products which then are sold along conventional distribution chains ending up in mainstream supermarkets being used by transnational food and retail corporations<sup>21</sup>.

### 2.1.2 The Fairtrade Production Chain

There are four key types of organizations involved in Fairtrade<sup>22</sup>. Firstly, there are the producer organizations which are largely found in the global south<sup>23</sup>. These organizations tend to be of a co-operative format, bringing together a number of local smallholding farmers in order to strengthen negotiation abilities and to deliver higher volumes of raw materials. Then there are organizations often located in developed commercial markets which act as agencies that import and facilitate the entrance of Fairtrade products into their market. These agencies are often referred to as ‘alternative trading organizations’<sup>24</sup>. Thirdly, there are certification bodies which regulate and provide certification for said Fairtrade producers and agencies. The most recognizable of these is the Fairtrade Labour Organization (FLO), which was established in 1997 and tends to be regarded as the international authority with regards to standard setting and certification<sup>25</sup>. When speaking of Fairtrade specifically, one is referring to the accreditation standard of FLO. Fourth, there are conventional actors such as supermarkets who can deal directly with suppliers and agencies who stock Fairtrade products making them available for consumer purchase.

As this particular thesis is centered exclusively on products certified as Fairtrade rather than fair trade in general, certain aspects of the production chain such as the ethical production of raw

materials take precedence. For example, employee rights are high on the Fairtrade agenda, as is gender equality. Producer organizations must be transparent and democratic, and they must protect the natural environment in which they operate<sup>26</sup>. The exact rules and regulations can vary between the Fairtrade product groups and the Fairtrade price for raw materials can vary from country to country. However the central underlying principles tend to remain the same. FLO defines the Fairtrade system as being about trading as directly as possible with producers in order to reduce the number of steps in a supply chain. This gives the producer a larger share of the wealth generated from retail sales<sup>27</sup>. The Fairtrade production chain however does not necessarily cut out any steps that are included in a conventional production chain, and the number of steps or intermediaries involved varies from chain to chain.

The central focus of the Fairtrade system is the price premium that is paid to producers for the raw materials. Fairtrade producers can sell their product on the Fairtrade marketplace, or can sometimes establish direct relationships with Fairtrade buyers. Once the primary product is sold to a registered Fairtrade buyer, the further processing of the raw material can have very similar costs compared to the conventional production chain. Costs such as ripening, processing, packaging, transport, insurance and distribution are no different between the two chains<sup>28</sup>. Licensed Fairtrade importers and retailers can trade products as they wish within the Fairtrade guidelines, and there can be the same traders present in both Fairtrade production chains as well as conventional chains<sup>29</sup>. The Fairtrade production chain does not mean that actors at any step have to reduce their profit margin – in fact; it is often the customer who can pay the price premium so that the raw material producer receives their price premium<sup>30</sup>. Because the major costs associated with production occur after the raw materials have been obtained, the Fairtrade producer of these materials still receives a relatively small percentage of the retail price for the end-good<sup>31</sup>.

This does not mean that steps in a Fairtrade production chains *have* to mimic those in a conventional chain. Several Fairtrade producer cooperatives have the facilities to do more than just the growing of the raw material. Coocafé in Costa Rica organizes the transport, processing and exportation of its own coffees, ensuring that a larger portion of the end retail sales end up back in the hands of Costa Ricans<sup>32</sup>. In addition, Fairtrade buyers can choose to bypass several steps of a conventional production chain by sourcing Fairtrade products directly. Victoria's Secret, a highly successful American lingerie and swimwear manufacturer and retailer, has a direct relationship with UNPCB, the national cotton growers union in Burkina Faso. The peak of the five year agreement saw Victoria's Secret purchase roughly 60% of Burkina Faso's organic cotton crop in 2007/2008, which was shipped straight to Sri Lanka for manufacturing<sup>33</sup>. Not only did growers receive a higher producer price (17.6 Fcfa above the minimum organic/Fairtrade price at the time), but Victoria's Secret also ensured a high participation of women in the growing process<sup>34</sup>. This relationship represents an example of how manufacturers and retailers can take trading terms into their own hands, and to ensure a larger share of the benefits fall in the hands of the raw material producers.

## **2.2 Fairtrade as ethical consumption**

Traditional consumption usually implies that the price of a product is a key determining factor as to whether or not that product is purchased. In opposition, Fairtrade falls under the broader definition of ethical consumption. Ethical consumption is defined as 'traditional consumption', incorporating a concern<sup>35</sup>. Ethical products can include a multitude of initiatives, such as raising money for scientific research, empowerment of a particular group of people or promoting a local community venture. They can advocate environmentally sustainable production such as organic, or donate to a specific charity. Campaigns which encourage customers to buy locally

produced products are also considered to be ethically motivated as they ask consumers to step away from making decisions purely based on price.

The 'ethical consumer' is described as someone who has concerns about the ethical behaviour of companies and chooses to express this concern using their buying behaviour<sup>36</sup>. An increasing number of consumers see themselves as 'partners' in poverty reduction and express this through purchasing<sup>37</sup>. They aim to mitigate the inequalities created by the global economy and to ensure the producer gets a fairer return for their input.<sup>38</sup>

Fairtrade is often discussed in the wider context of ethical consumption, as there are many demographic and behavioural similarities between those who consume Fairtrade products and the broader ethical consumer. Like Fairtrade, the general consumption of ethical products is increasing in popularity<sup>39</sup>.

In his study of British consumers, De Pelsmacker (2005) found that Fairtrade is viewed more favourably than other ethical initiatives. This could be due to the internationally recognized and approved labeling system, and the fact that the certification scheme is long-standing. However this does not mean that Fairtrade is immune to competition from other ethical initiatives, particularly that of the Rainforest Alliance which growing in popularity particularly regarding certification of coffee products. The sales of organic products have plummeted in recent years, implying it has fallen victim to increased competition from other ethical initiatives.

Figure 3 below illustrates the spending pattern on various types of ethical consumption in the UK.

	2000	2009	2010	% Growth
<b>Ethical Food &amp; Drink</b>	£m	£m	£m	2009-2010
Organic	605	1,704	1,527	-10.39%
Fairtrade	33	749	1,017	35.78%
Rainforest Alliance	-	1,076	1,198	11.34%
Free range eggs	182	448	483	7.81%
Free range poultry	44	174	174	0.00%
Farmers' markets	142	220	220	0.00%
Vegetarian products	479	549	541	-1.46%
Freedom foods	-	122	127	4.10%
Sustainable fish	-	178	207	16.29%
Food and drink boycotts	587	1,040	1,084	4.23%
<b>Subtotal</b>	<b>2,072</b>	<b>6,260</b>	<b>6,578</b>	<b>5.08%</b>

*Figure 3: Consumption of ethical products in the United Kingdom<sup>40</sup>*

As can be seen from the graph above, for the year 2010 organic products had the highest sales, followed by products certified by the Rainforest Alliance and then Fairtrade products. However Fairtrade products have the highest growth rate, more than double the growth rate for the Rainforest Alliance. If the growth rate from 2009 to 2010 were to continue for 2011, sales for Fairtrade goods would outstrip sales for both other initiatives.

### 2.3 The need for Fairtrade

Fairtrade has been hailed as a tool with which the world can sustainably tackle poverty. Conventional global agriculture sees small-scale producers experience increasing poverty due to insufficient returns along with disempowerment in the production chain<sup>41</sup>. The chain is often dominated by a handful of large and powerful multi-national corporations. These large corporations can benefit from economies of scale, and can get away with paying producers insufficient wages to cover their costs of production due to their large purchasing power<sup>42</sup>. Fairtrade can help to reverse this reality, and research suggests that ethical purchasing is engendering profound changes in the lives of small-holding producers<sup>43</sup>.

Despite heavy promotion by bodies such as the International Monetary Fund and the World Bank, market liberalization can often do a lot of harm to small-scale commodity producers. Market liberalization can result in the removal of protectionist measures which can often safeguard the livelihood of these agricultural workers. While developing countries are encouraged to undergo such changes, this leaves their producers vulnerable to subsidies present in the developed world, which artificially lower the price of a commodity due to oversupply.

There are several industries which have high involvement with Fairtrade production and certification. As discussed, coffee, cocoa, sugar and bananas represent popular Fairtrade goods. The conventional cocoa market is marked by stark inequalities. The Economist outlined that the global market for cocoa was \$75 billion in USD for the year 2007, but just \$4 billion was given back to the producers<sup>44</sup>. The conventional market price for cocoa is extremely unstable. It was \$2,230.35 USD per metric tonne in February 2003, falling to \$1,404.71 USD in June 2004, almost halving in value over the space of a year. The highest price achieved in the last 10 years was \$3,552.10 in January 2010, and for February 2012 the average price is back down to \$2,410.99<sup>45</sup>. Figure 4 below illustrates the price fluctuations which have characterized the last ten years for cocoa.



*Figure 4: World cocoa price from May 2002-May 2012. Source: Indexmundi*

As for the Fairtrade price, this was most recently set at \$2,300 USD per tonne in January 2011, plus an additional \$200 for investment in the community for every tonne. Producers could also earn an additional \$200 USD to invest into their organic cocoa production for every tonne sold<sup>46</sup>. The Fairtrade price helps to overcome the volatility of the conventional market price.

Production of clothing and textiles is frequently hailed as the first step into manufacturing that developing countries should aim to foster<sup>47</sup>. Given the relatively low barriers to entry into the industry, the sector is ideal for stimulating employment due to the large number of low-skilled jobs it creates. However, the industry is dominated by large retailers, with vast purchasing power. In addition, the textile production industry is fraught with domestic limitations and subsidies in the major consumer markets. These countries actively guard their increasingly inefficient clothing and textile sectors, protecting them from the growing competition of developing countries that have cheaper costs of production. Such subsidies mean that poor cotton-producing countries of the global south face several obstacles that limit them from effectively leveraging fair profits from their clothing and textile production<sup>48</sup>. Agricultural subsidies present in many developed countries encourage an over-production of cotton and thus sale prices below the true cost of production<sup>49</sup>. Subsidies present in the United States are blamed for resulting in cotton prices being at their lowest level for 60 years when adjusted for inflation<sup>50</sup>. Oxfam alleges that this subsidy alone renders 10 million cotton producers in Africa uncompetitive<sup>51</sup>. Trade ministers from Benin, Burkina Faso, Chad and Mali have filed an official complaint against the subsidies present in the United States and the European Union, claiming this costs their countries \$1 billion USD in collective revenue<sup>52</sup>. In Mali, one third of the population relies on cotton production for their livelihood, and in Benin and Burkina Faso, cotton represents almost half of their merchandise exports<sup>53</sup>. Market liberalization has clearly marginalized cotton producers in Africa whilst favoring the more relatively inefficient producers in the developed world. The free market cannot be relied upon to ensure equitable



compensation for all producers along the production chain. Fairtrade can help to overcome this unequal exchange.

Fairtrade is helping to address the inequalities that face women in the workplace. Gender equality is a stipulation of the FLO standards, and is actively helping to empower women who are marginalized by traditional production chains. This is important as promoting women's rights is a Millennium Development Goal stipulated by the United Nations Development Program.

## **2.4 Fairtrade and aid**

Work towards poverty alleviation at present relies heavily on a lot of unilateral aid. In the past 50 years, over \$1 trillion USD has been given to African countries in the form of development-related aid from rich countries<sup>54</sup>. This money has come both from government donations along with charitable giving from independent organizations. However the recent economic recession has proven to be testing. Charities are receiving smaller donation amounts, with 2010 marking the second year in a row where charitable giving was in decline<sup>55</sup>. Governments are facing increased domestic costs as unemployment has risen and tax revenues have declined, putting downwards pressure on their international aid donation amounts. Relying on aid alone to tackle poverty is risky and dangerous as it cannot be counted upon. As Ferguson (2004)<sup>56</sup> describes, aid is development's 'failed plotline', giving evidence of several promising initiatives which have stalled due to donor funding drying up.

In her book "Dead Aid", Dambisa Moyo lambasts foreign aid into Africa. She claims that aid has in fact made the lives of Africans worse due to a 'vicious circle' of 'aid dependency, corruption, market distortion and further poverty'<sup>57</sup>. Aid to Africa has put local producers out of business – Moyo uses the example of an African mosquito net producer. Due to the high prevalence of malaria in sub-Saharan Africa, mosquito nets are in high demand. However the African producers

cannot make enough nets by themselves, resulting in external charities importing nets made in China and distributing, consequently putting the African producer out of business as people can now receive nets for free<sup>58</sup>.

Moyo accuses aid of being inflationary and negatively affecting the competitiveness of a country's exports. Aid is often given in \$USD, and this needs to be changed into the local currency to enable use of the money on the ground. This increases demand for the local currency, pushing up its value and thus creating the 'Dutch disease' effect as that country's exports become more expensive for others. Aid can therefore directly reduce the competitiveness of manufacturing sectors which are often seen as the first step out of poverty. Finally, Moyo alleges that aid fosters and encourages corruption as state officials can easily syphon money away for personal use. Zaire's former president Mobutu Sese Seko, is alleged to have stolen roughly \$5 billion USD in aid donations from his country<sup>59</sup>.

To effectively tackle poverty, Moyo states that the focus instead should be on increasing trade with African countries. This is how the 'East Asian Tigers' were able to mobilize themselves out of poverty and reduce their dependence on aid. This sentiment is echoed by the United Nations Commission for Trade and Development (UNCTAD), who in the 1960s had already coined the notion of "trade, not aid" to assist developing countries<sup>60</sup>. Given the shortcomings of unilateral aid, Fairtrade provides a relatively reliable alternative to help assist developing countries improve their income.

## **2.5 The Future of Fair Trade**

Ethical products including Fairtrade have a market share of less than 1%<sup>61</sup>. Whilst the market value of Fairtrade products has grown year on year, there are several issues that threaten to risk this trend.

Much debate has surrounded the sustainability of Fairtrade given that it usually results in retail products priced higher than conventionally sourced products, going against traditional consumption. The current economic recession has been accused of diminishing overall demand for Fairtrade products whilst simultaneously; other economic commentators have acknowledged the growth of the Fairtrade market at this time. Fairtrade sales figures provide the most robust testament to its success however, with the Fairtrade market in the UK in 2010 being worth over £1 billion<sup>62</sup> for the first time. Despite successful sales so far, commentators warn that Fair Trade products will need to ensure they achieve and maintain price competitiveness in order to retain current sales and grow sales in the future.

Fairtrade sales in Switzerland, the European Union's biggest consumer of Fairtrade, have been stagnating in recent years<sup>63</sup>. Fairtrade practices contradict the foundation of the food industry – that is a focus on low cost and high yield<sup>64</sup>. From a commercial perspective, Fairtrade often presents a product with lower profitability as retailers aim to position such products as competitively as they can, sometimes taking a reduced margin in the process. With consumer spending dropping during the recession, retailers may start to feel that provision of Fairtrade products is something they can no longer afford.

This phenomenon has been illustrated most recently by the decrease in spending and ranging on organic products. Sales of organically produced food products peaked in 2008, at £2.1 billion in the United Kingdom<sup>65</sup>. For 2011 sales had dropped to £1.67 billion<sup>66</sup>. National media alleged that this was due to 'reigned in' consumer spending, and sales of organic produce had suffered due to the price premium that often accompanies them. Food producers and retailers are scaling back their involvement with organic ranges. Farmers in particular had moved away from organic farming, following a decline in government grants which were previously offered to encourage the

movement<sup>67</sup>. In prior research conducted with a category manager for Tesco in the UK, he mentioned that the offering of organic products in his range had reduced during his time there. When he took on his category, there were five organic options in it. Now there are only two – this, he said, was a direct reflection of what was (or was not) selling<sup>1</sup>. Could the sales of Fairtrade products fall victim to the same trend?

Fairtrade certification is a voluntary gesture. There are no laws requiring engagement with the initiative. Therefore there are other motivations at work when retailers opt to provide Fairtrade products – i.e. a response to consumer demand, or a desire for businesses to appear altruistically minded.

## **2.6 Motivations behind involvement with Fair Trade**

As consumption of Fair Trade movement goes against traditional consumption, the motivations behind engagement with the movement are of particular interest. There are motivations at work for three separate stakeholders: the businesses and brands that provide Fairtrade products to consumers, the consumers themselves and the organizations which coordinate and provide the Fairtrade raw materials.

### 2.6.1 Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a form of corporate philanthropy. The exact origins of it are widely debated, but it is loosely agreed that today's versions of CSR were developed in the 1960s in the United States<sup>68</sup>. However CSR in its various formations has been present long before these times. In its most general sense, CSR basically incorporates an action that a commercial

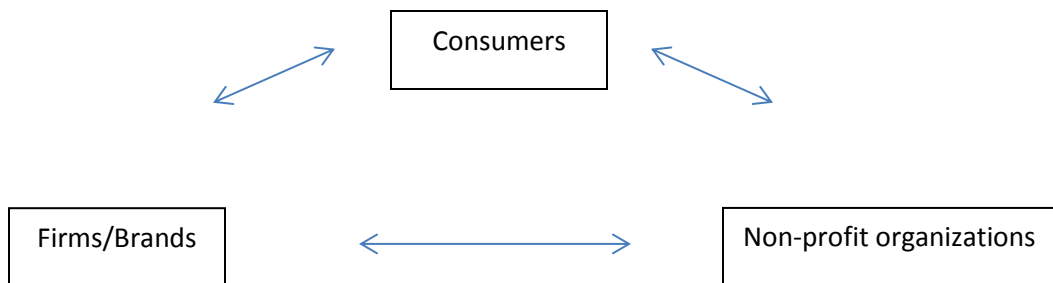
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<sup>1</sup> The author has carried out prior research in the UK for the University of Otago investigating consumer purchasing behaviour. During this research, Andrew McLachlan of Tesco was officially interviewed and provided the author with the information that has been included.

organization performs that benefits a group of people. It is the idea that corporate responsibility ‘goes beyond legal obligations<sup>69</sup>’, and that companies should give back into the communities from who they profit.

CSR can incorporate a range of initiatives. Companies can do something for the environment, improve their business ethics, or contribute financially to a community-based project. CSR is not always necessarily a marketing initiative, or a tool with which companies hope to increase their sales. However CSR more recently seems to manifest itself in such ways – when CSR is used in a communication strategy targeted at consumers, it is referred to as ‘Customer Relationship Management’, or CRM. CRM is “a marketing tool, where the product purchase leads to a target-oriented donation regarding a designated cause which is promoted on the product by label”<sup>70</sup>. Fairtrade is one of the many initiatives that can be used as CRM.

CRM not only benefits the brand involved in employing it. It can also benefit the consumer, along with the non-profit venture which the CRM is supporting. Westberg (2004)<sup>71</sup> clearly illustrates the three stakeholders with interests in CRM below in Figure 5:



*Figure 5: Triadic motivations concerning CRM. Taken from Westberg (2004).*

The three stakeholder groups have different motivations which are important to understand in order to make a critical assessment of the Fairtrade movement.

### 2.6.2 Commercial Motivations

The marketplace is cluttered, with more choices presented to consumers every day. It is difficult for brands to make their offering stand out from the rest. Hence, CRM is a useful marketing tool which aims to achieve some level of product differentiation. CRM is employed along a similar vein to other traditional marketing tools. Brands choose which initiative to support, work out the mechanics of the promotions and then communicate the initiative via packaging or other means such as advertising to the consumer

CRM is a communication tool with which companies can attract new customers, increase customer loyalty and build a reputation around their own brand<sup>72</sup>. It is said to provide measurable outcomes, in terms of increased sales and additional customers. It is seen as a long-term brand builder rather than a short term initiative<sup>73</sup>, as customers create their own image about the brand using this information. This is important as a brand is one of the most important assets for any company, despite its intangibility<sup>74</sup>. Building a successful brand helps to secure future sales.

Association with non-profit initiatives can often have favourable returns on investment, as they can generate a lot of spin-off media coverage. It can also improve a brand's public relations, and help consumers feel connected to a the brand if a local community project is involved. In addition, customers are demanding more value for money, and CRM initiatives are a way to help brands satisfy this<sup>75</sup>.

CRM initiatives have proven to be successful, and have consequently resulted in more and more companies undertaking such campaigns. Once the domain of smaller brands, now almost

every multi-national brand has engaged in some form of CRM. Food retailers in particular are big users - supermarkets account for 56,700 of the 78,900 points of sale for Fairtrade products across 25 European countries<sup>76</sup>. Several years ago, one would have had to visit a specialist shop to purchase Fairtrade food products

Consumers play the central role in the Fairtrade movement because of their demand. The demands for corporate citizenship and ethical conduct have grown<sup>77</sup>, and consumers in the past have been willing to pay a price premium to encourage ethical conduct. Consumers have become more aware of ethical initiatives and heightened media coverage of ethical wrongdoings can have disastrous effects. Big brands often come under public scrutiny and can be boycotted if consumers feel they are acting unethically.

Civil activist groups are also to thank for an increase in CRM-related activity. The group Global Exchange, a human rights organization, successfully campaigned for the multi-national coffee giant Starbucks to exclusively stock Fairtrade coffee for over a year<sup>78</sup>. Starbucks is now heavily involved in the promotion of Fairtrade as an initiative, and uses only Fairtrade coffee and cocoa in their range. Other international groups such as Amnesty International and Greenpeace are to be credited for their whistle-blowing behavior and helping to ensure businesses are acting ethically.

Brown et al (2007)<sup>79</sup> discuss the benefits of engaging in Fairtrade for logistical reasons. Due to the number of middlemen that can be cut out with the Fairtrade process as opposed to standard market processes, Fairtrade allows retailers to get closer to the source of their products. This means they have a better understanding of where their product comes from, and can develop long term relationships with specific suppliers in order to guarantee a supply volume and potentially tailor

products to fit their specific demands. In addition, retailers can avoid the costs associated with sourcing from new producers each year which tends to characterize traditional market trading.

The motivation for businesses to engage with CRM campaigns is largely discussed as a two-part motivation. While some authors claim the reason is purely one of profit maximization, others highlight the 'altruistic' aspect. Specific initiatives may be close to the individual concerns of a company. Therefore companies are motivated by two forces – altruism, and self-interest<sup>80</sup>.

As more companies are engaged in ethical initiatives, consumer skepticism has risen questioning the exact motivations, transparency and efficiency behind them. CRM campaigns need to be well researched before they are employed as a promotional tool. In order to appear genuinely concerned about the venture supported, companies should attempt to choose a cause related to them<sup>81</sup>, or stay with the same cause for as long as possible. Blumberg & Conrad (2006) highlight four key factors which they claim are paramount to include if the initiative is to be a success: relevance, commitment, integrity and credibility<sup>82</sup>. The initiatives should also be clearly advertised, with little confusion regarding the amount that is donated to the cause<sup>83</sup>. Brands need to be trusted on all fronts if they are to convince consumers of the legitimacy of their CRM campaigns. Using independent monitor groups and accreditation systems help to ensure credibility, especially accreditation organizations that have international recognition, widespread usage and are long standing. Fairtrade is a good example of this.

However, CRM initiatives do not always have a positive impact on the bottom line<sup>84</sup>. From a purely commercial perspective, engaging with CRM may erode overall profitability and may result in a product offering being less price competitive. As a premium is often paid for products such as Fairtrade which goes against traditional consumption, market downturns can have adverse effects on sales of such products when consumers restrict their spending.



Despite extensive media coverage of corporate wrongdoing, unethical practice does not always incur negative financial impacts<sup>85</sup>. Nike was one of the first high-profile cases where the brand was publicly lambasted for its use of sweat shops in production of their apparel. In contrast, its competitor Reebok promoted their ethical production methods. However Nike continued to financially outperform Reebok<sup>86</sup>, showing that the spin-off effects of the negative publicity that they received were not enough to substantially dent their sales.

In their study of ethical consumption, Auger et al (2003) found that there is a significant segment of the consumer market which does not value ethical production<sup>87</sup>. They argue that CRM initiatives may be imposing costs onto consumers that they are not willing or are unable to pay. De Pelsmacker et al (2005) found that while the majority of their respondents considered CRM when making purchase decisions, only a very small group was willing to pay any form of price premium to purchase the product<sup>88</sup>.

In addition, relying on specific groups of producers may prove to be hazardous for logistics and quality. Starbucks have found that Fairtrade certified suppliers often lack consistency in the volume and quality of the coffee they produce<sup>89</sup>. Engaging in Fairtrade could simply be more trouble than it is worth.

In conclusion, although CRM may help to improve a brand's reputation and alleviate public criticism, it may not be a profitable marketing promotion to employ. Therefore other motivations, such as consumer purchasing habits, may provide the justification needed for brands to sell Fairtrade goods.

### 2.6.3 Consumer Motivations

Ethical consumption is not a new phenomenon. Consumers who engage in ethical consumption do so due to a host of reasons – they may be politically motivated reasons, religious, spiritual, environmental or social<sup>90</sup>. The ethical consumer uses their purchasing as a tool to support a cause that they believe in. As Webster (1975) defines, “the socially conscious consumer takes into account the public consequence of his or her private consumption<sup>91</sup>”. They are aware of some of the harmful methods of production associated with particular commodities, and want to reduce the negative externalities associated with purchase.

Mohr et al <sup>92</sup> (1998) found that ethical consumers were acting upon their self-motivated interests. Consumers are motivated by the value set that they hold. Purchasing ethical products is an easy way to show their philanthropic tendencies. In particular, consumers are especially motivated to engage with CRM initiatives that support disaster relief<sup>93</sup>.

Balancing overly capitalist tendencies may be another reason motivating ethical purchasing. With a distrust in large corporate enterprise, consumers may see ethical purchasing as a tool with which they can protest against brands they see as being unethical. They feel they may ‘be able to make a difference to a company’s behaviour’ (De Pelsmacker et al 2005)<sup>94</sup>. Awareness of unethical practices is rising, along with publicity gained by activist groups – consumers are feeling more compelled to behave in an ethical way. In their study of Chinese consumers, Ngai & Sum (2005) found that consumption of Fairtrade products was directly correlated to a person’s level of awareness. Auger et al (2003) has termed such consumers ‘supermarket socialists’, as their increased knowledge of ethical production resulted in greater demands of the retailers.

Consumers may also be motivated by a social desirability bias. This is where a customer feels he or she should purchase the product because it is the right thing to do and they feel pressure to act in this more 'socially acceptable' manner.

Many studies have attempted to define the ethical consumer along demographic lines. However after reviewing a number of studies, it appears that none can reach a concrete mutual agreement. Some studies have found age to be a relevant factor; conversely some have found age to be irrelevant. Despite conflicting arguments, the majority of the studies observed seemed to find that an ethical consumer was more likely to be educated, have a higher income and is also likely to be a female<sup>95</sup>. The moral values held by consumers were found to be more indicative of the likelihood to purchase ethical products<sup>96</sup>. In her study of values set, Doran (2009) found that having the value of 'universalism' was the strongest indicator of likelihood to purchase for an ethical good. A person with such a value feels a strong 'unity with nature, sees the world as beautiful', and wants to protect the environment<sup>97</sup>. Consumers who define their quality of life in economic terms are less likely to engage in ethical consumption<sup>98</sup>.

Ethical consumption is not just for those who can afford it – there are several studies which found that regardless of income levels, ethical consumption still prevailed.

Consumers are savvy. They appreciate the 'good' that companies are trying to do but also realize that the initiatives are being pursued due to companies' self-interest. Skepticism about the validity, transparency, efficiency and motivations surrounding a CRM campaign are rife. CRM campaigns need to clearly state the exact mechanics and donation amount of their cause. They need to ensure they have achieved high awareness of their campaign to gain consumers' trust in it<sup>99</sup>.

There are several scenarios which can elicit more skepticism than usual. If CRM engagement is undertaken by a company following negative media exposure for that company, then this is

viewed more negatively<sup>100</sup>. If there is not enough basic information surrounding the initiative, again this is a disadvantage. O'Sullivan (1997) discusses the balance that needs to be achieved – 'go too far one way and consumers believe you are using the charity, go the other way and they will never know of your involvement'<sup>101</sup>. If donation amounts are seen as too high or too low, this creates skepticism<sup>102</sup>. The same problem arises if consumers feel that the firm is being too 'self-serving', and acting solely in its own self-interest. Finally, there have been a number of cases where it has been publicly revealed that a particular CRM campaign is misleading or false. Several big-name clothing companies, such as H&M, have been accused of selling genetically modified cotton under the label of 'organic cotton'<sup>103</sup>. Such frauds only stand to stimulate customers' distrust in the validity of such campaigns.

It is important is to assess how large and therefore how powerful the group of ethical consumers is. Does ethical consumption always prevail? A randomly chosen focus group survey carried out by Boulstridge and Carrigan (2000) found that corporate behavior was not important for respondents' purchasing decisions<sup>104</sup>. In their behavioural study (which holds more credibility than a purely survey-based study), Mohr et al (1998)<sup>105</sup> found that CSR was not a consistent factor in purchase motivations. A follow up study in 2001 found that most respondents do not regularly use CSR as a purchasing criterion<sup>106</sup>. Consumers worry that a product may be overpriced if they are associated with a CRM initiative<sup>107</sup>. Is the magnitude of influence of CRM on purchase decisions enough to justify a company's involvement in it?

#### 2.6.4 Non-profit organizations motivations

Non-government organizations (NGOs) engage in the production and sourcing of Fairtrade goods for a number of reasons. Some organizations are faith-based, such as Traidcraft in the UK. Traidcraft established itself as a 'Christian response to poverty'<sup>108</sup>, running development programs

and engaging in Fairtrade to bring about trade justice. Others feel a sense of duty to help correct the imbalances created by conventional trade and market happenings. Finally, some organizations work towards making a profit as well as altruistic motivations, the desirable margin of which will depend on their needs and wants.

NGO's which work with many different social causes have increased in both numbers and prominence. Damlamian (2006)<sup>109</sup> suggests this growth could in part be due to the decline of the role of the nation state in a globalized world. NGOs might also identify a particular area that they feel are being overlooked at the state level. NGOs are not bound by the nation state and can therefore more easily incorporate global actors who feel propelled to help with a particular cause. They can also act with more freedom in a sense that they can be outspoken without hurting diplomatic ties. For example, Amnesty International can openly criticize a country's human rights abuses whereas a nation state would have to take many elements into consideration before making such a statement.

The increase in number of NGOs means that they have to find innovative ways to capture consumers' attention and raise money to fund their work. In addition, NGOs have succeeded in promoting development work internationally, but can often come into trouble trying to fund their projects and work in a sustainable way<sup>110</sup>. This provides motivation for NGOs to partner with corporations in order to raise their profile and in turn acquire funding. In the last 20 years, the trend of NGO's working in cooperation with businesses has grown substantially<sup>111</sup>. NGOs have identified the potential for growth that can be achieved for their products. Long-term partnerships represent something akin to financial stability for the NGO, rather than relying on charitable giving. The mutually beneficial relationship for both the NGO and the private sector has resulted in the recent growth in cooperation.

The benefits from these partnerships are not only recognized by these two parties however. In 2005 the United Nations general assembly adopted the following resolution, “Towards Global Partnerships”<sup>112</sup>. The text of the resolution highlights and describes the joint responsibility of both organizations and businesses to work together to eradicate poverty<sup>113</sup>, one of the Millennium Development Goals to be achieved by 2015. The World Bank has launched ‘Business Partners for Development’, a forum which aims to bring together businesses and NGOs to work together for the same cause<sup>114</sup>. Working relationships between NGOs and the private sector are encouraged from many different bodies.

NGOs have a lot to gain from engaging in CRM with the commercial sector aside from a new revenue stream. Benefits can range from ‘free advertising’, to accessing a new audience base and increasing awareness. NGOs, which are typically not cash rich, can enjoy the use of traditional promotion methods such as television advertising. Through such vehicles they can attract new customers from the existing customer base of the brand with which they partner. They can spread their message to the mass market. This exposure not only generates sales for the product with which they’re associated, but can also help to bolster NGOs other revenue streams (such as charitable giving) as they brand becomes more recognizable to the consumer.

It is likely that NGOs will align themselves with a brand or organization which they feel is credible and has some relevance to their work. NGOs may feel that their association could encourage the brand to carry out better practices in the long run<sup>115</sup>, and can act as a monitor of operations depending on the level of interaction between the two.

## **2.7 The Fairtrade market in the United Kingdom**

The research conducted in this thesis will focus on the UK for a variety of reasons detailed in the scope of the project.

Fair trading in the UK was born from both faith-based and secular agencies who promoted 'charity trade' as a way to provide emergency relief for World War II refugees<sup>116</sup>. Later on, Fairtrade evolved as a way to support marginalized producers in developing countries, with several brands such as CaféDirect being born on the back of this philosophy.

The UK represents the biggest Fairtrade consumer market in the world, being the only market to spend over €1 billion on Fairtrade goods in 2010<sup>117</sup>. Sales of Fairtrade goods in Britain have been growing year on year. Sales for the year 2011 in the United Kingdom were £1.319 billion, compared with £1.17 billion in 2010<sup>118</sup>. This is compared to sales in 2001 of £50.5 million, giving an average growth rate of 41% per annum over the 11 year period. Figure 6 below chronicles the sales of Fairtrade products in the United Kingdom over the past eleven years.

<b>Sales of Fairtrade certified products in the UK</b>											
<b>Estimated UK retail sales by value 2001-2011 (£ million)</b>											
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Coffee	18.6	23.1	34.3	49.3	65.8	93	117	137.3	160	179.8	194.3
Tea	5.9	7.2	9.5	12.9	16.6	25.1	30	64.8	70.3	82.6	86.7
Cocoa products**	3.3*	3.9*	7.3*	9.6*	13.2*	16.4*	25.6*	25.6*	44.5*	162	217.1
Sugar products**	4.5	5.7	8.7	14.3	19.5	23.7	50.6	107.7	164.6	384	464.1
Honey products**	3.2	4.9	6.1	3.4	3.5	3.4	2.7	5.2	3.6	6.8	4.1
Bananas	14.6	17.3	24.3	30.6	47.7	65.6	150	184.6	215.5	206.6	208
Flowers	n/a	n/a	n/a	4.3	5.7	14	24	33.4	30	27.6	26.3
Wine	n/a	n/a	n/a	1.5	3.3	5.3	8.2	10	18.1	18.5	20.7
Cotton	n/a	n/a	n/a	n/a	0.2	4.5	34.8	77.9	73.2	51.7	41
Fresh Fruit	n/a	0.1	1	5.9	8.5	17.6	28	32.2	24.3	15.5	12.1
Fruit Juices	0.4	0.8	1.1	2.3	4.6	7.7	13.8	21.1	13.1	15.2	16.5
Other***	n/a	n/a	n/a	6.7	6.4	10.1	8.3	21.8	26.2	23.5	12.1
<b>TOTAL</b>	<b>50.5</b>	<b>63</b>	<b>92.3</b>	<b>140.8</b>	<b>195</b>	<b>286.3</b>	<b>493</b>	<b>712.6</b>	<b>843.4*</b>	<b>1173.8</b>	<b>1319.3</b>
<b>Year-on-Year Growth</b>	<b>53%</b>	<b>25%</b>	<b>47%</b>	<b>53%</b>	<b>38%</b>	<b>47%</b>	<b>72%</b>	<b>45%</b>	<b>18%</b>	<b>39%</b>	<b>12%</b>
Chocolate	5.4	6.2	9.2	13.7	18.4	23.2	35.8	38.3	88.6	346	413.1

*\*\*After review, the 2009 and historical cocoa figures have been reviewed and the sales values updated. The figures against these products represent the cocoa part of all products containing cocoa, the honey part of all products containing sugar.\*\*\*These figures cover all Fairtrade commodities not covered by other categories. These include vegetables, dried fruit, pulses, rice, quinoa, sesame seeds, nuts and oils, sports balls and spices.*

*Figure 6: Sales of Fairtrade certified products in the UK<sup>2</sup>*

Consumers in Britain now buy more Fairtrade certified products per person than any other country, according to Data Monitor's 2008 review<sup>119</sup>. Fairtrade sugar products, cocoa products and coffee represent the three biggest Fairtrade product groups that are consumed in the UK. Fairtrade food sales represent the biggest consumption group of Fairtrade goods, with non-food products accounting for only 6% of the total.

Control of the Fairtrade market in the UK from a retail perspective rests in the hands of a powerful few. Four large grocery retailers in the UK control roughly three quarters of all food sales<sup>120</sup>. Tesco, Sainsbury's, Asda and Morrison play a significant role in determining which Fairtrade products reach

<sup>2</sup> Information sourced from the Fairtrade Foundation UK, [www.fairtrade.org.uk](http://www.fairtrade.org.uk). Accessed on 19.05.12.



the mass consumer market. This reality holds key implications for the power and influences at play in the Fairtrade market both in the UK and on a global level.

### 2.7.1 Food retailing in the United Kingdom

As discussed, the Fairtrade retail market in the UK is dominated by four supermarket chains due to their market coverage and the proportion of Fairtrade food sales versus non-food sales.

Most major supermarkets have now developed own label Fairtrade products and are directly competing against original ethical brands such as CaféDirect, Traidcraft and Equal Exchange<sup>121</sup>. Information regarding exact Fairtrade sales for each supermarket is difficult to find, due to the sensitive nature of the data. However, Sainsbury's claims to be the biggest retailer of Fairtrade goods, according to industry reports<sup>122</sup>.

### 2.7.2 The unequal power of the supermarket

Looking at both Fairtrade and conventional production chains, it is these major retailers and trading companies that are the dominant buyers (Sum & Ngai, 2005)<sup>123</sup>. Therefore these parties have the most power in the chain. Although they are responding to consumer demand, it is these parties who ultimately decide from which producers to buy from. This can also be said for traditional commodity chains.

It is no secret that supermarkets have received much criticism for abuse of their power in the commodity chain. Multi-national supermarket chains currently dominate food sales in the developed world and are fast-increasing their presence in the developing world<sup>124</sup>. Consolidation coupled with aggressive pricing strategies has resulted in concentrated market power in the hands of a few companies<sup>125</sup>. These supermarkets become global sourcing agents, providing both opportunities and risks for producers<sup>126</sup>. Given the breadth of distribution of many supermarkets, large transaction

volumes are required from producers in order to stock the vast number of retail outlets, squeezing smallholding farmers out of the market. Fairtrade co-operatives can help to overcome this hurdle.

Supermarket sales have been credited for encouraging the growth in Fairtrade products, helping to mainstream the initiative and making such products more accessible for the broader consumer market. A recent survey of Fairtrade sales in European countries found that 56,700 of the 78,900 (72%) points of sale of Fairtrade products were supermarkets<sup>127</sup>. This growth has been stimulated by the decision of many supermarkets to include Fairtrade options in their own branded range, as well as stocking Fairtrade products from external suppliers.

For supermarkets, as profit-maximizing entities, Fairtrade must contain a strong element of commercial benefit. Smith (2008)<sup>128</sup> argues that the extent to which one can assess a supermarket's commitment to Fairtrade can be measured by two parameters: the number of products within a supermarket's own range that are Fairtrade certified, along with any additional funding they contribute to the initiative.

Accompanying the increase in sales of Fairtrade products is an increase in the number of Fairtrade producers. This has increased competition and has brought back a level of orthodox trading practices. As an increasing number of producers become certified, the choice for retailers becomes wider and thus a 'race for the bottom' in terms of price can ensue<sup>129</sup>. Fairtrade prices are not the same in each country for each product<sup>130</sup>, resulting in price differentiation and providing retailers with a disincentive to develop long term relationships with a producer. This increases producer risk and thus reneges on one of the fundamental principles of Fairtrade. It also enables just-in-time practice to occur with regards to buying, again further eroding stability for Fairtrade producers.

Supermarkets have long-held a reputation for employing bullying tactics in negotiations. Former British Prime Minister Tony Blair attested British supermarkets have producers in an ‘arm lock’ as they control over 80% of food sales<sup>131</sup>. The highly publicized ‘Great Milk Robbery’ in 2010 saw a substantial increase in the retail price of milk, yet none of this increase was transferred back to British dairy farmers who were financially struggling due to below-cost compensation<sup>132</sup>. The National Farmers Union president, Peter Kendall, claims retailers force some food processors to sign confidentiality agreements to ensure negotiation details remain undisclosed<sup>133</sup>. Producers are discouraged from complaining due to the risk of losing sales. A publically funded Competition Commission was concluded in 2008 after investigating claims of abuses of power in the hands of supermarkets. The report found that supermarkets were guilty of transferring unnecessary risk and excessive costs onto their suppliers, and has since seen the placement of an Ombudsman to ensure that the revised Grocery Supply Code of Practice (GSCoP) be implemented fairly<sup>134</sup>.

Supermarkets present both opportunities and risk for Fairtrade producers. They give southern producers access to developed consumer markets. They have also heavily supported producers and communities who would otherwise be squeezed out of the market due to traditional market practice. However the level to which involvement with Fairtrade is driven by commercial motivations is crucial. If supermarkets are able to influence policy ethos in such a way that it erodes the fundamental pillars of Fairtrade, and walk away from Fairtrade when it no longer serves its purpose, the initiative would be in crisis<sup>135</sup>.

To conclude, supermarkets have a colossal amount of power in the Fairtrade production chain. Their actions alone will effectively determine the future viability of Fairtrade.

## 2.8 The mainstreaming of Fairtrade

Fairtrade sales have grown phenomenally in the past few years, evolving from something of a niche product to a mass-market offering. Given the overarching aim of Fairtrade to provide a mechanism for poverty alleviation through the sales of Fairtrade products, on the surface this development appears to be more than ideal.

This expansion of Fairtrade has been met with both positive and negative reactions. Several high profile Fairtrade agencies in the UK such as Divine Chocolate and the Fairtrade Foundation itself have welcomed increasing engagement from the bigger corporations, seeing it as an opportunity to further help producers in the global south<sup>136</sup>. With a current problem of over-supply of several Fairtrade products, particularly cotton, this growth provides an opportunity for the practice to be able to include a wider number of producers and communities.

However several critics say that the mainstreaming of Fairtrade is risking key principles at the heart of the Fairtrade mission. Dolan (2008)<sup>137</sup> argues that the introduction of the large corporation into the Fairtrade realm has resulted in increasingly opaque systems, as buyers are able to play suppliers off against one another without needing to establish long-term relationships. Despite the fact buyers still pay a price premium for the product, the balance of in the production chain remains largely intact, changing very few aspects of the power relations. Gogoi (2008)<sup>138</sup> terms the phenomenon 'Fairtrade lite'.

The introduction of corporations has also meant that organizations are looking towards sourcing from bigger farmers and plantations to fulfill their needs. Fairtrade specifically aims to work with small-holding farmers and co-operatively organization growing groups. The introduction of large corporate involvement threatens this ambition. Fairtrade USA has recently announced it is moving away from the Fairtrade accreditation scheme, as the organization wants to work with bigger

plantations and estates<sup>139</sup>. Terming the move ‘Fair Trade for All’, CEO Paul Rice explains that the move will allow Fair trade practices to benefit a wider network of growers<sup>140</sup>. This move could pose serious threats for the credibility of Fairtrade in the future. Equal Exchange, a wholesaler of finished Fairtrade products, has criticized the move saying ‘Fairtrade is designed to change commerce, and we shouldn’t be changing Fairtrade to accommodate commerce’<sup>141</sup>.

Finally the credibility of Fairtrade is being risked by the association with ‘profit-motivated’ corporations. Corporations aim to capitalize on the ‘halo effect’ of ethical branding whilst employing traditional negotiation tactics and suppressing the ability of Fairtrade to redistribute power<sup>142</sup>. Bassett (2009) highlights the risk of accrediting certain brands as Fairtrade providers given their past negative publicity, such as Nestlé<sup>143</sup>.

## **2.9 Shortcomings of Fairtrade**

### 2.9.1 Structural problems with Fairtrade

Scholars and industry analysts alike argue that Fairtrade does not directly challenge the underlying principles of the capitalist market structure which result in a need for Fairtrade in the first place. Fairtrade is merely a superficial aspect, which does not redistribute real power along the production chain. Bassett (2008)<sup>144</sup> argues that especially with the inclusion of the large corporates, the Fairtrade movement reinforces existing power relations as suppliers become dependent on the large purchasing volumes. The capitalist structures remain intact, and communities begin to rely on the additional premiums passed onto them through the Fairtrade scheme<sup>145</sup>. As previously discussed, Fairtrade producers still receive a very small portion of the retail sales due to the other parts of the chain remaining in their conventional form.

Douglas Holt, Professor of marketing at Oxford's Saïd Business School, said the extra amount that Fairtrade producers received was "nice but relatively trivial". He added: "Until you have the whole value chain, especially retailers, buying into Fairtrade and taking lower margins so they can pass on as much profit as possible, Fairtrade can never make more than a marginal difference<sup>146</sup>."

Dolan (2008)<sup>147</sup> describes the Fairtrade model as one that is reminiscent of colonialism. It is too 'top down', as the Fairtrade prices and criteria are determined by groups from the global north. Northern consumers decide what is appropriate and how suppliers should carry out their business operations with very little knowledge of the limitations that they are faced with. Dolan(2008)<sup>148</sup> continues by concluding that the standards set by FLO are 'draped in paternalism' and do very little to ameliorate the differences in power structures between the global north and south.

Fairtrade standards exclude as many suppliers as they include<sup>149</sup>. Due to the high level of standards that need to be met in order to become Fairtrade certified, some suppliers are unable to become part of the scheme. The initial resources required to become Fairtrade accredited can prove to be costly, and only some suppliers have the means to start the process<sup>150</sup>. Concurrently, many suppliers are attracted to the Fairtrade market and the present Fairtrade market is experiencing over-supply, such as Fairtrade coffee<sup>151</sup>. This means that while a lot of producers would like to become Fairtrade, there is little use in them becoming accredited. A negative spin-off of this reality is that Fairtrade producers may be forced to 'dump' their product at the conventional market price if they have not previously secured a buyer. This could be financially crippling and could harm the producer's ability to maintain their output for the future<sup>152</sup>.

Once a supplier becomes Fairtrade certified, there is a risk that the supplier may lose its accreditation due to an inability further down the line to meet a specific standard. This issue has a two-point implication. First, losing the Fairtrade name could damage the reputation of that supplier,

making it hard for them to re-attract buyers. If a supplier loses its Fairtrade accreditation whilst dealing with a buyer who is going on to sell products marked as Fairtrade, this could in turn risk the buyers' reputation. Given this, the second part of the issue is that employees of Fairtrade producers are discouraged from complaining about any maltreatment to higher authorities as it could risk the credibility of their producer group and ultimately result in the loss of a job if that group was to be shut down<sup>153</sup>.

Fairtrade can create social problems rather than fix them. Recipients of Fairtrade premiums thrive alongside communities who do not receive such benefits, differentiating them and creating pockets of relative wealth amongst vast stretches of poverty<sup>154</sup>. This can create social problems that did exist prior to the introduction of Fairtrade, as tensions may rise between communities who had peacefully lived alongside one another.

Critics of FLO standards highlight several other key issues they feel are left unaddressed. FLO imposes no control once the Fairtrade certified raw materials have been sold. There is no incentive for the remaining parts of the chain to act in an ethical manner. Fairtrade aims to promote sustainable development. Yet after the raw materials have been sold, there is no monitoring of the carbon footprint of the good. As one of Bassett's (2008) studies highlighted, a lot of African Fairtrade cotton is being shipped to India for further production, incurring a substantial environmental cost. Fairtrade standards are said to be too focused on the producer level whilst ignoring the rest of the chain.

The Fairtrade production chain does not necessarily cut out any steps versus the conventional production chain. Economic globalization has made it easier for businesses to stretch their operations abroad, increasing the risk of opaque operations. The distance between centralized management and points of production make it difficult for firms to regulate various aspects such as

labour standards and environmental impacts<sup>155</sup>. A corporation may initially visit a production plant abroad to ensure it meets certain standards, but it is difficult to ensure the standards remain as when they were first observed for the entire duration of production. In knowing when to expect visits, factories may deliberately alter their practices for just a day, reverting back to unacceptable working conditions following the departure of the relevant personnel. Visits are almost always pre-announced, and are infrequent due to the high cost of visiting every site that is accredited in some way. Some scholars therefore criticize Fairtrade standards for not regulating the length of the production chain.

### 2.9.2 Risks to Fairtrade

The risks that threaten to damage the reputation of Fairtrade are endless – dishonest retailer practice, negative press, lagging demand and so on. Misuse of charity funds has damaged the reputation of all altruistic organizations such as Fairtrade. The Global Fund to Fight Aids has had funding withdrawn as donors do not believe the organization is transparent enough, citing a “grave misuse of funds”<sup>156</sup>. This makes it difficult for other similar organizations to negotiate donations as the group as a whole is negatively affected regardless of the indirect affiliation.

Some argue that the mere involvement of multi-national brands with the Fairtrade movement alone is harming the credibility of the scheme. Known for their capitalist and profit-driven motivations, perhaps coupled with past wrongdoings, consumers have difficulty believing that such brands are truly engaged with Fairtrade production.

Consumers pay significantly more for Fairtrade products than their non-Fairtrade counterparts<sup>157</sup>, and this money doesn't always get back to the producer. In their study of Nicaraguan Fair Trade coffee consumption in Finland, Valkila et al (2010) found that a larger share of the retail price remained in Finland for Fairtrade coffee when compared to conventional coffee.



Tim Harford, author of *The Logic of Life*, who first highlighted that some chains were profiteering from Fairtrade, said: "At the UK consumer end, some companies have charged a far higher mark-up on Fairtrade products than ever goes to producers. Fairtrade is about a promise for fair value to the producer, not a fair price to the consumer."<sup>158</sup>

## **2.10 Conclusion**

Fairtrade poses a highly usable tool with which to help alleviate global poverty. There are many benefits to Fairtrade, including payment of a fair price to producer organizations, promoting gender equality and the development of poor communities. Fairtrade as an ethical initiative has evolved over the years to reach its highest level of retail sales in recent years, despite the global financial crisis.

However there are many doubts regarding whether Fairtrade sales will continue to perform as strongly as they have been doing so. Sales of organic products have plummeted in recent years, bringing warnings that Fairtrade sales could do the same. There are several issues which threaten to risk the future viability of Fairtrade, such as structural problems with the Fairtrade initiative.

Supermarkets in the UK hold a phenomenal amount of power in deciding what food products make it to the retail marketplace. Therefore their decisions can significantly influence the future of Fairtrade sales. While consumer behavior is taken into consideration, supermarkets ultimately have the final say. Non-profit groups who import Fairtrade products and thus Fairtrade producers have ultimately come to rely on buying volumes from supermarkets, reversing the power relations that Fairtrade initially set out to change.

Fairtrade sales have grown year on year, yet national media in the UK warn of a decline in its popularity. What does the future really hold for Fairtrade?

## **3.0 PARAMETERS OF RESEARCH**

### **3.1 Research Questions**

Following on from the literature review, the following research questions have been defined.

- 1) How will the sales of Fairtrade products in the future progress? What will help to ensure continued growth?
- 2) What has helped Fairtrade reach the level of sales it currently achieves?
- 3) What is the commercial motivation for providing Fairtrade products?
- 4) Is Fairtrade a suitable tool for which poverty alleviation can count upon?
- 5) What are the risks that challenge the future viability of Fairtrade?

### **3.2 Hypothesis**

Given prior research that has been conducted, the following tentative hypotheses have been concluded in answer to the research questions.

Fairtrade sales will continue to grow in the future. This is due to the past strong sales of Fairtrade, and the favourable consumer attitudes towards Fairtrade in particular compared to other ethical initiatives. However the growth rate of Fairtrade sales may fall, as particularly for the Europe region, the effects of the economic recession look set to continue.

Fairtrade has reached the level it is at today due to the simple and compelling message it portrays to consumers. It provides an easy and accessible way for consumers to engage in charitable giving. Purchasing Fairtrade products allows consumers to reinforce ethical corporate behavior. Fairtrade has largely enjoyed positive media attention and strong support from supermarkets, allowing it to grow in size year on year.

Supermarkets engage in the selling of Fairtrade products largely to serve their customer involvement with Fairtrade products is justified because of consumer demand, rather than providing an exceptionally high profit margin for supermarkets. Therefore the future of Fairtrade will rest on continuing consumer demand for it.

Fairtrade is a viable and reliable means with which poverty alleviation can be ameliorated. While there are structural elements which need to be addressed and improved, Fairtrade provides a legitimate option where producers can improve not only their own quality of life, but that of their community as well.

There are several risks that challenge the future success of Fairtrade. Smallholding farmers remain relatively powerless in the face of large supermarkets who are becoming increasingly involved in Fairtrade sourcing. Fairtrade as an FLO certified system may begin to lose credibility as the United States has recently announced its move away from FLO. Finally, Fairtrade products must be competitively priced if sales are to continue their strong performance, as traditional consumption tends to favour cheaper options.

### **3.3 Research Scope**

The majority of both the secondary and primary research to be employed will focus on the Fairtrade market in the UK. This is due to a number of factors. The UK is currently the biggest global Fairtrade market. The food retail market is dominated by a handful of supermarket brands, providing a more limited number of research subjects, with headquarters based in the UK. In addition, there are several Fairtrade importers and brands active in the UK which are eligible research subjects. Contacting supermarket buyers is a difficult task, however contacts have been secured due to previous research work carried out in the UK. Finally, lingual restrictions mean that the researcher is best suited to carry out interviews in the UK in their native language to help avoid

mistranslation or misunderstanding. Finally, there is a lot of communication between supermarkets and their customers regarding discussion of sourcing and production of food. The discussion of Fairtrade and other ethical initiatives in the media is frequent.

Regarding the temporality of this research, the focus is largely on the recent past, present and immediate future. It is not the intention of this research to provide a detailed history regarding the evolution of Fairtrade, but rather to focus on the recent years (largely 2000 onwards), as these years capture the catalytic growth of Fairtrade. In addition, the effects of the recent financial crisis are of particular importance as they can hold significant implications for how Fairtrade will continue to progress in the future.

## 4.0 METHODOLOGY

### 4.1 Introduction

Qualitative data research methods are employed to answer the research questions. Although there are many benefits to be had when using a mixture of both qualitative and quantitative data<sup>159</sup>, it was decided that qualitative data would be the most appropriate research method given the exploratory nature of this research.

In-depth interviews are used to conduct the primary research and are necessary to answer the research questions. Interviews are carried out with two interest groups – supermarket category buyers, and representatives from Fairtrade agencies which produce and import Fairtrade products for the British market. In order to answer the research questions, it has been decided that both groups needed to be spoken to in order to gain a broad yet in-depth understanding of the challenges that face Fairtrade. In addition, the aim of speaking with both interest groups is also to ensure a certain level of triangulation and comparison of the results. It has been decided that 6 interviewees from both groups should be interviewed. This number has little meaning, however the researcher believed it was an achievable target given how difficult it can be to secure supermarket buyers for interviews. The answers from the interviews were then analyzed using thematic methods.

It is not the intention of this thesis to obtain any input regarding purchase motivations from consumers. This is due to a number of reasons. Firstly, there is already a wealth of literature which studies consumer behaviours and attitudes, compared with a gap in the literature where supermarket purchasing behaviour is concerned. Secondly, the researcher feels that studies which observe behaviour hold more validity and reliability in their conclusions rather than studies which observe attitudes alone. Many academics argue that observing consumer behaviour as opposed to attitudes is a far more robust method from which to draw predictions about future behaviour<sup>160</sup>. Given the time

and financial restraints of this research, a full-scale behavioural sample was unachievable. Thirdly, consumers present such a large group of interest that the breadth of research needed to obtain a representative sample is somewhat limitless. Finally, the amount of power held by supermarket chains in particular is extremely influential regarding the future of Fairtrade. Hence, this group is the primary focus point for this particular study.

## **4.2 Supermarket interviews**

### 4.2.1 Sample

Interview participants were initially sought using a convenience sample of contacts which the researcher had from previous research work in the UK. Supermarket buyers are particularly hard to obtain contact details for, so this initial list of contacts was used as a starting point to reach appropriate buyers within the various supermarkets.

Ideally, a category buyer from each major supermarket in the UK should be contacted. This is because the different franchises have different market and sourcing strategies. However the researcher did not have a contact at each establishment, and it proved to be impossible to contact appropriate buyers via cold-calling. In the end, the researcher was able to secure an interview with two buyers from Tesco, one from Sainsbury's and one from The Co-operative. Tesco and Sainsbury's are considered to be two of the big four supermarket chains in the UK, with a high percentage of the market share each, at 30%<sup>161</sup> and 16.6%<sup>162</sup> respectively. The Co-operative is a smaller organization, which has a more regionalized approach to its business model. The Co-op has roughly 6.3% market share for food sales in the UK<sup>163</sup>.

Despite persistence on behalf of the researcher, no further contacts could be established at supermarkets. Contact was initially established in March 2012 and by June 2012 several targeted contacts had yet to return any correspondence.

Therefore it was decided that buyers from other establishments should also be included. A buyer from New Zealand's Foodstuffs supermarket franchise was included in the research, as well as a fashion buyer from a small clothing retailer called Parkinsons. Foodstuffs controls roughly half of the market share in New Zealand<sup>164</sup>. Parkinsons is a small retailer with three separate retail locations in regional England. Market share data was not available in this instance. Including Parkinsons into the research was ideal as it broadened the research beyond the food industry, and into fashion. As a wide phenomenon is being studied, this cross case approach using a range of informants was deemed more appropriate than a case study approach<sup>165</sup>.

The list of contacts that were interviewed are:

- Peter Megson, Category Buyer for Coffee and Tea, Sainsbury's.
- Tom Delaney, Coffee Buying Manager, Tesco.
- Ian Rankin, Coffee and Tea Buying Manager, Tesco.
- Brad Hill, Strategy Manager, The Co-operative.
- Sharon Cavanagh, Confectionery Buyer, Foodstuffs New Zealand.
- Gavin Pass, Head Buyer, Parkinsons Clothing.

#### 4.2.2 Question formulation

This study is of an exploratory nature, and therefore in-depth interviews that use open-ended questioning are particularly useful as they can provide the necessary insights which can be used to answer the research questions<sup>166</sup>.

The questions were semi-structured to deliberately address all of the research questions. In addition, the researcher did not want to confine responses to a certain idea, and such a structure allowed the respondents to expand on themes they thought were important. Questions were open-ended to help ensure a wide range of responses and helped to minimize researcher bias as the researcher was less able to impose their own ideas<sup>167</sup>. Some questions directly addressed some of the research questions, whereas others were used to give the researcher a broader understanding of the Fairtrade market in general and to provide a clearer background upon which to draw conclusions.

As standardized, open-ended questions were used for all buyers, the researcher was then able to carry out cross case interviewing and subsequent analysis, despite the variety of categories in which the buyers worked<sup>168</sup>.

The interview questions posed to supermarket buyers were as follows:

- 1) How many Fairtrade products do you have in your category, out of the total?
- 2) Talk me through the evolution of Fairtrade and your brand. Has the presence of Fairtrade increased or decreased?
- 3) Do your Fairtrade products usually carry a price premium?
- 4) What is your motivation for providing Fairtrade options?
- 5) Are the sales of Fairtrade products increasing or decreasing?
- 6) What about other ethical initiatives? How do they perform compared to Fairtrade?
- 7) How do the sales of Fairtrade products compare to sales of organic products?
- 8) How do you feel the economic downturn has affected the sales of Fairtrade products?
- 9) How profitable is Fairtrade?
- 10) How do you choose your Fairtrade providers?
- 11) Do you have any issues with sourcing?



12) How do you feel Fairtrade helps your store's image?

#### 4.2.3 Conducting Interviews

Initial contact was established via email, after which a time was agreed upon when it would be suitable for the researcher to conduct the interviews. Most interviews were conducted over the phone as the researcher was based in Vienna at the time. The interviews were recorded with a Dictaphone and transcribed in full after the interview was over. One interview was conducted over email correspondence.

Participants were informed of the nature of the research. They were informed that their names and the companies they worked for would not be released in any subsequent publishing of the research. The researcher asked for permission to record participants. Participants were told they could refrain from answering any questions should they wish, and were invited to ask the researcher any questions of their own.

The interviews with the supermarket buyers were conducted in the month of May, 2012. All interviews lasted between 15 – 30 minutes. Following all interviews, the researcher sent a 'thank-you' email to the interviewees. In addition, a synopsis of the findings of this research will be sent to all who participated in interviews.

### **4.3 Fairtrade agencies**

#### 4.3.1 Sample

Interview participants were recruited via the Fairtrade Foundation UK website, as well as the researcher's knowledge of prominent providers of Fairtrade products. A number of companies and brands were contacted using the information provided on the website.

The researcher aimed to recruit agencies who directly supplied products to the big supermarket franchises in the UK. In addition, agencies that provided Fairtrade clothing and beauty items were also sought to increase the applicability of the findings across the Fairtrade market as a whole.

Several agencies contacted refused to accept to participate in an interview, which may result in a non-response bias<sup>169</sup>.

The list of contacts that were interviewed are:

- Eli Sarre, Essential Trading.
- Joanne Coffey, Communications, Equal Exchange.
- Nicola Pearson, Commercial Director, Cafédirect.
- Dawn Foxall, Brand Director, Liv UK.
- Penny Smith, Traidcraft.
- Carolyn Whitwall, Bishopston Trading.

Essential Trading are suppliers of organic vegetarian and vegan wholefoods. They also supply Fairtrade and organic products. Their product portfolio contains over 6,000 lines<sup>170</sup> which also covers areas such as ecologically friendly household products. They deal exclusively with small retail chains as opposed to dealing with the big supermarket franchises.

Equal Exchange is a much bigger agency which specializes in both organic and Fairtrade production. Selling food & beverage items, they deal with the big supermarket chains and have products in Sainsbury's, The Co-operative and Booths. They are a worker-owned co-operative meaning that Fairtrade producer co-operatives have an ownership stake in the company. Most of their offering is both Fairtrade and organic.

Cafédirect are a very well-known and long-established Fairtrade beverage brand. They have a big stake in the Fairtrade coffee and tea market, and supply many of the big supermarket franchises such as Tesco. The researcher was referred to Cafédirect from a contact at Tesco.

Liv UK are a Fairtrade and organic clothing company. Established in 2005, Liv UK sells its Fairtrade clothing and home wares online. It is currently in negotiations with the nationwide retailer John Lewis, with whom they are to open distribution to.

Traidcraft's sole aim is to fight poverty through trade. A faith-based organization, it is well known in the UK and has an expansive distribution. They are heavily involved in working closely with their producers to improve all aspects of life. Traidcraft provides many products, including food and beverage items, clothing and accessories, textiles and craft. Traidcraft is a very active player in Fairtrade and stock Sainsbury's, Tesco's and Waitrose along with small independent stores.

Bishopston Trading is a relatively small clothing and textile producer producing both Fairtrade and organic options in West England. Recently the regional winner of the Fairtrade 'Best Business' Award, Bishopston Trading has worked almost exclusively with one community in India, actively engaging itself in the improvement of the living standards of the community's population. They sell textiles to buyers in Europe and the United States and have their own retail outlets for their stores.

#### 4.3.2 Question formulation

Question formulation followed the mechanisms employed for exploratory research that were used to compose the questions for the supermarket buyers. This again meant an exclusive use of open-ended questions to elicit as much information as possible. Further ad-hoc questions were added during the interview if the interviewer thought them to be relevant.

The questions posed to the Fairtrade agencies were as follows:

- 1) How has Fairtrade grown over the years? How do you see it progressing?
- 2) What is your motivation behind dealing with Fairtrade?
- 3) What has helped to promote Fairtrade?
- 4) Why do you think people consume Fairtrade?
- 5) How do you think Fairtrade compares to other ethical initiatives?
- 6) Fairtrade versus aid – which do you feel is better for poverty alleviation?
- 7) How have the sales of organic products fared?

#### 4.3.3 Conducting interviews

The interview procedure followed the exact same procedure as that of the supermarket buyers. The only difference is that Fairtrade agencies were interviewed in both May and June.

#### **4.4 Data Analysis**

Thematic analysis was used to interpret answers from both the buyers and the Fairtrade agencies. A thematic analysis is defined as having the ability to make sense of large amounts of data in order to tease out significant themes and patterns<sup>171</sup>. Working from complete interview transcripts, an inductive analysis was carried out whereby themes arose from the data rather than being imposed by the researcher<sup>172</sup>. This type of analysis in particular is recommended for exploratory research<sup>173</sup>.

However it must be taken into account that the researcher can never fully eliminate all subjectivity<sup>174</sup>. This has particular meaning for thematic analyses<sup>175</sup>, as the researcher will have their own premeditated thoughts about what the outcomes may be from their line of questioning. The researcher looked for themes which emanated in most interviews, to help strengthen the validity and applicability of the findings.

#### **4.5 Reliability and Validity**

Reliability in qualitative research refers to the extent to which data collection techniques and analysis procedures produce consistent findings<sup>176</sup>. In an attempt to ensure a degree of reliability, triangulation by the use of interview subjects from different categories can potentially help to ensure some level of this<sup>177</sup>. A detailed analysis of the steps used to carry out the thematic analysis can be found in appendix. This will help the reader to understand how the analysis was carried out and hopefully improve reliability.

Validity in qualitative research refers to whether a study measures what it is supposed to measure<sup>178</sup>. An assessment of the validity of this research lies partly in the hands of the reader, as they themselves can make their own judgments regarding the appropriateness of the research questions asked and the methodology employed. In addition, at the end of each interview the researcher discussed the interview questions with the interviewee, inviting them to contribute any further information they felt may have been omitted and to be necessary in order to answer the interview questions.

#### **4.6 Limitations of methodology**

There are several limitations which compromise the reliability and validity of this research. Firstly, although the interview questions were open-ended, some could potentially be categorized as leading or suggestive questions which could ultimately lead to a dishonest answer. Interviewees may then answer in a way that they feel is desirable or ethically-minded, as they were effectively representing the company which they worked for.

The sample size for interviewees was very limited, and omitted several of the key market players. Contact could not be established with the other leading supermarkets such as Waitrose,

Morrison's and Asda which would have been ideal. In addition, although an effort was made not to focus solely on Fairtrade food, the majority of interviewees for both research groups worked in the food industry. Therefore the results only have limited applicability when looking beyond Fairtrade food.

The researcher sought numerical information to illustrate the evolution of Fairtrade within a buyer's category. In most cases, numerical information was not provided. This means that most of the conclusions drawn regarding the evolution of Fairtrade are based on purely qualitative answers rather than numerical. This can be perceived as a limitation by the researcher as they believe numerical data would have provided a stronger and more valid testament regarding the evolution of Fairtrade.

An element of non-response bias may be present in this research. Several representatives from Fairtrade agencies did not wish to participate in any interview, for unknown reasons. The effect of this on the overall research outcome depends on how these potential respondents differ from the ones that were interviewed<sup>179</sup>. This cannot be assessed in this instance.

The validity of the findings are challenged in that while category buyers make many autonomous decisions, they still answer to higher management. Therefore despite their own beliefs and motivations regarding Fairtrade purchasing, they do not necessarily make all of the ultimate decisions regarding purchasing.

As with any research, there is always an element of researcher bias. This will most likely affect the coding process of the interview answers, however as previously discussed, steps have been taken in an attempt to minimize this bias.

Finally although Fairtrade has experienced strong growth in recent years, it is impossible to conclude with absolute certainty how the sales and evolution of Fairtrade will progress in the future. The commercial market is an extremely volatile place as illustrated by the rise and fall of organic products. Therefore conclusions drawn about the future of Fairtrade are merely hypothetical.

## 5.0 RESULTS

### 5.1 Introduction

This section presents the results from both the supermarket buyer interviews and the interviews with the Fairtrade agencies. Not all questions were able to be answered by all retailers, for a variety of reasons. Please refer to the appendix for a full transcript of all interviews conducted.

### 5.2 Supermarket buyer interviews

#### 1) How many Fairtrade products do you have in your category, out of the total?

It is necessary first to clarify that the following data represents the percentage of the total product range offered which are classified as Fairtrade. It does not illustrate the percentage turnover, or sales.

Fairtrade products accounted for between 5-13% of the all interviewees' portfolios. Sainsbury's was the only interviewee who did not give a numerical response, instead stating that "all of Sainsbury's tea is Fairtrade, along with roast and ground coffee and some of the hot chocolate range". Presumably this accounts for a substantial amount of the overall category. Other than that, Fairtrade featured most prominently in Tesco's tea and coffee category, accounting for 13% of the range. This is mostly due to the tea category, as Fairtrade accounts for only 5% of the coffee category alone.

For Parkinsons clothing, Fairtrade represented roughly 10% of their product offering. Fairtrade confectionery products made up 6% of Foodstuffs confectioner category, and also accounted for 6% of all products offered at The Co-operative.



2) Talk me through the evolution of Fairtrade and your brand. Has the presence of Fairtrade increased or decreased?

Generally speaking, Fairtrade has increased in presence over the years. The Co-operative and Sainsbury's seem to be the two retailers who most actively and aggressively increased their presence of Fairtrade. The Co-operative has even moved ahead of FLO certified products and proactively stocked products which were ethically produced yet awaiting proper FLO accreditation. Then when such accreditation was awarded, The Co-operative would ensure their pre-existing product met the standards.

For Tesco, Fairtrade was increasing its presence but this was mainly due to the decline of organic products. Fairtrade tea products have been increasing, however Fairtrade Coffee options remain at a stagnant level. For Foodstuffs in New Zealand, Fairtrade was very slowly increasing its category share of confectionary.

Finally Parkinson's clothing has decreased its number of Fairtrade items, however this was not due to the fact that clothing was Fairtrade. Rather this was due to the buyer no longer liking the designs of a particular stockist.

3) Do your Fairtrade products usually carry a price premium?

Answers for this were quite varied. In some cases Fairtrade products did carry a premium. Premiums for Fairtrade coffee and tea were around 15-20% higher than standard options in Tesco. This is because Fairtrade is positioned as a premium option, which is thus reflected in the price point. Hardly any Fairtrade options are present in the standard ranges. For example, Tesco Standard Roasted and Ground coffee costs £2.50 whereas the Fairtrade option is £3.20.

In the case of Foodstuffs NZ and the Co-operative, only some Fairtrade options had a price premium whereas others did not. The Co-operative expanded by saying that it ‘was not an option’ to price Fairtrade bananas higher than standard bananas. In this instance there was no premium. Elsewhere however, some products contained a premium largely to help cover the additional cost of buying Fairtrade raw materials. Parkinsons clothing did not carry a price premium on Fairtrade clothing.

Finally, Sainsbury’s actively ensured that there was no price premium for their Fairtrade coffee and tea options. They deliberately take less of a margin on Fairtrade items as their aim is to ‘price match’ Tesco’s options, which were not always Fairtrade.

4) What is your motivation for providing Fairtrade options?

A couple of the retailers claimed their motivation for providing Fairtrade was in response to customers’ wishes and to improve their store image. This was the case for Foodstuffs NZ, and Tesco. Tesco went onto elaborate that given their size, they “have the responsibility to source ethically”.

Parkinsons was less enthused, and stocked Fairtrade clothing mainly because they liked the designs. The fact that the clothes were Fairtrade was a ‘bonus’.

The Co-operative has several strong motivations for providing Fairtrade. They have long positioned themselves as an “ethical retailer”, so Fairtrade fits well within their “values and principles”. Fairtrade is about addressing the demands of both their shareholders and their customer base. They liked Fairtrade because of its ethical practices and the fact that it was an independently certified initiative. They actively convert as many products as possible to Fairtrade and educate their customer base about its benefits.

Finally, Sainsbury's almost exclusively provides Fairtrade tea and coffee options as the Fairtrade supply chain allows them to work closely with their suppliers. This means that Sainsbury's can work closely with their suppliers on a long-term basis to ensure a sustainable, reliable and quality flow of raw materials into their production chain. They enjoy that there are less intermediaries in the Fairtrade supply chain and that no one else "can get their grubby hands on it [the Fairtrade premium which is intended for the Fairtrade producers]."

5) Are the sales of Fairtrade products increasing or decreasing?

Fairtrade sales are not performing exceptionally well. Food sales for the Co-operative were declining overall, however their Fairtrade sales were increasing. Sainsbury's said that the sales of Fairtrade products were "doing well", however several external coffee and tea brands (i.e. not Sainsbury's own brand) are now switching to the Rainforest Alliance scheme which could hamper Fairtrade sales down the line.

Parkinsons said that Fairtrade did not impact sales in any way, and the same was said for Foodstuffs NZ.

Finally, the two buyers from Tesco had slightly different answers from one another. One said that Fairtrade sales were "stagnant at best", if not in a slight decline. They expanded by saying that ethical consumption overall was declining. The other provided concrete sales information, which illustrated lower Fairtrade sales than non-Fairtrade. The weekly sales of Tesco finest Fairtrade tea are £17,000. This is compared to weekly sales of £35,000 for the standard, non-Fairtrade equivalent, which sells 105% more than the Fairtrade option. In coffee, Percol's 100 gram jar (which is Fairtrade accredited), achieves sales of roughly £6,000 per week. This is compared to Nescafé's non-Fairtrade option, which sells between £30,000 and £40,000 per week. This can represent a difference of over 500%.

6) What about other ethical initiatives? How do they perform compared to Fairtrade?

Two retailers, Parkinsons and Foodstuffs NZ did not really expand on this question.

Other retailers mentioned that the Rainforest Alliance was beginning to encroach on Fairtrade's market share. One buyer from Tesco said that was particularly due to the fact that the market price for Rainforest Alliance raw materials was often lower, and that brands were switching to this initiative due to the lesser costs associated with this initiative. The other buyer from Tesco alluded to the growing popularity of the Rainforest Alliance, yet still attested that Fairtrade was "the biggest player".

Sainsbury's stated that the Rainforest Alliance was now the most prominent ethical initiative in its tea and coffee range as most of the externally branded products (i.e. not Sainsbury's own) were accredited with this scheme. However all of Sainsbury's own ranges remain Fairtrade particularly as they believe this initiative results in a better deal for producers.

Finally The Co-operative has long been an avid supporter of Fairtrade and have deliberately made their uptake of Fairtrade as a key focus of their strategy. Therefore Fairtrade remains to be the most prominent initiative by far for them.

7) How do the sales of Fairtrade products compare to the sales of organic products?

Several retailers did not expand on this question, or rather felt they had nothing to add. For Parkinsons, they were not aware whether they stocked any exclusively organic lines. For Foodstuffs NZ, they did not carry organic confectionery items in their range. Sainsbury's did not discuss their organic product options.

Organic represents a very small share of the lines sold by The Co-operative. Again this is largely due to the fact that Fairtrade is very central to The Co-operative's ethical marketing strategy. The Co-operative felt that organic sales were declining. This was due to the higher price point of organic products, paired with the fact that consumers were generally confused by the initiative.

Tesco has actively decreased its organic offering, in part due to the flagging sales. They added that it is harder to maintain a level of consistency with organic products due to the way they are processed, and this is a negative factor.

8) How do you feel the economic downturn has affected the sales of Fairtrade products?

Answers for this were varied. Foodstuffs NZ stated that the economic downturn had in no way affected the sales of Fairtrade at all. One buyer at Tesco also made a similar statement by adding that the affluent consumer group who normally purchases Fairtrade had not been overly affected by the downturn. This group still sees Fairtrade products as a way to give back to the community, and they also hold the (false) perception that Fairtrade coffee is of a superior quality compared to non-Fairtrade.

Sainsbury's claimed that Fairtrade sales had suffered slightly as a result of the recession. However in their case, their own-brand range represents the cheaper options on offer, and their own range is Fairtrade. So from this perspective, Fairtrade had not been adversely affected by any means as a customer who decided to 'trade-down' and purchase the cheaper Sainsbury's brand would still be buying Fairtrade. However the buyer did go on to say that "demand is completely price dependent."

The Co-operative was in the same position in that their own range, which was the cheapest option, was also Fairtrade. The buyer said that customers really believed in Fairtrade and that some

customers would still pay a premium to buy it. However he noted that at present, Fairtrade probably isn't recruiting any new customers.

The second buyer from Tesco approached the question by splitting up the consumer group by demographics. He stated that the more affluent customers had continued to buy Fairtrade, echoing the testament of his colleague's that this group had not been affected by the downturn. However he went onto say that probably the "middle band" of consumers had moved away from Fairtrade, and that this would in turn affect the sales of Fairtrade as this group may have been likely to at least 'trial' Fairtrade products. He also mentioned that customers were moving towards the Rainforest Alliance products as these were cheaper.

Parkinsons clothing said that any clothing which had a premium for being Fairtrade had suffered – they had discontinued one Fairtrade brand in particular because it became too expensive.

#### 9) How profitable is Fairtrade?

Some retailers found Fairtrade to be more profitable due to the fact that they took a higher margin on a product sale. For instance Tesco Fairtrade Tea and Coffee ranges had a higher profit margin than the non-Fairtrade equivalents. However the buyer mentioned this increase in margin was required as an incentive, as the volume sold was much lower than non Fairtrade alternatives. He stated "the quantity [of Fairtrade products] sold will never get to the scale where this added margin can be omitted." The other buyer reinforced that a certain level of profitability is always expected, regardless of whether something is Fairtrade or not.

Parkinsons clothing reiterated this sentiment, and don't take any reduction in margin because of Fairtrade.

However for the other three retailers, Fairtrade represented reduced profitability in some cases. Foodstuffs NZ said that their returns from Fairtrade chocolate were “poor”, as they were priced in line with non-Fairtrade alternatives yet incurred a higher cost.

The Co-operative deliberately makes a loss on some Fairtrade items such as bananas, which cost the company £2 million per year. The buyer attested that Fairtrade bananas do not sell if they incur a price premium.

Sainsbury’s initially found Fairtrade products to be very expensive. The buyer said this is why many of the branded products have moved towards the Rainforest Alliance accreditation, as this was less costly. However Sainsbury’s has managed to make Fairtrade profitable over the years, as they have heavily invested in their supply chains. This helps ensure reliable and quality supply volumes, avoiding shortages and thus balancing out the additional cost of Fairtrade.

10) How do you choose your Fairtrade providers?

In instances where externally branded Fairtrade products are stocked, i.e. Nescafé, Percol etc., these trading relationships are often initiated by the suppliers.

For Tesco’s own brand of Fairtrade products, they employ technical managers who work on the ground in the countries from which they source. These managers develop the working relationships and ensure that all Fairtrade criteria are being met.

For Sainsbury’s they too seek out Fairtrade suppliers from a list of accredited sources. From a list of about 160 tea suppliers, they chose 40 suppliers from whom they buy Fairtrade tea. Their number of suppliers is broad to help reduce the risk of falling victim to supply shortages.

The Co-operative has no set procedure which it follows when finding Fairtrade suppliers. Suppliers both approach and are approved by The Co-operative.

Finally Parkinsons does not actively source Fairtrade clothing. The buyer will purchase Fairtrade clothing if they like the designs. Again like The Co-operative, they both approach and are approached by potential stockists.

11) Do you have any issues with sourcing?

Most buyers did not seem to have an issue with any Fairtrade providers of any nature. This was the case for Tesco, Foodstuffs NZ and Parkinsons.

Due to Sainsbury's active involvement in their supply chains, they are able to supervise and control any aspects that could evolve to be problematic.

The Co-operative was the only retailer which discussed a problem they had experienced recently. Their suppliers of Fairtrade brazil nuts decided to default on their part of the contract as the world price for brazil nuts peaked a couple of years ago. The supplier felt it to be more profitable and convenient to sell their Brazil nuts at the world price rather than at the Fairtrade price to The Co-operative. However this type of incident does not occur often.

12) How do you feel Fairtrade helps your store's image?

The clothing retailer Parkinsons and Foodstuffs NZ said that while they believed their stores' images benefitted from stocking Fairtrade products, it was not of great importance overall.

Parkinsons said Fairtrade was "quite nice" and shows customers that "you are doing your bit".

However they did not deliberately choose Fairtrade products for this reason. Foodstuffs NZ said



that stocking Fairtrade products helped to show a level of retailer responsibility, however it played only a very small part in the composition of the store's image.

Sainsbury's feels Fairtrade plays a large role in determining their store's image. The buyer mentioned that "there has been no negative press about Fairtrade", and that stocking a wide range of Fairtrade options helped to dislodge the "nasty supermarket persona" that is often attributed to the bigger food retailers.

The Co-op reinforced this enthusiasm for Fairtrade, as its core concern is ethical trading.

The two buyers from Tesco appreciate the benefits Fairtrade can bring to their image, however they both admitted Tesco was not yet fully leveraging the opportunities to be gained from Fairtrade. They believed it was important to provide a broad range of product offerings for the customer, and Fairtrade was a way to do this. They plan to increase Tesco's involvement with Fairtrade in the future.

### **5.3 Fairtrade agency interviews**

#### 1) How has Fairtrade grown over the years, and how do you see it progressing?

Most agencies felt Fairtrade has grown steadily over the years, and will continue to do so. Only one agency, Traidcraft, mentioned they felt the growth of Fairtrade was slowing down. They found that they were experiencing increasing demand for their craft products, whilst simultaneously facing declining demand for their food products.

Liv UK mentioned that Fairtrade fashion has not grown in the same way that Fairtrade food has.

Equal Exchange and Cafédirect praised Fairtrade coffee as the catalyst for the movement.

Bishopston Trading highlighted that the demand for Fairtrade goods was higher than for organic goods in the UK, but that the reverse was true for continental Europe.

2) What is your motivation behind dealing with Fairtrade?

Most agencies deal with Fairtrade as they want to improve the livelihoods of the producers they use and to help fight poverty. Cafédirect was formed in response to a coffee price crisis.

However Liv mentioned their motivation for dealing with Fairtrade was rather due to their desire to be an ethical, sustainable and transparent business.

3) What has helped to promote Fairtrade in recent years?

There were a number of factors which were raised in response to this question. Several agencies talked about a shift in consumer awareness and the desire to behave ethically as a key propellant behind the recent success of Fairtrade. Media has helped to create and reinforce this awareness.

The increased involvement of supermarkets and the switch to Fairtrade ingredients by well-known brands, such as Kit Kat, has also helped.

However most retailers mentioned the FLO mark and its 'simple' message, coupled with the continuous promotion of the scheme is the key catalyst behind the success of Fairtrade. Consumers understood the message of the FLO mark and consequently have embraced it.

4) Why do you think people consume Fairtrade?

Again there were a number of factors raised here. A couple agencies mentioned consumers' desire to promote ethical and sustainable production. Consumers understand that producers are getting a better deal and want to support this.

Consumers also believe that Fairtrade products can be of a better quality. This helps to increase the sales of Fairtrade goods. Agencies that provided Fairtrade food and beverage products were quick to highlight that the product needs to be of a certain quality otherwise consumers will not support Fairtrade.

One agency, Bishopton Trading, who exclusively produce clothing and textile products said that customers were not primarily motivated by Fairtrade. Consumers liked the designs of the clothing and the fact that the clothing is Fairtrade is an added bonus.

5) How do you feel Fairtrade compares to other ethical initiatives, such as the Rainforest Alliance?

Most agencies agreed that Fairtrade is the most widely known ethical initiative, and is also the most clear and easy to understand. While the Rainforest Alliance is a newer initiative and therefore might hold some level of novelty, agencies felt it was not as robust nor as easy to understand from a consumer's perspective when compared to Fairtrade.

One agency however highlighted that when Fairtrade is practiced by bigger players, it should be viewed critically. They mentioned that the power of the small-holding farmer becomes increasingly reduced and as this is an underlying fundament of Fairtrade, it is not an ideal development. Consumers should be more skeptical in assessing the direct benefits of Fairtrade in these instances.

6) How do you feel Fairtrade compares to aid?

It was unanimously decided that Fairtrade was more beneficial to aid particularly in regards to poverty alleviation. This was because Fairtrade is more sustainable than aid, and it also allows people to work for their own livelihood, which in itself carries a whole lot of benefits. It also means that communities no longer have to rely on donors, which in the current economic climate is becoming more precarious. One agency also highlighted that Fairtrade is helping to improve the role of

women in society. The quote “give a man a fish, feed him for a day; teach a man to fish, feed him for a lifetime”, was used by one interviewee to describe the difference between the two.

One interviewee mentioned that Fairtrade cannot work in isolation. It is not enough on its own to alleviate poverty, and aid still plays a very important role in working towards poverty alleviation.

#### 7) How have the sales of organic products fared?

This answer was met with mixed response, and was dependent on whether the agency was a food and beverage wholesaler or a textiles wholesaler. For the agencies providing organic food and beverages, some had experienced flat growth and demand for their goods. One mentioned this was because consumers are quite confused about what ‘organic’ actually means. Another said that consumers feel it is a product that only the ‘upper class’ can afford.

For clothing and textile providers, demand for organic cotton was relatively healthy. One provider in particular had more demand for their organic goods rather than their Fairtrade goods.

#### 8) How do you find your suppliers?

For some agencies, sourcing suppliers was a two way process in that suppliers would seek them out as well as them seeking out suppliers. The Fairtrade Foundation provides an ideal network and ‘meeting place’ for the two groups to initiate contact with one another.

Some agencies travel deliberately to source suppliers, with one having agents in Fairtrade markets who actively work to source suppliers for them. A couple of agencies actively source many suppliers, in order to spread their risks and to incorporate as many small-holding producers as possible.

Another had worked exclusively in one community in India when they visited the village a few decades ago. However now that village had prospered to the extent that the workers no longer wanted to work as tailors and seamstresses, so that agency has had to find a new village from which to source its Fairtrade raw material inputs.

9) How involved are you with visiting your producers?

There were a range of answers here. Generally speaking, the fewer number of producers an agency worked with, the more likely they were to visit these producers. For the larger organizations which dealt with several producers simultaneously, only some producers had been visited. For those who worked exclusively with one or two producers (mainly clothing and textile providers), the agencies seemed to visit the producers a lot more frequently.

10) What is the longevity of your relationship with your suppliers?

All agencies had very long-term relationships with their suppliers. Most still have exactly the same suppliers as when they started out over 20 years ago. Several interviewees spoke of the 'partnership' arrangement, where they work closely with their suppliers to ensure they maintain Fairtrade standards and help them to improve.

New suppliers are only brought on board when additional supply is needed that current suppliers cannot provide. In no way were suppliers played off against one another.

11) Do you have any issues with regards to sourcing?

Two agencies mentioned that the issues they had with sourcing Fairtrade materials were no different to the issues that are experienced when sourcing non-Fairtrade materials.

Sometimes however suppliers struggled to meet quotas due to issues such as a natural disaster, or delivered products inconsistent in quality.

One agency had experienced a supplier willing default on a promised order as they decided it was just as beneficial to sell their products at the market price.

All agencies worked very closely with their suppliers in order to reduce the amount of issues associated with sourcing. Therefore working relationships that were longer term seemed to be more fluid and reliable.

12) Do you feel any improvement could be made to the FLO certification scheme?

This question was met with mixed reviews. A couple of the agencies had no criticisms of the work of FLO, and wholly supported them.

One agency said they felt FLO did not pay enough attention to smaller organizations, and instead were more focused on the bigger players. They also mentioned that due to the voluntary nature of FLO, the organization experiences a high amount of staff turnover which reduces its efficiency and its ability to help. Also the same agency mentioned that FLO needs to pay closer attention and scrutiny to its certification, as they believed there is 'a lot going on that there shouldn't be'.

Another agency, Cafédirect, who is a big supplier of Fairtrade coffee worries that FLO is more concerned with quantity rather than quality. They strive to include as many people as possible, and as a result, some standards are relaxed to allow more people to participate. Cafédirect is worried that this might affect quality perception of Fairtrade goods as a whole.

13) How do you find it dealing with retailers at the moment?

The results for this question were very mixed. Some retailers who dealt with supermarkets have found the past few years to be very tough, with the contact at Cafédirect stating “ [in] the last two or three years, the trading environment has been pretty much the hardest I’ve ever experienced in my 15 years of working with retail”. Retailers are constantly pushing for tighter margins while producers are facing rising production costs. However interviewees also mentioned that the larger supermarkets realise the importance of Fairtrade, so despite this pressure, most have experienced an increased demand for their product in supermarkets.

Liv UK is currently in negotiations with potential retail partners, and is expanding their distribution.

Traidcraft and Essential Trading, who both deal with independent high-street retail stores, have found these stores to be struggling and thus are facing a potential decline in demand.

Bishopston Trading unfortunately will be closing down their own retail outlets due to declining sales.

14) Do your products usually carry a premium?

Cafédirect, Equal Exchange and Traidcraft tend to price their products in the premium price bracket, or at least above the average price for their categories. This is to reflect the product features such as quality, as well as the slightly smaller scale these providers work on when compared to multi-national brands.

Liv and Essential Trading price their products within the average price range.

15) What reservations, if any, are you met with from retailers?

For those who dealt with the bigger retailers, there is a constant concern about whether customers will appreciate the justification in spending a higher price for Fairtrade. Some retailers are also weary of Fairtrade providers' ability to deliver on orders, as some have had bad experiences in the past. This can have a negative effect for those in the category on the whole. Retailers are also constantly challenging brands to differentiate themselves from one another.

Equal Exchange mentioned that no retailer has used the economic recession as an excuse for pushing prices down.

Finally Essential Trading claimed to have no issues at all with their retailers, as all their retailers were very eager to stock Fairtrade products.

16) What product in your range do you have the most demand for, and why do you think that is?

For Equal Exchange, the most popular product is their coffee as this is the brand's mainstay. For Essential Trading, they find their most popular items to be 'pantry items', i.e. tinned tomatoes and sugar. For Liv UK, their organic knitwear has had the most demand. For Cafédirect, their Maccu Piccu roast and ground coffee sells the best. Finally for Traidcraft, their muesli-based 'Geo Bars' sell the best.



## 6.0 DISCUSSION

The discussion is structured to answer the five key research questions detailed in chapter 3.0. It will draw comparisons compared to the hypotheses of the research, and will build the foundations for overarching conclusions. Finally a brief touch on limitations of this research including suggestions for areas of further research will follow.

### 6.1 How will the sales of Fairtrade products in the future progress? What will help to ensure continued growth?

The ability to predict the future sales of Fairtrade remains challenging. Fairtrade has enjoyed positive media coverage and a growing awareness amongst consumers. It has been growing and maintaining its market share of ethical consumption, a positive sign when compared to the swift decline of consumption of organic products.

Some interviewers believe the sales of Fairtrade products have fared better *as a result* of the economic recession. As one researcher stated, “people think more about their spending when money is tighter – they want to make sure there is some value to their spending” (Penny Smith, Traidcraft). Some consumers may choose to forgo outright charitable giving, and instead choose to give back to the wider community via ethical product purchases which can seem easier to justify during times of hardship.

However simultaneously, several interviewers foresee a decline in the growth of Fairtrade sales in the future. Furthermore, specific comments regarding this prediction came from supermarket buyers, who have firsthand knowledge of the sales of Fairtrade products. “Sales of Fairtrade are stagnant at best – I would honestly say they’re probably in decline” (Tom Delaney, Tesco). This can be attributed to several reasons such as the economic recession and consumers’

confusion regarding the benefits of Fairtrade. However it is important to note that the buyers who complained that Fairtrade sales are declining were from Tesco and Foodstuffs in New Zealand. Both these supermarkets are extremely price competitive and actively aim to service more price conscious consumers. Buyers from more upmarket supermarkets did not make the similar comments.

This trend has also been triangulated by Fairtrade agencies – “Fairtrade has been growing in the past few years, but that growth rate will slow. Food is declining” (Penny Smith, Traidcraft).

However, all interviewees almost unanimously agreed that if Fairtrade products are price competitive, sales will continue to grow. They believed that if there were no difference in price points between Fairtrade and non-Fairtrade products, consumers would be swayed to purchase the Fairtrade option.

Interviewees were divided regarding the effects of the recession. Some think it has hindered the growth of Fairtrade sales, some feel it hasn't. A couple of buyers claimed outright that the “downturn hasn't affected sales at all” (Ian Rankin, Tesco). However at the same time, the recession has forced one agency out of business, with Caroline Whitwall from Bishopston Trading claiming “the recession has hit us, we're not likely to survive.”

Price competitiveness of Fairtrade products was highlighted again, with supermarket buyers speaking of increased promiscuity of consumers who would swap out of buying Fairtrade goods in favour of more price competitive ethical products, such as Rainforest Association goods. As Gavin Pass from Parkinsons Clothing mentioned, “people like Fairtrade, but they won't pay a premium for it”. Price competitiveness was not only highlighted at the consumer level, but also for the retailer who purchases wholesale goods from Fairtrade agencies. Some retailers will not consider taking a margin hit on Fairtrade goods, which has strong implications for price competitiveness.

In conclusion, whilst interviewees were in disagreement regarding future sales of Fairtrade products, two key requirements were often mentioned as prerequisites for continued success. The first is for Fairtrade goods to achieve and maintain price competitiveness. The second is for the general awareness and education surrounding the Fairtrade movement to increase. Almost all interviewees touched on the importance of awareness as motivational factors for purchase.

## **6.2 What has helped Fairtrade to reach the level of sales it currently achieves?**

The work of the Fairtrade Foundation in the UK has created much awareness about the initiative and was credited by almost all interviewees as the driving force behind Fairtrade sales today. The Fairtrade Foundation has also worked to initiate supplier and retailer relationships, recently helping Liv UK establish a relationship with the major department store franchise, John Lewis.

In addition, ubiquitous press articles highlighting unethical production and business practices have driven consumers to support ethical products such as Fairtrade.

Supermarket and brand involvement has proven to be catalytic sources of growth. Big name brands such as Kit Kat now exclusively source Fairtrade chocolate, meaning existing consumers of Kit Kat have now become Fairtrade chocolate consumers without necessarily making that conscious decision. Many supermarkets now include Fairtrade products in their own brand labels, which can often represent some of the cheaper category offerings. For example The Co-operative exclusively sources Fairtrade products in all categories where Fairtrade certification exists. This level of support again results in existing customers becoming Fairtrade customers as their non-Fairtrade options become more limited.

These realities perhaps recommend an ideal strategy for further adoption of Fairtrade – rather than aiming to convert consumers towards purchasing smaller, lesser known Fairtrade brands, focus on those brands and retailers who already attract large customer numbers and aim to have them source Fairtrade raw materials.

### **6.3 What is the commercial motivation for providing Fairtrade products?**

This section of the discussion is split into answer clusters from the supermarket buyers and the Fairtrade agencies, as the two groups had quite distinct answers.

With regards to commercial motivations for supermarket buyers, several buyers spoke of the provision of Fairtrade as part of their business identity: “Fairtrade is part of the overall picture of what we stand for” (Brad Hill, The Co-operative). The Co-operative has gone to great lengths to actively accredit new categories as Fairtrade, such as coal, for which there previously existed no formal accreditation.

Supermarket buyers discussed the credibility of Fairtrade in helping to support the third world, and that ethical sourcing was part of a supermarket’s responsibility. This in turn helps to dislodge any ‘nasty supermarket’ (Peter Megson, Sainsbury’s) persona. In turn, several buyers felt that providing ethical products such as Fairtrade was their way of being able to actively give back to the community.

Conversely, other buyers highlighted purely commercial reasons for providing Fairtrade. Tesco in particular cited their main reason for providing Fairtrade was due to consumer demand. Gavin Pass from Parkinsons Clothing does not actively provide Fairtrade products – this factor is not a decider. As providers of People Tree clothing (a Fairtrade and organic label), they sell the brand because “we like the designs” and “it is profitable”. The Fairtrade aspect of the label was an

“added bonus”. Gavin Pass also stated he feels consumers act in the same way, with design and price being decision making factors. The commercial viability of Fairtrade is key in facilitating the purchase decision making process result in favour of Fairtrade.

Sourcing Fairtrade raw materials as opposed to non-Fairtrade materials involves a simpler and more direct process. The advantages to be had with sourcing Fairtrade goods were a significant factor in motivating a couple of supermarket buyers to shift their own brand products into Fairtrade. This was particularly important for Peter Megson from Sainsbury’s, whose coffee and tea ranges are now exclusively Fairtrade. Fairtrade has allowed them to work directly with their suppliers, tailoring material inputs to suit their needs and spreading their risk. They have created a more sustainable supply chain with fewer inconsistencies and increased quality. As there are fewer intermediaries, the supply chain is “streamlined and strengthened”. They have more control over their supply chain and any increased cost associated with Fairtrade is completely outweighed by these benefits.

Finally, some supermarket buyers ensure that Fairtrade products have an *increased* margin when compared to non-Fairtrade products, hence their desire to support these. As Ian Rankin from Tesco stated: “Tesco makes more money on Percol than they do on Nestle”. However he also noted that the percentage sold of Fairtrade products were lower, so this increased margin was needed to motivate Tesco to take on the products. As Tom Delaney stated, “the quantity sold is *never* going to reach the same scale as non-Fairtrade”. This could pose a threat to Fairtrade as Fairtrade products contain more expensive raw materials than non-Fairtrade. In order to remain price competitive, this places stress on profit margins along the rest of the chain and could challenge the sustainability of the movement.

Fairtrade agencies on the other hand engaged in the provision of Fairtrade almost unanimously for the same reason – to be transparent, ethical and sustainable. As Caroline Whitwall

from Bishopston trading stated “the motivation from the beginning has been to be a highly ethical company”.

Regardless of other motivations for the provision of Fairtrade, the presence of Fairtrade is ultimately supported by the consumer demand for it. Even the most ethically-minded business could not support itself if there were no customers wanting their products. Whilst the provision of Fairtrade is simultaneously a proactive and reactive, it ultimately relies on the end consumers to keep it going.

#### **6.4 Is Fairtrade a suitable tool for which poverty alleviation can count upon?**

Several agencies agreed that Fairtrade was more sustainable and desirable in many ways than aid is with regards to poverty alleviation. Fairtrade workers were happier being given jobs than they were handouts, as it allowed them to create their own living and not to rely on inconsistent external giving. Communities can generate their own incomes and in a couple of cases, agencies have worked directly with Fairtrade co-operatives who deliberately empower women through employment. Eli Sarre from Essential Trading cited this as one of the main reasons her company has chosen to work with specific co-operatives. Thus, such execution of Fairtrade sourcing can not only help to alleviate poverty, but also improve the status of women worldwide, which is also a United Nations Millennium Development Goal.

#### **6.5 What are the risks that challenge the future viability of Fairtrade?**

There are several issues which could challenge the ability of Fairtrade to continue to grow in the future. One key trend which several media articles have highlighted is the decline in market share of organic goods, thus predicting a similar fate for Fairtrade.

Media commentators have attributed the price premium paid for organic as its major weakness. In addition, the message surrounding organic is often seen as confusing and organic is also seen as something that is purchased by the 'upper classes. As Eli Sarre from Essential Trading reflected "I think in the UK people don't really understand what organic means, they think it is a class issue, something that only well-off people can afford."

However several buyers and agencies alike believed that consumers understand the message of Fairtrade, and can relate to it a lot more than organic. Provided Fairtrade products do not command a huge price premium, they did not see it following the same fate as organic. As Peter Megson from Sainsbury's said, "Fairtrade is doing well. While organic has taken a hammering, Fairtrade hasn't experienced this. It resonates more with the consumer".

The underlying conclusion is that Fairtrade needs to retain its simple message, and achieve price competitiveness in order to ensure ongoing sales.

The recession has seen increased pressure on profit margins for both supermarket buyers and Fairtrade agencies alike. Customers want cheaper products, with supermarkets now "trying to drive the volume through at the lowest retail price possible" (Brad Hill, The Co-operative). "This obviously affects our profitability".

Such a reality may hinder the ability of Fairtrade to win a place on the shelf, especially in instances where supermarkets aim to price match against competitors who do not sell Fairtrade products. As Peter Megson highlights, "Sainsbury's tea is price matched against Tesco. The Fairtrade premium is not reflected in the price, and Tesco tea isn't Fairtrade". This means that Sainsbury's is making an increased loss solely because their product is Fairtrade. Sainsbury's has actively decided not to include a Fairtrade option for their instant coffees, as the loss here is greater than for tea.

With the overarching aim of price matching to Tesco, Fairtrade options in some categories are simply not affordable.

Due to the increased price of Fairtrade products, some retailers do not try and achieve price competitiveness by reducing their margins and instead price Fairtrade products at a premium. For Tesco, “Fairtrade is restricted to premium offerings” (Ian Rankin, Tesco). If customers are to become more price sensitive, this could seriously affect the future sales of Fairtrade. In addition, Fairtrade sales for Tesco represent a very small part of their overall sales. For instance in the roast and ground category coffee, Nestlé is the single biggest non-Fairtrade retailer selling roughly £35,000 per week. This compares with the biggest Fairtrade equivalent, Percol, which makes roughly £6,000 per week – just over one-sixth of what Nestlé sells. It is also relevant to keep in mind that coffee is a strong Fairtrade category – one can probably assume that this is a category in which Fairtrade performs highly. Tom Delaney of Tesco admits that Fairtrade is largely retained in the category to give customers the option and to make customers feel that Tesco provides them with all the options they may need.

As for agencies, they are being squeezed in turn by the supermarket buyers to reduce their margin. Whilst some are still able to make a profit despite market pressures, others have not been so lucky. Even the bigger agencies that have more bargaining power, such as Cafédirect, have experienced difficulties. Penny Smith from Traidcraft reinforces the hurdles Fairtrade agencies are coming up against: “It isn’t that they [supermarkets] don’t want to participate with Fairtrade as such. But they’re concerned about price points.”

As the raw materials of Fairtrade are higher than those which are non-Fairtrade, margins along the supply chain will have to decrease to retain price competitiveness. As to which group (i.e.



processors, wholesalers etc.) is to take the hit to help achieve end-price competitiveness is another question which warrants further research.

As Fairtrade is proving to be quite expensive, supermarkets and agencies alike can be drawn to other ethical initiatives which are cheaper. Peter Megson has noted a trend in several of the branded Fairtrade coffee providers for Sainsbury's: "Fairtrade costs a lot of money. People have shifted to the Rainforest Alliance because it is cheaper". Most major brands in Peter's category have now started to adopt Rainforest Alliance instead. "But it isn't as good", he notes.

This brings about the question of whether consumers specifically support Fairtrade, or whether they are just after a product which supports some sort of ethical initiative, whatever it might be. As Peter Megson notes: "some sort of accreditation makes people happy, it doesn't really matter what accreditation system it is. People don't really understand the differences."

Tom Delaney from Tesco further compounds this threat. For his category, the Rainforest Alliance has been "the catalyst behind the growth in ethical purchasing", whilst Fairtrade has declined. Penny Smith from Traidcraft also notes that the Rainforest Alliance "is quite fresh", and may be more exciting and appealing for customers. Further adding to the list is the fact that a product's ethical attributes ranks only about 6<sup>th</sup> in the decision making process. This means that consumers take many other product attributes such as price and brand into account when making a purchasing decision before a considering qualities such as Fairtrade. Few consumers are primarily motivated by ethical attributes alone<sup>3</sup>.

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<sup>3</sup> The researcher interviewed Tesco buyer Andrew McLauchlan the year prior to commencing research for this piece of work. MacLauchlan, who at the time looked after the category 'cooking aids' (i.e. condiments, oils and spices), shared Tesco consumer research with the researcher. This research which was commissioned for Tesco showed that proximity of the supermarket was the consumer's first motivation for visiting that supermarket. Price was then revealed as the strongest determinant of a product purchasing decision. Fairtrade, or the product's ethical attributes, ranked in 6<sup>th</sup> place, thus is relatively low in the decision making process.

On the other hand, agencies believe that the Fairtrade initiative and logo are the most recognizable and thus desired ethical options. Eli Sarre from Essential Trading believes few consumers understand what the Rainforest Alliance does, and thus it may suffer the same fate as organic for its unclear messaging.

The future of Fairtrade is also risked by supply issues which appear to inflict Fairtrade supply chains in comparison with normal market supply chains. As Fairtrade crops are often also organic, this means that the lack of pesticides results in large variances in taste, output volumes and quality which can change from season to season. Fairtrade growers or producers can also be in areas which are plagued by natural or man-made disasters, such as flooding or war. This can make transport links to the growers difficult. Such issues can result in under-deliveries in quantity and inconsistencies in product quality, making supermarket and store buyers cautious of relying on Fairtrade providers and in some instances forgoing Fairtrade options altogether.

Some Fairtrade raw material producers had reneged on Fairtrade and instead sold crops at the market price should the market price have risen to a more profitable level than previously. In these instances, where there is very little difference between the market and Fairtrade price, it is a lot easier for growers to offload their products onto the regular market where there are more buyers. Compounding this issue is the current market situation of oversupply of Fairtrade crops. Brad Hill from the Co-operative spoke of a situation where their Brazil nut suppliers withdrew from the business contract at the last minute, leaving The Co-operative without Fairtrade Brazil nuts. Such a situation has made The Co-operative weary of dealing with Fairtrade suppliers in general.

Another recent development looks set to threaten the Fairtrade movement on a global scale. Paul Rice, the CEO of Fair Trade USA, has recently announced a split from the Fairtrade Labeling Organization<sup>180</sup> (what is known as Fairtrade in the UK). This is due to Fair Trade USA's desire to

“broaden the definition” of Fair trade<sup>181</sup>. The FLO currently stipulates that all produce must be purchased from grower-owned co-operatives. Fair Trade USA sees this as too restricting, reasoning that if they can purchase from coffee estates that have fair labour practices, Fair trade can be ‘scalable and significant’ rather than its current position of a ‘tiny market niche’<sup>182</sup>. This development could seriously affect the Fairtrade Foundation globally and the principles that it stands for, and may not be a development that resonates well with the current Fairtrade customer. Smaller growers will also lose out to bigger coffee estates, which could have implications for purchasers of Fairtrade crops in the UK if these growers were to cease production.

Similar, smaller scale trends are developing in the UK. Bigger food retailers are choosing to do their own ‘Fair trade’ sourcing and develop their own standards. Prêt à Manger, which has food outlets in the UK, US and Hong Kong with annual sales of £377 million in 2011<sup>183</sup>, sources all its own food ‘fairly’. While it is certainly beneficial that fair trading is growing, if we look at the FLO in isolation, this could present itself as a threat. Furthermore, as separate companies start to claim they are carrying out variations of Fair Trade, this may erode the key principles of Fairtrade and create consumer distrust in the initiative.

This development leads to a broader discussion concerning the ability of Fairtrade to sustainably and effectively change the power dispersion in a supply chain and give more power back to suppliers. At present this question is outside the scope of this thesis, however it is a question which warrants further investigation.

The final key point to raise in the discussion focuses on retailer involvement. Time and time again, many interviewees stressed the importance of retailer support for the Fairtrade movement. While the future sales of Fairtrade are largely determined by end consumers, supermarkets are effectively the gatekeepers to many of these customers. Supermarkets have included Fairtrade

options in their own brand ranges, leading to increased promotion for the Fairtrade movement and securing a level of long-term commitment and support from them. At the same time, the inclusion of Fairtrade into supermarket-own brands has the potential to erode the underlying principle of empowering the producer. This is because the scale in which supermarkets buy raw materials as inputs for these ranges is colossal in comparison to the smaller Fairtrade agencies. Regardless of current Fairtrade stipulations, this leaves supermarkets with a lot of bargaining power and could risk the transparency of the Fairtrade supply chain.

## 7.0 CONCLUSION

There are several overarching conclusions which can be drawn from. In order for Fairtrade sales to remain successful in the future, Fairtrade products on the shelf need to achieve and remain price competitiveness. While it appears at present that Fairtrade can survive at a premium and in some cases has remain relatively unscathed by the recession, it is losing market share to cheaper ethical initiatives such as the Rainforest alliance.

Achieving such parity is not easy to come by, as all actors in the production chain need to achieve a profit or at least break-even regardless of their motivations for involvement. With this in mind, perhaps in order to help secure its sustainability, the Fairtrade Foundation should highlight to the benefits to be had with creating their own Fairtrade sourcing channels. This can help cut out intermediaries associated in the production of a standard commodity. Using the example of Sainsbury's, who can justify the added cost of Fairtrade due to the supply security it allows them, would be a good start.

The Fairtrade Foundation needs to continue to aggressively promote its work and educate consumers about the specific benefits of Fairtrade compared to other ethical initiatives. In some cases it has been proven that customers promiscuously shop ethical products as a whole – The Fairtrade Foundation needs to ensure it is top of mind and free from negative press.

It comes as no surprise that consumer demand is vital for the survival of Fairtrade. The future sales of Fairtrade rest ultimately in the hands of consumers. If consumers continue to support Fairtrade and do so to a level where it grows out of its 'niche' status, this will help the aim of Fairtrade to empower producers.

Drawing a conclusion regarding the ability of Fairtrade to readjust power imbalances in the supply chain cannot be steadfastly made. While Fairtrade at present is helping small-holding producers to gain a fair price for their produce, the movement still represents a voluntary commitment from the buyer. This is further complicated by the fact that there is an oversupply of Fairtrade produce in several of the Fairtrade marketplaces. The additional security for producers through Fairtrade is therefore compromised, rendering certain ambitions of the movement impotent. The move by Fair Trade USA looks set to further compound these shortcomings.

Heavy supermarket involvement in Fairtrade to the point of production of own products should also be viewed with some skepticism. The Fairtrade Foundation needs to ensure that any accreditation awarded to such products are rigorously researched and investigated. Any amount of negative media could prove to be devastating to Fairtrade, as there are many other ethical initiatives which could easily move in to occupy its position as the most consumed ethical product.

In order to continue their increasing sales year on year, the Fairtrade Foundation needs to actively equip itself for the challenges above. Only then will it continue to do what it has been able to achieve, and keep on shifting power imbalances in the production chain in favour of the suppliers who so dearly rely on it.

## **8.0 LIMITATIONS & FURTHER RESEARCH**

There are several limitations relevant to the applicability of this research. Firstly the sample size used for analysis was small, with 6 representatives interviewed from both interest groups. Therefore generalizations made beyond this sample group are not very robust. Furthermore, representatives from both the food industry and clothing and textiles were interviewed. Both industries are very different from one another and cross-generalizations may not be possible.

The interview methodology included some questions which could be deemed as leading questions, influencing the response of the candidate being interviewed. This may create some bias in the results.

No analysis into consumer behaviour regarding the influence of Fairtrade on purchasing decisions was made. Providing this triangulation of investigation would provide for more thorough and applicable findings.

Finally with regards to future research, it would be relevant to investigate how Fairtrade producer chains have adapted compared to mainstream production chains, paying particular attention to where margins may be reduced or where actors may be omitted.

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## 10. APPENDIX

### Interview Transcripts

#### Supermarket Buyers & Store Controllers

Name: Peter Megson

Company: Sainsbury's

Position: Category Buyer, Coffee & Tea

Q: How many Fair Trade products do you have in your range? How many products in total do you have in your range?

*All of Sainsbury's Tea is Fairtrade. All of roast and ground coffee is Fairtrade. Where it can be, hot chocolate and drinking chocolate is Fairtrade. Instant coffee isn't Fairtrade. This is because the Fairtrade premium is paid per raw kilo of good. You need roughly 3-4 kilos of coffee beans to make one kilo of instant coffee, and this just isn't profitable. Due to this there isn't much supply of Fairtrade instant coffee either. The market for instant coffee is not as robust. Sainsbury's tea is price matched against Tesco. The Fairtrade premium is not reflected in the price. Tesco's tea is not Fairtrade.*

Q: Talk me through the evolution of Fairtrade and your brand. Has Fairtrade increased/decreased in presence over the years?

*Sainsbury's entire tea range was Fairtrade by 2007. Coffee followed shortly afterwards.*

Q: What is your motivation for providing Fairtrade?

*Fairtrade allowed Sainsbury's to get as close as possible to their supplier. With the Fairtrade model, you can know exactly who your suppliers are. You cannot do that with non-Fairtrade coffee and tea. Suppliers would not reveal their sources as they said it was 'commercially sensitive' information. Now Sainsbury's can know where their supply is coming from. They now know that they have a sustainable supply chain. They have chosen their suppliers, and work together with them and advise them on sustainability. Sainsbury's has a lot of experts who can really help these suppliers to improve. Sainsbury's has identified the best suppliers. These suppliers receive the social premium, and this social premium (that is part of Fairtrade), benefits the community directly. There are less intermediaries with FT. Sainsbury's can now build long term relationships with suppliers. In traditional trading, this would change each year. The supply chain is streamlined and strengthened.*

Q: You discussed that you engaged with Fairtrade in order to work closely with suppliers. Are you able to work closely with suppliers who are not Fairtrade? What is stopping Sainsbury's from sourcing non Fairtrade suppliers directly?

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*Where we do not have a viable Fairtrade option then we would look for an alternative accreditation, like MSC for fish, which allows us to identify and engage with the suppliers. In the case of tea there are up to 2000 potential suppliers so identifying the key ones would be very difficult, by going Fairtrade ( 160 suppliers ) we know we are dealing with accredited suppliers who have already been assessed and approved by an independent credible party.*

Q: How do sales of Fairtrade products fare? What is the trend in sales?

*The majority of the tea providers are Rain Forest Alliance. Peter believes that generally speaking, some sort of accreditation makes people happy, it doesn't really matter what accreditation system it is. People don't really understand the differences. Consumers are just happy to have some sort of label. Fairtrade has the largest awareness though, and consumers buy into it. Fairtrade is the best because a premium goes directly back to the producer. No-one can get their grubby little hands on this premium.*

Q: How do you feel Fair Trade sales will progress in the future?

*Fairtrade is 'doing well'. While organic has taken a hammering, Fairtrade hasn't experienced this.*

Q: Why do you think the sales of organic products dropped?

*Organic products tend to be more expensive than standard and are not always better quality. I believe in the current economic climate consumers are questioning their value and relevance.*

Q: How do you feel the economic downturn has affected Fairtrade sales?

*The economic downturn has only slightly affected Fairtrade. Sainsbury's Fairtrade tea is actually cheaper than other options, so this hasn't been harmed. Demand is completely price dependent.*

Q: How do the sales of Fairtrade products compare to other ethical products, or organic?

*The biggest player is the Rainforest Alliance. Most of the major brands have adopted this. But if we are to look at it cynically, there are some things to consider: there is no social premium associated with the Rainforest Alliance like there is with Fairtrade. Also, buyers only have to buy a minimum of 20% from accredited suppliers, and they need to promise to bump this up to 25% for the following year.*

Q: How profitable is Fairtrade?

*Fairtrade is very expensive; it costs a lot of money. This is why a lot of producers have moved towards sourcing Rainforest Alliance as this is cheaper. Fairtrade is profitable for Sainsbury's in that it really allows them to control their supply chain. They are investing in their supply chain, and Fairtrade is the most effective way in which they can do this. Sainsbury's is the biggest purchaser of Fairtrade tea, they realise their importance for the Fairtrade market. There is an over-supply in Fairtrade tea. Sainsbury's picked what they thought were the best to invest in, to keep them from dropping out of the market. All of the tea comes from Africa. So if you look at tackling poverty, this is probably the best place that you want to be. There can be scarcity in Fairtrade coffee.*

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3) Do Fairtrade raw goods always have a premium? By how much does the price for Fairtrade tea exceed that of non-Fairtrade tea? How are you able to price-match with Tesco?

*Fairtrade tea has a fixed minimum price to cover the cost of production that only comes into effect when the market is very low; the current market price is currently much higher so it is not a factor at the moment. All Fairtrade tea also has a social premium that is at least \$.50 per KG of made black tea, this is paid directly to the producer. We absorb this additional raw material cost and offer our own brand customers a Fairtrade product at no additional cost to them by price matching the retail price to the equivalent Tesco product. This gives us a distinct point of difference between us and the other big retailers that many of our customers value...*

Q: How do you choose Fair Trade producers?

*We reviewed all tea producers, 150. We then chose about 40 from this group. Criteria included were price, quality and consistency. Our suppliers are spread around East Africa. Kenya, Tanzania, Uganda, Malawi. This is mainly to avoid shortages due to drought etc. 'Future-proofing' the supply chain. Politics can also play a factor, by spreading their supply base into different countries; they help to minimize their risk of shortages caused by political instability. So far, the climate seems to have caused few issues, but future predictions do not look good.*

Q: Do you have any problems with Fairtrade producers?

*Sainsbury's hasn't had any nasty shocks. We pick producers (and factories – factories need to process the tea) who are in it for the right reasons.*

Q: What certification do you rely on? Do you do any researching yourself? Have you visited any Fairtrade sites?

*Sainsbury's doesn't get involved in any certification; we leave that up to [the] Fairtrade [foundation]. But we have tried to identify Fairtrade groups in the region, and we consequently set up 'grower groups'. We identify weaknesses with their suppliers and then work with those suppliers to help improve their quality and efficiency. Recently we instructed suppliers in Malawi to grow more tea plants. In order for a supplier to gain a forward contract, we have targets that they need to work towards. They have quality improving targets to work towards.*

Q: How do you feel Fairtrade helps your store's image?

*Awareness of Fairtrade is increasing. The work that Sainsbury's did with their Fairtrade bananas was really beneficial to the store image. There hasn't been any negative press for Fairtrade. It is a credible way of supporting the third world, helping to dislodge the 'nasty supermarket' persona. It helps make Sainsbury's look like it is 'doing good'.*

Q: Who are the customers? How do you target them?

*There is a QR code on the packaging to help communicate the Fairtrade movement to the customers. The product name starts with the word 'Fairtrade'.*

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Name: Tom Delaney

Company: Tesco

Position: Buying Manager, Coffee

Q: How many Fairtrade products do you have in your range, out of the total?

*Upwards of 300 individual SKUs. Imagine around about the Fairtrade part of that...I would imagine about...5%?*

Q: Talk me through the evolution of Fairtrade and your brand. Has Fairtrade increased/decreased in presence over the years?

*I think ethical products have been increasing as a general trend. Whether that be semi certified products being on trend...Has Fairtrade been on trend? No, I would say stagnant at best.*

Q: Is there another ethical initiative that is outperforming it?

*Rainforest Alliance for example has been heavily backed by Kraft, and therefore they've converted a lot of their midrange products into Rainforest Alliance accredited products so we have seen uptrend in ethical but as a percentage I would say Fairtrade of that ethical is either stagnant or in decline.*

Q: Do Fairtrade products usually carry a premium?

*Yes, they do. And that can be that...the RRP [recommended retail price] are obviously recommended by the manufacturer so we don't get too involved in that but from an own-label perspective our premium is around about 15-20%.*

Q: What is your motivation for providing Fairtrade?

*Everything that we do, everything that we undertake is really either...is only as a...either a proactive application to our business, so we see a very good opportunity that we think the customer will like or as we react to the information we get from customer feedback, they would push for accreditation that is beyond our own label coffee for example, this is why we have a separate own label product in our range but not all our own label in our range is Fairtrade certified. In answer to your question, we have two or three Fairtrade only brands that are operating in my arena, Cataract being one of them, Klipper being another one...and a few others...Percol, that have a Fairtrade line, they were actually in reaction to what the customer wants.*

Q: How do sales of Fairtrade products fare? What is the trend in sales? What percentage of sales in your category is Fairtrade versus non Fairtrade, and how has this evolved?

*Stagnant at best, I would honestly say that probably they're in decline. The problem is that we...it is very difficult for me to judge I will tell you the reason why it is because...we change our...we have range reviews, that look put products in and take products out...so if you look from a like for like annual, annualize like for like position, ethical coffees*

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*are in a deep decline, to the tune of about 10-15%. The problem is that I can't give you any deep dive on that because they could be significant, they could be one SKU taken out of distribution for example, and it is very difficult for me to give a deep dive on that.*

Q: How do you feel the economic downturn has affected ethical purchasing?

*That is a very good question. I would say that a certain demographic will always buy for the correct(?) reason and I would also say that Fairtrade branded products have always targeted that demographic, so in very honest opinion, that affluent sector hasn't changed so much, its maybe slightly more promiscuous in where they purchase for example they would continue to buy Fairtrade coffee but this would probably be with whichever retailer has the best deal, but I would say within that A B demographic, I would say probably decline is very limited. However, what I would say is that with price sensitivity being a key issue amongst all retailers, I would probably say they have probably lost the middle band, those that probably would've bought or at least trialled at one point. The reason for that is that Fairtrade products carry a fairly big ticket ask, so if your average...if you're paying a premium on roast and ground, and people can buy Rainforest Alliance for more or less the same amount, anyone that isn't fully convinced of the benefits of Fairtrade in its own right would probably promiscuously shop another certified product.*

Q: Do you think customers understand the Rainforest Alliance better?

*I don't, but I think they do recognise certification, um, I don't think they even fully understand the Fairtrade principle either, in fact I would have to say the message that was very very strong 4-5 years ago when perhaps Marks & Spencer was a little bit more liberal... was very strong...has diminished, so I would imagine that along with that, uh, you will see that sales have declined as well.*

Q: Do you mind clarifying what you mean by diminished?

*I think the Fairtrade message was extremely strong, um, about 4-5 years ago, when it kind of bounded onto the scene as the new best thing. Our economic scenarios were completely different then for obvious reasons. But it seems that the message has not been continually refreshed by the Fairtrade foundation, or and or others, whereas what we've had is an influx of other certification on the market that has cannibalized, I think, on the sales of Fairtrade.*

Q: How do the sales of Fairtrade products compare to other ethical products, or organic?

*Similar trend, and the reason for that is again a big ticket prices, value for money has declined significantly per pence per gram, um, quality in coffee is not proven to be improved by its organic status, uh ironically you get a wider range of taste profiles in organic coffee because obviously you cannot control some of the parameters. They do impact other products such as cocoa. So in my opinion I also think that also is in decline.*

Q: How profitable is Fairtrade?

*That is a little bit of a difficult thing for me to comment um but to give you some kind of scope uh it is in line with...so we're not making, we're not over indexing on profitability. So it would be at the very very least under or at category margin, what that would mean is that our profitability is not over or under, we would expect a return we*

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*would expect a return if it was Fairtrade or non Fairtrade however ...the retail sales price being as it is, is a more expensive product, therefore that is how we work it.*

Q: How do you choose Fair Trade producers?

*They're branded companies who come to us, with FMCG. So we wouldn't necessarily source outside of our own labels, they will come to us with their proposition.*

Q: How do you choose the suppliers for your own Fairtrade labels?

*They're just people we've been working with for several years on our own label products, they have expanded their process of green coffee to ensure that we have a Fairtrade operation, all certification sits with them; we have a very strict ethical policy as you know, which they must adhere to.*

Q: Do you have any problems with Fairtrade producers?

*Not that we've noticed, but being in the seat for two weeks it is very difficult to say. But I don't see it as a major issue.*

Q: What certification do you rely on? Do you do any researching yourself? Have you visited any Fairtrade sites?

*The certification is the responsibility of the supplier to Tesco because they're branded operators. We do have our own ethical policy which is available on our website, for you look to have a look at that...as part of...*

Q: How do you feel FT helps your store's image?

*I am certainly not cynical. I am a huge believer in Fairtrade, I am a huge believer in all ethical coffees whether you believe that it is directly transferred to the producer or not or what or what percentage reaches the producer or not, it certainly goes some way to help and I think uh, absolutely it is important that we have a significant offer within our portfolio, that would allow our customers to choose or not whether they buy Fairtrade but certainly I believe it is our pillar of consumption and customer choice pillar that they as a destination shop have to find within our stores, if you look at it from a price perspective or if you look at it from a quality perspective, or from a destination shop, certainly Fairtrade offers our customers whatever their demographic the ability to have the choice in purchasing an ethical coffee and Fairtrade is certainly the foundation of that, of the ethical pillar. It helps us I think, it helps us in terms of range, certainly not in profitability and we've discussed but certainly in terms of offer, I think it deepens our offer to our customer and that can only be a good thing.*

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Name: Ian Rankin

Company: Tesco

Position: Buyer, Coffee & Tea

Q: How many Fairtrade products do you have in your range? How many products in total do you have in your range?

*Nowhere near half the SKU's are Fairtrade. All of Tesco own label is not Fairtrade, but Tesco finest is Fairtrade. 100 SKUs in total are Fairtrade, and this is out of 750, so roughly 1/8. However not all of those lines are active. There isn't too much Fairtrade in the coffee range.*

Q: Talk me through the evolution of Fairtrade and your brand. Has Fairtrade increased/decreased in presence over the years?

*This represents a shift from organic into Fairtrade, so the Fairtrade numbers are increasing [at the expense of the organic lines]. This is because of decreasing sales in organic. Fairtrade resonates more with the consumer now [rather than organic].*

Q: Do Fairtrade products usually carry a premium?

*Yes they do. For example – the standard range of roast & ground coffee prices: Tesco plain sells for £2.50, versus Tesco finest sells for £3.20 which is a 70p increase in price. Tesco does have some Fairtrade lines of their own. On the whole, predominantly it is the finest range that has the Fairtrade. Not much Fairtrade found in their standard lines. Probably more Fairtrade in coffee than there is in the tea range. There are other brands that have more Fairtrade in coffee than tea. But outside the brands of Percol and Café Direct, there is not a great amount of Fairtrade to be found.*

Q: What is your motivation for providing Fairtrade?

*Tesco being 30% of the market they have a job to do to source ethically and to promote the work that is done by Fairtrade projects. But also we relate that to what our consumers want, and there is a growing trend for consumers to see that on the shelf. But, Fairtrade is still not that high on the decision tree. So when a consumer comes into the store...as a fixture Fairtrade is probably 5<sup>th</sup>, 6<sup>th</sup> or 7<sup>th</sup> on the list, of what they're physically looking for. #1 would be type (i.e. instant or ground), and then it would probably come down to price/pack size, brand own label, then it would be Fairtrade.*

Q: How do sales of Fairtrade products fare? What is the trend in sales?

*Fairtrade products are more niche. Any particular product you would like to know about? [They can't easily call up their Fairtrade sales vs. non Fairtrade] don't place much emphasis on this, or would rather not disclose.... Tea. Tesco finest Fairtrade tea, 160s, sells roughly £17,000 per week. Tesco Standard Tea, 160, sells about £35,000 per week. And that is one of our best lines. If you were to look at something in coffee...100 gram jar,*

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*Percol line, would do about £6,000 per week, whereas Nescafe Gold range would do about £30,000 to £40,000 per week.*

Q: Is Fairtrade increasing in sales or decreasing in sales, as an overall?

*It is increasing, but it is quite a slow increase.*

Q: What about other initiatives? Anything eclipsing it?

*No...Rainforest alliance, organic....Fairtrade is by far the strongest initiative.*

Q: How do you feel the economic downturn has affected Fairtrade sales?

*The downturn hasn't affected sales, because it is the same people as beforehand who are buying it. It is still a way for them to feel like they are giving back to the community. There is also the perception that you are getting a better coffee for your money, which isn't true. It is just the distribution of money with Fairtrade that is different.*

Q: How profitable is Fairtrade?

*We tend to find that we do make more money on Fairtrade lines rather than standard lines and bigger brand. Tesco makes more money on Percol than they do on Nestle. This incentive is needed however to get the retailer to lift these products, as the sales volumes are low. Profit margin is higher, but the percentage sold is lower. The incentive is that they are more profitable, but the quantity sold is never going to get to the scale...percentage will be higher, but quantity not as much.*

Q: How do you choose Fairtrade producers?

*They come to us really. Bar the branded guys, we work closely with our own label suppliers, who will source from source. They have people on the ground out there that we work with as well. Technical manager out there, they work at source in terms of altering the factories, ensuring that the Fairtrade accreditation is justified and that sort of thing. We have technical managers to cover our asses, to ensure that the site meets the standards. We work directly with the Fairtrade certification but then we also have our own technical managers who will visit factories and look exactly at what suppliers are saying that they are doing is being produced is in line with the Fairtrade regulations so we cover our asses on that I guess.*

Q: Do you have any problems with Fairtrade producers?

*Nope, not that I am aware of.*

Q: How do you feel FT helps (your store's) image?

*Currently it is quite low-key and it is below the line and low level. I think Sainsbury's play on it a lot more and it may well suit their customer demographic to a wider extent, but I think with the years to come it will become more prominent and we'll try and take a foot on it and lead the market rather than follow. We do a certain amount around Fairtrade fortnight.*



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Name: Brad Hill

Company: The Co-operative Supermarket

Position: National Strategy Development

Q: How many Fair Trade products do you have in your range, out of the total?

*In terms of overall turnover, for the food business it is about 5% in terms of turnover. Probably pushing more towards 6% now I would say, but at any one given time...its umm...given the profile that we have for Fairtrade and given the actual number of products and the sales rate its um surprisingly low...[CUTS OUT]...possibly 260 out of 3,000-4,000 SKUs. Very much a small part of the overall range.*

Q: Talk me through the evolution of Fairtrade and your category. Has Fairtrade increased/decreased in presence over the years?

*So basically it goes back to 1994 when the Fairtrade mark was launched in UK. In 1995 the Co-op was actually beginning to actively market itself on its ethical platform, um obviously if you're familiar with the history of the Co-op in general then you'll know about the fact it's based on socialist values and principles and its very much about fairness and all those things so when we began to try to...for the very first time in our history to be honest...begin to turn it into a consumer-like message about responsibility of retail...retailing...we looked at various issues that consumers were concerned with, so there were things like animal welfare, the environment, health and diet and also the welfare of people in the supply chain as well came into that. What we did in 1995, we began to market ourselves on this ethical platform responsible retailing and identified the Fairtrade mark in its infancy was something we could actually both help develop in terms of the market opportunity from the Fairtrade producers, many of whom are co-ops anyway so it was about try to help fellow co-operators. It was about addressing the demands of our members who own us as opposed to shareholders so our democrats who uh...many of them who are members because of the ethical nature of the Co-op business and so it was serving them as an agenda. And so, the Fairtrade mark being independent meant that we could begin to confidently promote the Fairtrade part of the business to the wider consumer and with confidence because its independent and because obviously it was something that we believed firmly in so in 1995 we decided that we were going to begin to embark on a strategic development with Fairtrade.*

*In 1998, was the first major move on our part in Fairtrade when we began to stock Fairtrade products in every one of our stores, um, which is really putting the foundations in place and then the strategy from there. In 2000 we brought in the very first Fairtrade bananas and began to development the first own brand product in the UK with Fairtrade which was an own-brand chocolate bar and we worked very closely with Divine Chocolate on that to bring to market to bring to market the Co-op chocolate bar which is Fairtrade sourced from Ghana. And then in 2001 we began to work in wine, with Traidcraft...we worked with Traidcraft back then who at that point...there were no international Fairtrade standards for wine but we worked with Traidcraft again to give an independent endorsement to the consumers...an ethically sourced fairly traded product with the view that once the standards were in place for Fairtrade wine through FLO, then we would actually begin to move across to the Fairtrade mark. And then from there really it began to take off, we did put in a reasonable range (?) we had launched things like coffee and tea and we have plenty of Fairtrade brands as well and then in 2002 that was the year that the whole marketplace really changed. What*

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*happened in 2002 was that we were building support with the members to build awareness for the consumer. Our Fairtrade strategy was always to mainstream Fairtrade and bring it to a position where it was commercially viable. In those early years it was really difficult, it was about pushing products onto consumers who were prepared to pay the extra bit that was required but then in 2002 we took the decision to switch all of our own brand chocolate bars to Fairtrade...as a statement of real intent and support for Fairtrade and so we did quite a lot of work at the time which looked at the business and looked at what the implications of that may be. We did various (?) scenarios, recognized different points of view...the first assumption that we made was that because it was an impulse purchase, chocolate...the worse that would happen is that consumers would stop buying our own-brand and switch to branded products instead. We felt that there was no real risk in people that came into buy a bar of chocolate not buying ANYTHING and then walking out the door and losing a custom, so we assumed that there would be a loss of own-brand to brand, and generally branded products do give you a lower profit margin. So the risk was that people would move to a lower profit product. However we also were confident that we could really begin to drive our own brand product as well. So we went on TV for the first time with Fairtrade and we did a mail slot to 2 million members to tell them that we'd switched to Fairtrade and to ask them to continue to support the own-brand side of the business and what actually happened was that the reason it was significant, in the following 12 months, the sales of own brand chocolate increased by 50% and we actually saw a migration from the branded products into the own brand Fairtrade offer. So even though we were making less money per bar than we were before, because the Fairtrade cocoa was costing us so much more, we were actually beginning to see customers buying higher profit margin products from us than they were before so in totality, the category on chocolate meant a commercial success story. We turned a corner, we demonstrated that Fairtrade was commercially viable, that customers were willing to buy into it if you gave them the information and justified the extra cost. And that meant that the business [CUTS OUT].*

*So in 2003 then did the same work on coffee, we switched the whole range to Fairtrade as well. And importantly while we were doing this work in terms of development we were also campaigning as well, on chocolate...we issued a report, we went to Ghana with the BBC to look at exploitation of labour, and then in 2003 we also looked at the effects of coffee prices in places like Colombia where the farmers were moving away from coffee because of the poor prices they were getting and moving toward production of drugs and that sort of thing. So we were beginning to hit hard on that issue as well. And so the whole thing really came together, the coffee sales increased 14% in the next 12 months because of the move to Fairtrade and then it really blossomed from there. We've realised we made the break, the customers are beginning to ask for Fairtrade, and so we were able to push for more so you know things like Orange Juice and fruits...and then we began to move into things like whole category conversions on things like tea and bananas, cotton wool. So looking back, it sort of developed it from...the strategy has been built very much around world first, whole category conversions and bringing the customer with us through clear, through communication and education.*

**Q: Do Fair Trade products usually carry a premium?**

*Things haven't really changed to be honest in the Fairtrade world. If you look back at when we switched coffee...let me tell you a bit about the chocolate first of all, the cost of the bars went up because the cost of cocoa was so much higher. When we switched the chocolate to Fairtrade in 2002, the market price for cocoa was so much lower than the Fairtrade price that we had to pay a significant premium. To make that viable for us we also have to put onto the consumer some of that cost as well. The thing with (?) coffee in 2003, but things have moved on considerably and the*

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*expectation for the consumer now is that they shouldn't be paying premiums for Fairtrade coffee. Our bananas are Fairtrade and...there's no opportunity to put any of that cost onto consumers without, we feel, affecting the sales so the Fairtrade bananas cost the same as the conventional bananas before them. And so the climate has really changed and again obviously with the way the market is at the moment and the pressure that everybody is seeing in the economy, it is not the right time to be putting retail prices up anyway.*

Q: So does that mean you're reducing your margin?

*Yes, very much so. Um, bananas...ethically sourced bananas cost us over 2 million pounds per year to begin to pay the Fairtrade price.*

Q: How do you feel Fairtrade sales will progress in the future?

*Um, the future of Fairtrade is...is rosy if they supermarkets and brands continue to develop their support further. Our strategy (?) we've converted all our own categories to 100% Fairtrade where we've been able and we've got plans to develop more Fairtrade as well. But because we've been doing it for so long and because we're a relatively small player I guess, we've got about 6% market share in terms of food, but there are much bigger supermarkets out there that don't do that much at all for Fairtrade and it's really down to them to pick up the mantle and to drive Fairtrade more and also what we need to see more than anything is more, more brands follow the likes of Cadbury Dairy milk and Ben & Jerry Ice cream and begin to source Fairtrade ingredients to make their products in to Fairtrade as well. And that is the way the market is going to really drive onwards.*

Q: How do you feel the economic downturn has affected Fairtrade sales?

*Erm, it is a really difficult one to answer to be honest from our perspective I mean we did finish 2011 as a business with a decrease in overall food sales but our Fairtrade sales did increase marginally. I believe that when consumers actually begin to buy into Fairtrade, a lot of them when they buy into Fairtrade they do it because of what it is and because of what it stands for and because we spend a lot of money and a lot of time and effort trying to (link) customers with growers and build relationships in that way, you know we've hosted visits, coffee farmers, tea farmers, banana growers, created events...take them around the country. I think when that happens customers can actually see the reality of what Fairtrade can do then when times get hard then it is unlikely that they will actually abandon Fairtrade products given that the avenues and the relationships the impact can make potentially here and there I think people make sacrifices elsewhere than on Fairtrade. I think as well from our point of view, it is difficult to answer because so many of our own-brand products are Fairtrade in core categories, for example if a consumer is buying tea, buying a high quality premium tea week-in week-out, and then they begin to have to tighten the belt and then they begin to buy own-brand instead. You may have been buying the conventional product before but if buying the own brand product you're automatically buying Fairtrade as well. So in some categories it actually...it is a general acknowledgement that some consumers are having to trade to into own brands away from brands. In our tea in our stores...in certain categories that actually benefits Fairtrade. It is an interesting and it is a complicated one. I think the more simple answer is that people are more aware of Fairtrade and know what it does then they will stick with it, if it is about bringing new consumers in then now probably isn't the right time to do that.*

Q: How do the sales of Fairtrade products compare to other ethical products, or organic?

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*Right. There is no easy answer for this one either. Again from a Co-op perspective, I don't know if you know it but we've been driving Fairtrade because it is really synonymous with what we do, it is something we've been very active with, we've been actively pursuing it whereas organic is something we've not been as strong with and in terms of ...we have a very limited range. So the success we've seen in Fairtrade is something we might not see with organic and I think again more recently the decline of organic which has been widely reported has been down to a combination of factors including the premiums that people are expected to pay for organic. There's also been reports in the press about the fact that organic is not actually what people actually think it is so I think this information as well has really reduced confidence in many of the organic shoppers.*

**Q: How profitable is Fairtrade?**

*How profitable? Erm, in terms of product categories and product types, I can't really answer...Erm, certainly as a...there has been over the years claims that retailers actually take advantage of consumers by putting price onto Fairtrade goods which isn't necessary (?) and I think I've seen evidence of that myself with some retailers. From our point of view we have written policy that we will not make...I actually tried to come up many years ago to come up with a statement to try and let customers know exactly where we stood on Fairtrade side of things because obviously from our perspective, when we're developing Fairtrade products what it needs to do is to demonstrate that it is worthy from a commercial point of view and that it will deliver sales and will deliver a certain level of profitability, it is not charity...but it is not going to be excessive and it is not going to be over and above what we normally expect from other products. So I did go down this route trying to create a project that said these were typical levels of comparative profit levels of certain categories but the fact that I don't have we don't have a baseline. I can't compare our Fairtrade coffee profitability compared to conventional coffee because we don't actually have any of our own brand. So it became..(a profitable thing??) from the off really. Erm but again...if I go back to the bananas the profit levels have gone down dramatically because to make it work for the customer we don't want to put the retail price up...and where we believe the customers are needing(?) to pay a premium because of the cost of Fairtrade then we'll...we'll endeavour to minimize that...but we'll usually have to say we'll put some of the cost onto the consumer erm but is becoming less and less these days because like I said it the market has shifted quite considerably, it is more about trying to drive the volume through at the lowest retail price as possible, which obviously affects our profitability.*

*To see this...it is very much a part of our overall, what we stand for. Fairtrade is one of our ethical positions and years of building this ethic is not really about individual products, it is about investing in ?, helping them with advertising, a margin. And to look at the bigger picture really, to create a profile for ourselves and a brand around PR, ethical....so it's a very big one to answer but I think again it goes back to trying to maintain an attractive retail price and we would never increase retail where we feel the consumer would not be willing to pay the extra for Fairtrade (?)*

**Q: How do you choose Fairtrade producers?**

*This is where...it is really challenging in many respects. How we develop a range, generally what happens is that we will become aware of a Fairtrade category and then we examine from a customer point of view what we think the offer could be and then we will then go first and foremost to suppliers to see if they can actually supply the products that we would want to put into the Fairtrade range. From there, then what tends to happen is certain suppliers will have*

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*relationships already with producers and then their own suppliers and in some cases it may not be relationships that we can become involved in helping to build. Again it is very complicated, we've, 2 years ago we began to source some cocoa products from a company in Italy, who were already working, who were already Fairtrade, and who had already sourced the products from cocoa from two co-ops and we were more than happy to work with those co-ops, one in the Dominican Republic and one in Peru, and begin a substantial relationship with them. So that was all brought to us. Another example by chance, when I was actually in the Dominican Republic last year, I met with the head of a co-operative, a banana co-operative, and I got talking to them. And as a result of our conversation I've been able to bring that banana co-operative into our supply chain and also to support them with additional projects as well. So it really depends and sometimes it is just...but it is not one single way.*

**Q:** Do you have any problems with Fairtrade producers?

*We had a problem...one of the main problems we've had was going back two years ago where we were being supplied with Brazil nuts from a producer group who then realised that despite the fact that we were paying a Fairtrade price, because there was a shortage in the market place for nuts generally, that they were happy to basically let us down and sell their product for a higher price. So suddenly we went from having a commitment and also trying to build a Fairtrade relationship to the Fairtrade producer saying we can get a better price somewhere else, so we're off. Which of course, in some respect they needed to learn from that...we act as an intermediary and an advisor... we said ok that's fine that means we can't sell Brazil nuts, there was a gap in the range, but we work with various parties to try and influence them to realise they aren't just chasing the best price, if you've got a commitment, you've got a contract, then you've got to stick with that because it is unlikely that we would want to engage in that supplier relationship again if you've been let. So if and when a supplier wants to work with us again then it is going to be more difficult.*

**Q:** What certification do you rely on? Do you do any researching yourself? Have you visited any Fairtrade sites?

*Yes, we're exclusively referring to the FLO certification. Things have changed and they've evolved over time, before when we began to support Fairtrade it was really about the fact that the Fairtrade mark represented a consumer communication. So we latched onto that immediately. When we then went onto work with on the wine, and we've also worked with Traidcraft on charcoal as well, it's from Namibia and again what we did is we saw an opportunity to help charcoal producers in Namibia but again there's no FLO standards for charcoal so basically Traidcraft is Fairtrade, they did an audit, they came back and said if it was Fairtrade, this is what it would look like and so we pay a premium we work in the same way that FLO works but on something where FLO isn't actually involved. Because the Fairtrade mark is becoming such a strong brand in its own right, we're beginning to...we continue to support Fairtrade in particular we are now much (CUT OUT) recent years and we'll continue to do that and help Fairtrade and try and increase awareness, promotion but we're also now beginning to move beyond Fairtrade so we've got a lot of work that we're doing over and above that which is our own...we have a host of projects and we're supporting...they are Fairtrade suppliers but it is over and above the baseline of Fairtrade because the way Fairtrade has gone, the consumer can see that Fairtrade has become the entry point. It used to be something to aspire to, now it is almost that it is a given – if Fairtrade exists then it should be Fairtrade, and we need to do a lot more to continue to be ahead of the game and also to raise the bar.*

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Name: Sharon Cavanagh

Company: Foodstuffs NZ

Position: Confectionery Buyer

Q: How many Fairtrade products do you have in your range, out of the total?

6 products out of 100.

Q: Talk me through the evolution of Fairtrade and your category. Has Fairtrade increased/decreased in presence over the years?

*Increased by 2 SKUs*

Q: Do Fairtrade products usually carry a premium?

*Some do.*

Q: What is your motivation for providing Fairtrade?

*Customer demand*

Q: How do sales of Fairtrade products fare? What is the trend in sales? What percentage of sales in your category is Fairtrade versus non Fairtrade, and how has this evolved?

*Very small % are Fairtrade. No real increase in sales/demand. The main 2 blocks of Chocolate in the category have changed to Fairtrade with no impact to sales.*

Q: How do you feel Fairtrade sales will progress in the future?

*Depends on what marketing/news this area gets in the future which could impact sales of both non and Fairtrade products although in saying this Confectionery is a treat and customers purchase only products that they want to treat themselves with so it is really difficult to change shoppers purchase motivation.*

Q: How do you feel the economic downturn has affected Fairtrade sales?

*Nil*

Q: How do the sales of Fairtrade products compare to other ethical products, or organic?

*Apart from the 2 market leading products, the other Fairtrade products do not create a huge demand. Most stores only stock the 2 market leading products.*

Q: How profitable is Fairtrade?

*On the 2 market leaders, very poor margin as they are line priced with the rest of the range.*

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Q: How do you choose Fairtrade producers?

*Suppliers present the products to me for ranging consideration.*

Q: Do you have any problems with Fairtrade producers?

*No*

Q: What certification do you rely on? Do you do any researching yourself? Have you visited any Fairtrade sites?

*We rely on the supplier to self-regulate. No I have not done any research myself or visited any Fairtrade sites.*

Q: How do you feel Fairtrade helps your store's image?

*I believe we need to be a responsible retailer in all areas of our business. Fairtrade is only 1 part of this and is a very small part.*

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Name: Gavin Pass

Company: Parkinsons Clothing

Position: Owner/Operator

Q: Fairtrade products make up how much of your range, in total?

*We do men's and women's clothing and footwear. We do branded stuff, but it is not just Fairtrade...the thing about Fairtrade is that if it is the right kind product, at the right sort of price, people will buy it irrespective of whether it is Fairtrade or not. I think years ago, Fairtrade and organic stuff used to have a premium price attached to it. So for instance a shirt, you had to spend an extra 10-15 quid over a normal shirt, and I don't think that really works anymore, you know I think if it is basically the same price, you've got two identical shirts, one is Fairtrade and one is not, people buy the Fairtrade one, because they like the idea of helping out. If the Fairtrade one attaches a premium to it, then they won't really buy it. Peopletree is a nice sort of fashionable company...nice designs, nice collaborations with various people, we kinda just like the idea of them, the company. The fact that it is Fairtrade is a bonus, but it is not the main kind of buying reason. Probably 10% of the range is Fairtrade. Seasalt is Fairtrade, Peopletree...[couldn't really recall the Fairtrade brands that easily]. We used to do one called Howards, but we don't really do that anymore.*

Q: Talk me through the evolution of Fairtrade and your brand. Has Fairtrade increased/decreased in presence over the years?

*It was mainly that we liked their design and their price point [rather than the fact that they were Fairtrade]. We're sort of realistic with that sort of stuff. That is kind of basically what we go for first. Like I say if it is Fairtrade, it is a bonus, but if it is not it doesn't really matter. We like the idea of doing Fairtrade but it is not like we're becoming a sort of an organic retailer or anything like that because we're not...*

Q: Do Fairtrade products usually carry a premium?

*I think largely it has [the Fairtrade premium has disappeared, because it is just uncommercial to do it. I think it is because people just really struggle with it, um...in this sort day and age where obviously price is key, and the economy is difficult for a lot of people, they're not going to start paying extra just because it is Fairtrade but like I say if it is at a similar price point, that might sway the difference because people might buy it because it is Fairtrade.*

Q: What is your motivation for providing Fairtrade?

*We all like to do our bit, don't we? But yeah basically we have to be commercial or we have to try and be as commercial as we can because you know we've got, I mean I have three shops at high street locations with pretty big rents, rates, staff wages and all that sort of stuff, you can't be sentimental about all this.*

Q: How do sales of Fairtrade products fare?

*To be honest I don't think it makes any difference.*



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Q: How do you feel Fairtrade sales will progress in the future?

*Ummm. I think it will pick up and be better...I think people are more switched on and want to do the right thing, so long as the price points aren't .....I think it was gaining a bit of momentum, but suddenly you know, the banks all crashed and everything went wrong, um, people are starting to watch their pocket a bit more. But I think it will gain momentum, and the key to it is – these companies have got to remain commercial and they've got to put it at the right designs, the right clothing as a first point, and um, I think people quite like it because it is Fairtrade but as I said they won't pay a premium for it.*

Q: How do you feel the economic downturn has affected Fairtrade sales?

*Yeah I think it probably has, yeah. Because the companies that were trying to get a premium...Howards were always quite expensive and it never worked out well for us...when we have got it...but I think some stuff was very expensive compared to other stuff on the market. It died a death through it...*

Q: How do the sales of Fairtrade products compare to other ethical products, or organic?

*I'm going to show my ignorance –I'm assuming that Fairtrade and organic are sort of the same? {not relevant}. I'm kind of lumping Fairtrade and organic as the same thing.*

Q: How profitable is Fairtrade?

*We take no bit in the margins – the margins are the same. Again it is all a matter of about being commercial. I wouldn't just sell it if it was a rubbish margin, I couldn't afford to have it in the shop.*

Q: How do you choose Fairtrade producers?

*You know basically, we have an established relationship with Peopletree with them. So they will invite us down when they're showing off their samples, which is basically every 6 months or so before the season, and we go in...and if we don't like it, we can't buy it, if we do, we buy it. We don't actively go out just because it is Fairtrade.*

Q: How do you feel Fairtrade helps your store's image?

*Yeah I do actually. It is the same thing as we don't have plastic carry bags and that sort of thing. But yes I think people like to see that you're doing your bit, so it can't do us any harm, so yes I quite like the idea...the main criteria at the moment is if something is working for us and is commercially...is selling, {we have a margin on it}, but I think the fact that it is Fairtrade is quite nice, I think customers do like seeing that.*

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## Fairtrade agencies

Name: Eli Sarre

Company: Essential Trading

Position: Operations management

Q: How has Fairtrade grown over the years?

*Fairtrade has grown healthily year on year, for the last 4 years and I would imagine that it will continue. The majority of what we do is organic, but in terms of growth it is Fairtrade at the moment. Although the Fairtrade category is smaller, it is growing at a faster pace.*

Q: What has helped to promote Fairtrade?

*The main mark in the UK that consumers recognise is the FLO mark. The products that we stock we use as a certifier and that is what consumers are identifying with and that is where we see the growth. It is simple to understand, one point campaign really. People feel like they know what it means and they buy into it.*

Q: Why do you think people consume Fairtrade?

*Because they know that it means a better deal for the farmers and producers.*

Q: How do you think Fairtrade compares to other ethical initiatives, such as the Rainforest Association?

*In the UK it's the Fairtrade mark that consumers recognise. Nobody really understands what the Rainforest Alliance do; it is only really the Fairtrade mark that consumers feel like they understand in the UK.*

Q: Fairtrade vs. aid – which is better? How have communities benefited from Fairtrade?

*Fairtrade offers individuals a way to develop their own livelihoods and their own communities and their own working and family environment. Whereas aid is very much something that is given, it may not be sustainable and it may cease, you know but Fairtrade projects are long-lasting, they're organized, they empower in a lot of instances the women in the family. It just provides a sustainable solution really.*

Q: How have the sales of organic products fared? Why?

*In the UK, organic is pretty flat. I think in the UK people don't really understand what organic means, they think it is a class issue, something that only well-off people can afford, they just don't really understand the issue behind organic, they don't know that it means there is no GM, they don't know that it means there are no pesticides and things.*

Q: How do you source your products?

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*We have 6,000 products. The essential brand products from all over the place really, tea infusions come from the Fairtrade initiative in Egypt. We also do local products, so the ? are produced a couple of miles down the road. I suppose in a way you could say that they are linked by what we...you know our own ethos which is that we like Fairtrade, local, we like organic, this all falls under the umbrella of ethical sourcing. And then we distribute other brands as well who also represent the ethical credentials. Suppliers find them and vice versa.*

Q: How involved are you in visiting your producers?

*We've been to Mexico, we get some coffee from over there and we've been there to you know, sort of build water systems and these sorts of things. We've been to Palestine, as much as we can really. We can't get all over the world (laughs). If it is our own brand, we have to certify the product as Fairtrade. If it is a different brand, then that other company looks after it.*

Q: So if it is your own brand, does that mean you have visited the production site?

*Yes, we have done that before.*

Q: What is the longevity of their relationships with Fairtrade providers?

*The teas, I don't even know when we got those, I think we've had those for over 20 years.*

Q: So would you describe that most of your working relationships are long term?

*Yes.*

Q: What are the problems associated with sourcing? Trust, consistency, quality, cost. The WFTO has ten standards that must be met – do you find any of them to be challenging?

*No.*

Q: Do think there are any improvements that can be made to the Fairtrade certification scheme?

*That is a huge topic of discussion at the moment, and there are various Fairtrade certification bodies and brands that do different things, but at the moment in the UK the FLO mark is what people recognize. And they're doing great work. Just happy to support them really.*

Q: How do you find dealing with retailers?

*We sell primarily to independent retailers. That is again for ethical reasons. To preserve the High street, to preserve, you know, keeping the wealth within local areas as opposed to disbursed in multi nationals, you know these sorts of reasons.*

Q: Do your products usually carry a premium?

*No, they don't usually carry a premium. The Essential Infusions are 1.40 pounds for 20 teabags which is pretty comparable really.*

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Q: What reservations, if any, are you met with from potential retailers?

*No issues, retailers are interested in providing Fairtrade. We don't even go there [referring to Tesco, Waitrose etc].*

Q: What product in your range do you have the most demand for and why do you think that is?

*The store cupboard staples, tins of organic tomatoes, this sorts of things, chamomile tea, porridge oats, things that everybody has in their kitchen all the time, that's the things that really sell, plus at the moment there is a lot of demand for Coconut Oil (which we source from Sri Lanka).*

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Name: Joanne Coffey

Company: Equal Exchange

Position: Marketing Manager

Q: How has FT grown over the years?

*It started with Equal Exchange in 1979. They provided only coffee (quite bad quality), and it was sold on a purely campaign driven basis, as this was before the time of Fairtrade. Post the introduction of official Fairtrade, the industry really started to grow. Introduction of labour laws and development of legislation have helped it to grow. Supermarkets are making new promises to their customers. Supply chains have become more developed and have grown. Training and supply chain management has developed. Plantations have been developed, moved on from the small farmer.*

*Coffee has really led the growth of the Fairtrade market. Now it is at the stage where everything can be processed at source (including packaging). This brings more money to the producers. Brings extra revenue for them and is a more sustainable supply chain. Equal Exchange focuses on the women farmers in particular, this is where they see Fairtrade expanding too. They go beyond usual Fairtrade standards. They are committed to sustainable producer relations. Would like to see Fairtrade focus on sustainability, small-holder farmers. Direct supply chains. Women aren't usually recognised for their work in the same way. Next step is products grown by women, a supply chain controlled by women etc. Fairtrade has developed to the stage where we have sustainable producer relationships, but Equal Exchange would like to see more involvement of the small-holding farmer.*

Q: What has helped to promote Fairtrade?

*A mix of many things – media, advertising etc. People are becoming more aware of things like sustainability and climate change and this is making people more aware of Fairtrade. Education system is adapting, making people more aware. Overall, the Fairtrade registration mark has helped to promote Fairtrade. People can trust it, it is a certified guarantee system. It has brought an increase in consumers as well as producers. People are thinking about the global consequences of things.*

Q: Why do you think people consume Fairtrade?

*It is mainly buyers who are concerned with ethical purchasing who are consuming Fairtrade. Fairtrade is also of superior quality. It is 'free from' which is gaining a lot of momentum. In the case of Equal Exchange, their products are also organic. There are no additives. You also feel you engage a lot more with the producer, you see their face on the packaging and feel you are making a direct contribution to someone. You are directly contributing to someone rather than a company or a corporation.*

Q: How do you think Fairtrade compares to other ethical initiatives, such as the Rainforest Association?

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*This is quite controversial. Equal Exchange promotes the support of producer owned initiatives and co-operative organizations. Industry level and industry driven Fairtrade initiatives should be viewed critically. Anything from the producer level up should be looked at critically. Prefer to work with producer driven chains and co-ops.*

Q: Fairtrade vs. aid – which is better? How have communities benefited from Fairtrade?

*While aid may have better short term effects, Fairtrade is helping to develop long term sustainability. “Teach a man to fish, and you can feed him for a lifetime”- this is how Fair-trading stacks up against aid.*

Q: How have the sales of organic products fared? Why?

*[Didn't really ask this question] – Equal Exchange provides a non-organic peanut butter as well as an organic one due to the price point difference.*

Q: How do you source your products?

*Equal Exchange and their suppliers seek each other out. Equal Exchange develops long-term relationships with their suppliers. However there is an oversupply of suppliers, they can't always take on board new suppliers. The Fairtrade foundation also acts as a meeting point for agencies like Equal Exchange and Fairtrade suppliers.*

Q: How involved are you in visiting your producers?

*Equal Exchange deals with 30 different supplier groups. They try to visit a couple of producers each year – for instance this year they've travelled to India and South Africa. In the past, these trips would've been aimed at developing the capacities of Fairtrade producers and improving quality. Now it is more about developing the women-driven supply chains, and maintaining existing partnerships.*

Q: What is the longevity of their relationships with Fairtrade providers?

*All suppliers that Equal Exchange works with have long-term relationships with Equal Exchange.*

Q: What are the problems associated with sourcing? Trust, consistency, quality, cost. The WFIO has ten standards that must be met – do you find any of them to be challenging?

*This depends on the cooperative, there is not one issue that keeps cropping up generally speaking. One thing that can create problems is the difference between the Fairtrade price and the commodity price. Sometimes it is easier for producers to just take the cash for the market price. They can default on pre-paid crops and pre-financing. This can be due to a number of things, such as drought and natural occurrences. They've never experienced issues regarding employment (i.e. child labour, working conditions).*

Q: How do you find dealing with retailers?

*Very difficult. Equal Exchange is a small company with a small range, so they have little bargaining power. Supermarkets are really pushing their own brands at the moment. However, supermarkets are taking an increasing amount of products from Equal Exchange.*

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Q: Do your products usually carry a premium?

*Equal Exchange places all of its product in the premium price bracket. This is due to the many product features, i.e. organic and free from etc. Cold pressed oils.*

Q: What reservations, if any, are you met with from potential retailers?

*Sometimes the price point can be too high. Or a supermarket may have experienced bad supplier history (i.e. suppliers that have been affected by disasters and can't deliver on products). No retailer has used the excuse of the recession as a reason not to buy products from Equal Exchange. Equal Exchange's products are priced quite high so the recession???*

Q: What product in your range do you have the most demand for and why do you think that is?

*Coffee is the mainstay. Equal Exchange has developed a broad customer base for their coffee, including catering options.*

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Name: Nicola Pearson

Company: Café Direct

Position: Commercial Director

Q: How has FT grown over the years? How do you see it progressing?

*Coffee is the main Fairtrade market. This has grown massively over the last few years. Cafédirect was the first brand to carry the Fairtrade label in 1994. Fairtrade is now huge in comparison to what it was. 50% of Coffee (in roast and ground) is either Fairtrade certified or Rainforest Association. Fairtrade has raised awareness, people think how Fairtrade is sourced, and how it is grown. Fairtrade has opened the door for other ethical labelling.*

Q: What are your motivations behind dealing with Fairtrade?

*CaféDirect is quite a...it was founded by four charities on the back of a crisis in the coffee market that meant smallholder growers were pretty much forced to sell their coffee at below cost. So this obviously had a major impact on the lives of growers. These charities got together to look for a way to sell the coffee, so Cafédirect grew out of that crisis and its model was always around directly trading with smallholder growers and it was all about basically allowing smallholder growers to trade their way out of poverty rather than rely on charity. So our mission and the reason we exist is all about improving the livelihoods of smallholder growers, and as a result of that paying a fair price for the product that we buy is one aspect of that. So it is kind of sentimental to the philosophy of our business when we started but it is not the only...it's not the only thing do.*

Q: What has helped to promote Fairtrade?

*Um, I think, um the brand that the logo being on the different brands...Fairtrade...it is a big help, that has produced an awful lot of awareness to the label I think. I think the logo itself is fairly simple and you have the words 'Fairtrade' on it, so it sort of does what it says on the can which has helped. It was a fairly unique thing when it started, so it caught people's imagination.*

Q: Why do you think people consume Fairtrade?

*Ummmm, I think first and foremost with any product it's got to deliver to the needs of the category, so it has got to be great quality coffee in the first place, and then beyond that if the consumer has got a choice to buy something that has been bought in a sustainable and ethical way or not, they're always going to make the choice to do something in the right way and that is basic human nature. Um, but the product has got to deliver first and foremost which...for Cafédirect, quality is absolutely key, and that is how Fairtrade has grown and will continue to grow by offering consumers this choice.*

Q: How do you think Fairtrade compares to other ethical initiatives, such as the Rainforest Association?

*Ummmmmmmmmm. Umm. I guess it depends on what kind of level you're looking at.*



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Q: Do you feel the Rainforest Alliance helps the smallholding farmer to the same extent?

*It is quite complicated. I am not an expert on the two levels. From my own perspective. The thing that Fairtrade is certified. Growers have to pay to be in the scheme and we don't have to pay to have that label on our product, and it is very clear. It is Fairtrade, or it isn't. So from a consumer perspective it is audited, which gives people faith in the mark and it is very clear it is either Fairtrade or it isn't. Things like Rainforest Alliance, you don't have to have 100% of Rainforest Alliance product in that product to carry the label. So I think there is a certain degree of confusion there. Ummm for consumers, you don't have to be audited, to have to pay to carry the label so it is a lot lower entry standard however both labels are raising awareness within coffee, sustainable production ...and social justice in trade. I think they're both doing a good thing, but they're doing it in quite different ways.*

Q: Fairtrade versus aid – which is better? How have communities benefited from Fairtrade?

*I think again, it is a complex subject, I think getting ...you can make the analogy that Fairtrade is aligned with minimum wage in the UK, at the moment, it is not going to get somebody out of poverty. You need a whole lot of other things that go around that really, with regards to education, access to markets, empowerment in the supply chain, to really get somebody out of poverty. And you need to also help them to manage risk. So for example in Cafédirect, we do so much more than Fairtrade because we want to help our growers, growers have shares in the company, growers sit on the board, they're part of the decision making of the business, we buy directly from them so they're not anonymous people in the supply chain, they have, we try and make the link between consumers and growers, and then we also work with growers to mitigate other risks, so climate change is affecting growers quite badly, already, so we work on things like that. You can't have a fair price for a crop if you have no crop to sell in the first place, so Fairtrade is just small and very helpful, absolutely and completely helpful way to get people out of poverty, but it certainly isn't the complete answer.*

Q: Do you think Fairtrade is a good tool for poverty alleviation? Is it the best?

*Yeah, so it is a good tool, but it is not the answer.*

Q: How have the sales of organic products fared? Why?

*It is a mix, and I don't think the success of our products has got to do with whether they're organic or not. So we've got roast and ground product that is organic that is doing really really well and is one of the best sellers in the range and conversely we've got an organic instant coffee product that isn't doing so well so, umm, I think there are reasons driving that that are other than organic but it is clear that organic still isn't that well understood in coffee for the consumer.*

Q: Are you able to make a profit from trading Fairtrade goods?

*Umm, I don't think...we don't ask the consumer to pay more because it is Fairtrade...we...we charge a price in the category that reflects the quality of the product. So...so I would say...no...I think it has been a part of our differentiation in the past which has maybe driven people to choose us over another brand, which obviously contributes to our profitability but I don't think... it directly...*

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Q: How do you source your products?

*Yeah so we um, we work with associations and co-operatives across Central America, Latin America and Africa. We buy our tea coffee and cocoa directly from the co-operatives. So lots of other coffee companies will buy off the market, they'll never know who the grower is, they'll just trade it like any commodity but we don't do that, we buy it directly from the growers, we meet them, at least sort of two or three times a year and discuss quality, price and we make sure that we get the quality that we want, and yeah, we do it like that.*

Q: How do you find them initially?

*We have a guy called...?... who is based in Mexico who works in Cafédirect and he is responsible for basically going around, meeting all the cooperatives and buying our coffee off them. He's there doing it all year, and then we will have producer meetings in three different countries each year. So we have a central American and a Latin American and an African producer meeting where we'll get all our different cooperatives together and we can talk and we can share the issues in the category and talk about how we want to go forward for the next year.*

Q: What is the longevity of their relationships with Fairtrade providers?

*Some of relationships go back... Cafédirect has been in business for just over 20 years now, and some of our relationships with our co-operatives go back that far. And some are relatively new, so for example, we have been working with small island off the coast of East Africa called Sao Tomé over the last three years in order to set up a cocoa co-operative on the island so they can, um, they export their cocoa to the international market rather than sell it on the side of the street for a very low price. So we've been working with them over the last three years. So it is good to bring in a new co-operatives because they're the ones with who the business model can have the most impact with sometimes, but the whole business model is based on long term relationships so we want to stay with our co-operatives and they want to stay with us, and we don't turn our back on them. If they have a disaster we will help, we'll stand side by side and likewise if they lose their Fairtrade accreditation we will work with them to get it back again rather than abandon them and go buy coffee somewhere else. So it is very much a partnership and we're very much ?*

Q: What are the problems associated with sourcing? Trust, consistency, quality, cost.

*Um, no. I mean I guess the problem that we have is that we are dealing in smallholder communities in remote areas and they're all sorts of risks in that in the form of natural disasters and climate change, it is more those sorts of issues that are outside your control rather than things like quality... virtually the difference with Cafédirect is that we've reinvested profits over the last 20 years in helping smallholders grow better quality coffee so we have quite good trusted partnerships, so we always, we generally always get the coffee we want at the quality we want because that is what the partnership is.*

Q: Do you feel the FLO certification system could be improved in any way?

*I mean I think...for us Cafédirect is very concerned first and foremost with the quality and I guess we want to make sure that it is always 100% clear what it means when you buy a Fairtrade product and that everything in that product is Fairtrade, whereas the foundation FLO, what they're really interested in doing is spreading the benefit of Fairtrade and actually in order to do that you might have to weaken some of the standards involved just slightly to allow more*

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*people access to the system. Um, so, there is always a debate around quality versus quantity and is it better to help more people for slightly less or is it better to help...people...you know what I mean. So yeah there is always the debate and the needs of smallholder growers and the needs of economies change and FLO has to keep adapting and changing to stay relevant and to continue to do what it set out to do in the first place, which is sort of trade justice.*

Q: How do you find dealing with retailers?

*Um, I think the last, well I'm sure you're hearing this from all the people, the last two or three years the trading environment has been pretty much the hardest I've ever experienced in my 15 year career in working with retail. Um all the economic reasons, pressure on margins, increasing commodity prices, there is just pressures all round really. Um, so I think you have to be exceptionally commercial and exceptionally savvy to continue to grow, I think that is the hardships. But I think that on the flipside, most retailers are recognizing the fact that consumers want to buy ethical and sustainably sourced products and are looking to do what they can to do their bit, to drive a more sustainable economy and instantly brands like Cafédirect selling brands like Cafédirect help to do that. There are pros and cons, it is certainly very difficult out there and I think that the retailers are finding it as difficult as the brands are.*

Q: Do your products usually carry a premium?

*I'd say we're priced just above the average in the category, and that kind of reflects more the quality of the product.*

Q: What reservations, if any, are you met with from potential retailers?

*I think one challenge specifically has been around the fact that the...Cafédirect virtually...well did start the Fairtrade movement within coffee and now lots of the brands carry that mark, so they ask us how we're different, and how we are going to move forward, so that is about bringing out all the other elements of the business model that we do that Fairtrade doesn't, like grower ownership, growers on the board, reinvestment of profit in their livelihoods, and that has proved to be a bit of a challenge but we are addressing that nicely. And then I think it is the challenge that every manufacturer has selling into a retailer – margins, profitability...*

Q: What product in your range do you have the most demand for and why do you think that is?

*Um, one of our biggest selling is our Maccu Piccu roast and ground...because it is a really lovely coffee, so you know it is one that consistently consumers prefer in taste tests...and I think people recognise the name Maccu Piccu...and it takes them to a nice place.*

Q: Do you feel that the credibility of Fairtrade is being challenged in any way by association with big-name supermarkets?

*Um, I think that there is potentially risk of the going forward. But probably more from the big, mainstream brands that are coming on board like when Kitkat put Fairtrade on its pack, I think people do question how ethical you have to be to be Fairtrade. Um so I...that is a concern that I have, that and, I don't think, I'm not sure how much that plays out in consumers' minds yet, but I think it is one to watch.*

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Q: Is there a risk to Fairtrade, not only in consumer perception but in how it works as a system due to the mainstreaming it is undergoing?

*Um, yes. It is. I mean...the more the big guys get involved, the more they will dictate the standards in the system, because they have the power. That in a way it does exactly to what Fairtrade was set up to fight. So I think there's worry that you get into bed with the big boys, you have to play their game and if you don't, they'll switch into things like Rainforest Alliance which...so I think there is a very difficult balance for the foundation to strike but I think there is definitely risk involved in doing it, and that is why...we are watching it very carefully, especially Fairtrade in America pulling away from FLO, because it wanted to certify coffee estates as well as smallholder growers and that is not what FLO want to do. But if they did do that, I think that would be a big issue for us, because within our minds it should be set up to support smallholder growers and people that have less of a voice in a supply chain normally.*

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Name: Dawn Foxall

Company: Liv UK

Position: Operations and Commercial Manager

Q: Which retailers do you work with?

*Retailers: With the Liv brand, we currently only sell online and we do stock a store in Spain near Barcelona. We have another brand called Dr. Hauschka, natural skincare. I don't actually work on that brand. The Dr. Hauschka brand is a separate brand. And the Spanish distributors of Dr. Hauschka have been trying to get us, get me to sell the range of clothing for quite a long time. Last year we decided that we would try it and see what happens. So they've had the last two seasons' stock in their store in Spain and it's doing quite well. Otherwise we only, we were selling to trade for home ware ranges. We were having a lot of difficulty with our distribution with our manufacturers so we decided to stop doing that and concentrate on online which is what we've been doing for the last couple of years.*

Q: How has Fairtrade grown over the years?

*It is interesting, I mean I've always been aware of Fairtrade when it started you know 15-20 years ago, I think in terms of food its obviously spread wildly and is very much an accepted brand and um falls in the world of trying to bring a fairer systems, and fairer whatever to the people who are actually making the products for us. In terms of cotton, I've been very aware of the situation of manufacturing in overseas developing countries for many many years, seeing the likes of Cathay Hamlet (?) and various other people sort of forging ahead with organic and tried to do what they could with Fairtrade and over the last six years, with Fairtrade standards have developed a cotton standard, we've been a part of that. We've watched how and also supported how that has been developing. It's been very difficult for brands to get to grips with, and I think with the Fairtrade Foundation and FLO cert to get to grips with. The difference between cotton and food production and the fact that there are so many other stages to the supply chain which is obviously makes it much more difficult to audit. I think it has been a much slower process than perhaps the food has but it is growing so fast and they are adapting the standards and the requirements of the brands and the suppliers as they sort of learn what is feasible really and what can and can't work. And especially because the majority, well up until recently the majority of brands have been small start-ups who do not have the resources to do the follow...the you know the strict, the robust standards that were put in place, and requirements. I think Fairtrade has now gone down the route of the last couple of years of trying to entice the bigger players. You know all these guys. And a) it is obviously reaching a far greater, a far wider audience. It is also bringing in a lot more money for the (?) and plenty of people have the resources to support all the auditing and you know the stuff that you have to do to be a Fairtrade licensee so I think in terms of growth it has grown but it has grown very much slower than I think the food has.*

Q: What are your motivations behind dealing with Fairtrade at Liv?

*Our initial motivation was because we want to be a completely transparent, ethical, sustainable brand, and um yeah that is it really. It has proved a lot harder than we ever imagined. I don't know if we'd start it up now.*

Q: Why do you say it has been a lot harder?

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*Working with uh, because we wanted to work with...reduce the general footprint etc. etc. and work locally and actually make sure that we are supporting the right people, then we wanted to be a bit more hands on and make sure the manufacturers throughout the supply chain and the farmers were being supported in the right way so I've actually been going to the farms, I go to the ginners, the weavers the buyers etc. etc. and in order to assure that what is happening...what is supposed to be happening is happening and that there aren't people making shortcuts and conning us and all the rest of it. So that whole exercise has been on-going, long-haul, yeah it is a difficult exercise. And also as I said dealing with the Fairtrade foundation, who with their best intentions have um, been quite naïve at the very beginning about how it works, as I said its they're starting to shape up now but it has been quite a long time so we don't necessarily have all of our products licensed, we have a percentage of our products licensed but the factories that we use are all Fairtrade audited and organic GOTT certified, um, you know our customers are totally trusting in us to be making sure, that that is still ...(?).but we don't necessarily have all our products licensed because it is so time consuming you know and it costs us money.*

Q: What has helped to promote Fairtrade?

*Um, that is an interesting question. I think there has been so much publicity in the UK about...that keeps popping up, bad publicity about unfair practices um impact and in certain to do with certain brands, certain global brands, certain areas and certain factories even recently it, you know there has been more stuff in the news about factories using child labour, young women etc. etc. etc. and I think that sort of then reinforces the need for ethical awareness, ethical trading, fair-trading and I think the UK in particular, the UK consumer in particular has a very strong empathy towards this and wants to know who is making their garments. It is interesting that in the recession the organic marketing, the organic product, that isn't working as well. I think people are less bothered about being organic than they are about who is making their clothes. It is about sustainability, it is about ethical production and less about.. you know I think the organic bit is like a...some people would like to be organic as well but we can't afford it at the moment and our choices but as long we know that people aren't being mistreated, we're getting value for money etc., we're not being conned, etc., that is where we put our money.*

Q: How do you think Fairtrade compares to other ethical initiatives, such as the Rainforest Association?

*There are ethical initiatives, but um I think Fairtrade is the most known, is the best known in the UK but you know there are various other initiatives...you've caught me off...there are several others, we don't get involved with them because obviously we feel so strongly with the Fairtrade Foundation and they're just not the brands...the other brands aren't as well marketed and aren't as well known particularly with clothing so...*

Q: Fairtrade vs. aid – which is better? How have communities benefited from Fairtrade?

*Fairtrade...I think Fairtrade because it is more sustainable. Aid can be an immediate relief but it doesn't necessarily sustain, it is not sustainable. You know you can give x to a community or whatever and then it is used but then where is the next x to come from. With Fairtrade with FLO cert Fairtrade they're trying to make sustainable, life*

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*sustaining changes to communities which will enable them to deliver and to work for themselves, to make money for themselves and not rely on outside forces.*

Q: Is Fairtrade profitable?

*Yes, of course. We wouldn't be doing this if we weren't making a profit. The whole point is to be sustainable and profitable and employ people and you know etc. etc. so of course we make a profit.*

Q: How do you source your products?

*Um, I source from...various places at the moment predominantly India but I've also started sourcing in the UK but obviously that is not Fairtrade but I am still using organic Fairtrade cotton that I buy and import it from India. I import also from Egypt and just more recently Mauritius. I go to trade fairs a lot, I Google and network. Just the usual stuff, I am looking for suppliers all the time.*

Q: Why is that?

*Well it is never good to put all your eggs in one basket. And it is also – I am looking at different product lines and you know once you get a really good producer on one product they aren't necessarily good at doing everything so um you just look at sourcing the best manufacturer and the best supplier for each product line.*

Q: How involved are you in visiting your producers?

*I go several times a year. So I am going to India again in a couple of weeks, I am going for a week to ten days and I'll probably visit a couple of factories and I'm going to a trade fair and I'm going to meet a knitter...so you know I do it, and also it is very hands on.*

Q: What is the longevity of your relationships with Fairtrade providers?

*We started with the current provider – we have two main people. We started with them in 2005 (when the brand started). One is the original and the other one actually grew out of that...he started making, doing knitwear so one is the jersey woven supplier and one is the knitwear supplier and the knitwear supplier grew out of the other supply chain so um you know initially being supported by him and using the same yarn supplies etc. etc. and now he's independent. He's just actually recently moved to a new factory in Delhi in Gogao (?) and so although he's been going many years this is the first time he's been solely organic and Fairtrade.*

Q: What are the problems associated with sourcing? Trust, consistency, quality, cost. The WFIO has ten standards that must be met – do you find any of them to be challenging?

*The usual but this is not just about Fairtrade. It is just the usual delivery...it is not really about...but initially it was because in the early days we were actually training the factories about what was required but now it is really, the problems are the same that any brand will face trying to buy stuff from overseas.*

Q: Do think there are any improvements that can be made to the Fairtrade certification scheme?

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*I think only working...as they are doing...it is very slow. But they need to just work closer with the brands and um you know everything is very focused on the producers and I think they need to work a bit more closely with the needs of the brands especially small brands who are really trying to make this work and you know they don't have the resources compared to the big brands, it is ... it can be very time consuming and frustrating it is expensive you know there is no sort of like leeway just because you're a small company you know they don't really give and take...I supposed they're used to working with all the big guys. So I think working more closely with the smaller brands, with the brands, particularly smaller brands, making it easier to work their system, they are doing it slowly, it is happening slowly, I'm not going to say they're not doing it. But anyway it just needs more on-going. Especially for the Fairtrade Foundation, they're so dependent on volunteers and those volunteers change, there is such a turnover of staff it can mean that there is no real continuity so things might start to happen with one person and then that person leaves to do something else and then it doesn't get picked up you know stuff like that. You know I understand the problems and we've learnt to work with it and we've learnt to work with them and they've got to learn to work with us you know. I think one of the other things is that they don't, there is no real scrutinizing of brands who are saying that they're Fairtrade and actually aren't, unless somebody tells them. There is a lot of, you know, stuff happening that shouldn't be. And it is quite easy to find it is just that they don't have the resources to permanently look at what brands are doing.*

Q: How do you find dealing with retailers?

*Um we have done in the past but we had to pull out. We're about to go into John Lewis. We'll see what happens. Congratulations. Well that has actually been put on by Fairtrade UK. So they helped you secure that? Yeah they did. Is that part of their mandate? I think maybe it is part of the strategy, you know they are looking to support the brands and get and I think might be working with John Lewis to try and get it work. I think we're going to go and see what they are looking for. We obviously couldn't supply them today but there is no reason why we couldn't supply them because we do have the capacity to do it.*

Q: Do your products usually carry a premium?

*No.*

Q: What product in your range do you have the most demand for and why do you think that is?

*It has been the knitwear fashion range. The home ware has done very well but the knitwear fashion range has been the most successful, I'm not sure why though.*



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Name: Penny Smith

Company: Traidcraft

Position: Commercial Manager

Q: Who are your retailers?

*Three routes to the market really...we do food as well, and crafts...the majority of our business is food, about 60%. And about 25-30% is craft. Supermarket chains? We sell under licence so we do our Geo Bar range, which is cereal bars. We sell those under license to supermarkets. We don't sell them directly, the people that make them for us sell them into the supermarkets. They are Fairtrade branded products. Sainsbury's, Tesco's, Waitrose, small independents as well.*

Q: How do you feel Fairtrade has grown over the years?

*For food & fashion it is consumer demand. I know fair-trade has grown a lot over the last few years. I know it has probably slowed down a bit in the last couple of years but...The same for both food and fashion in your case? In our case, crafts have continued to grow over the last few years whereas we found food increasingly hard to get any growth on and we've seen a slight decline in the last two years.*

Q: What are your motivations behind dealing with Fairtrade?

*It is very much fighting poverty and eradicating poverty.*

Q: What has helped to promote Fairtrade in the last few years?

*I think the supermarkets are good and bad. They've been good at promoting it because they've sort of got on the Fairtrade bandwagon. And some of the more...major products like Kit Kat and all those that go Fairtrade, I think that all helps it. There has been a lot of promotion to do with Fairtrade, for instance Fairtrade fortnight and things like that. But I also think there has just been a general consumer shift towards more ethical purchasing and ethical awareness.*

Q: Why do you think people consume Fairtrade, is it because of this new awareness?

*Um I think they're making sort of choices particularly when money is tighter, they're making considered choices about where to spend their money and making sure that it has got some value to it rather than just spending it.*

Q: How do think Fairtrade compares to other ethical initiatives, such as the Rainforest Alliance?

*We don't do a lot on the Rainforest Alliance, but I think that the Rainforest Alliance is new so sometimes it is easier to sort of bring in a new mark into the marketplace and feel quite fresh. Whereas Fairtrade has been around for a bit and the supermarkets...been doing it for a bit and it is not as new so I think sometimes it is hard. Individuals make choices, sometimes it is about animals, or the environment, sometimes it is about people...*

Q: What is more beneficial, Fairtrade or aid?

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*Oh Fairtrade. Yep.*

Q: Do you have any organic products at Traidcraft?

*We do, we have some organic food, and some cotton products are organic, Fairtrade cotton.*

Q: How have the sales compared?

*Um, ours are all Fairtrade and organic, so we can't say that one has done better than the other.*

Q: How do you go about finding your producers?

*We have producers that we have used for quite a long time. We are aware of other European Fairtrade organizations that use producers and then we will also search out some of those smaller producers and bring them online.*

Q: What about the ones you've been with for a long time, how did you initially track them down?

*Some of them we've been with for 35 years. Can't remember.*

Q: So the longevity of your relationships is quite substantial?

*Yes it is. Obviously in some cases there comes a time to move on from both parties' side. Building long-term relationships is very much one of the key things of Fairtrade.*

Q: Do you have any problems with sourcing?

*Yes.*

Q: Because of being Fairtrade, or just normal sourcing issues that anyone would have?

*We have a bit of both. I think you have a general level of sourcing issues, and then I think it is compounded by being Fairtrade. Particularly I think on the craft side, some of the people we are working with are quite marginalized and are very small producers so you don't have consistency. I think some of the geographical areas that we work in also just make life very hard so that impacts on the delivery.*

Q: So because it is a hard work environment, it is difficult for them to deliver a consistent quality?

*Some of the physical environments, they live in, their lives are quite hard so sometimes it is much harder to maintain consistency levels, levels of delivery.*

Q: Do you think there are any improvements that can be made with the FLO certification program?

*I don't particularly work on FLO because I'm craft rather than food.*

Q: So FLO doesn't have standards for craft?

*No, there isn't a craft Fairtrade logo.*

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Q: So how do you communicate that to your customers?

*We...because we've been going for a very long time, we've got a well-established brand image/recognition. Our brand in itself is recognized as being Fairtrade. Obviously we promote it through our website and through our catalogues and print.*

Q: How do you find it dealing with retailers at the moment?

*I think it becomes increasingly difficult, they're looking for um, tighter margins, on the food side they're increasingly doing their own label products so you're getting more and more competition but perhaps they're at a different level of Fairtrade than we go to. They have a bit of a lighter touch. On the craft side, the small independent retailers that we deal with...they find it difficult. We were dealing with the likes of Marks and Spencer's on cards but they're increasingly after getting more margin, and we can't squeeze our producer any further. They're always looking for more margin.*

Q: Do your products normally carry a premium?

*They are generally yes, not everything, but in general they are slightly more expensive, than non-Fairtrade counterparts. That is to do with the scale you're working on, but it also depends on who you are dealing with.*

Q: What reservations if any, are you often met with from retailers?

*I don't think there is much. It isn't that they don't want to not participate with Fairtrade as such. But they're concerned about price points. So they don't see the value, they think their customers [won't] will buy into.*

Q: What products do you have the most demand for?

*In the food range, it is very much the geo bars, and on the craft products it is the Christmas angel characters.*

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Name: Carolyn Whitwall

Company: Bishopston Trading

Position: Owner/Operator

Q: Who are your retailers?

*Bishopston Trading have their own stores, and also sell online. We sell to other Fairtrade retailers, and then we sell completely different things, anything that is made of textiles we can make for people, and we sell a lot of fabric by the meter, Fairtrade certified, because not many people supply woven Fairtrade fabric, most of them supply it as knitted fabric. We get a lot of orders for fabric from all over the world. To Lithuania actually – which turned out to be extraordinarily difficult. It had actually been bought by a company in Finland and supplied to Lithuania. The fabric originally came from Chennai in India and then via Singapore to Lithuania. It was very complicated. It has finally reached its destination now.*

Q: Do you sell to any British retailers, like the likes of John Lewis?

*No, not at all. Never made any approaches to them and I would be very weary of large orders where the price has been cut down so low that if something goes wrong, if there is a disaster, and when the rupee is so changeable. Late deliveries could be complete a disaster. I wouldn't be interested really.*

Q: How do you feel Fairtrade has grown over the years (i.e. demand)?

*Overall Fairtrade and organic...to a great extent it is the organic that seems to interest people...certainly on the continent anyway. They're more interested in the organic and the Fairtrade is just a little added extra. Fairtrade is more popular and more recognized in England than it is anywhere else. For instance in France, they're much more interested in the organic side of it, not so much in the Fairtrade.*

Q: So in England, Fairtrade is more popular than organic, but the reverse is true for the continent?

*Uh...organic is popular in England also but Fairtrade is very well recognized, and now for instance this problem in the US that America will not recognize the UK Fairtrade label. We sell into America but it is entirely organic nothing to do at all with Fairtrade.*

Q: That is because they've moved into doing their own Fairtrade certification now?

*Yes, that's why.*

Q: What are your motivations behind dealing with Fairtrade?

*Well the motivation has been from the beginning to be a highly ethical company and it makes it more ethical. So when we started there was no such thing as Fairtrade cotton and we couldn't get organic cotton we've been going for 28 years and we tried for a long time to get organic cotton and when AGRAFEL who is one of our suppliers first set up we were their first commercial customer because we were desperately waiting for it, we'd tried to grow some ourselves,*

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*organized and grown in India but the trouble is that you have to grow large quantities to get it through a spinning mill in one lot otherwise it becomes amalgamated with non-organic and this was a problem, we couldn't grow larger quantities...we were just waiting for such a thing to come along...it is obviously what we would do. The whole business is set up entirely for the welfare of the producers...and of course the Fairtrade is to do with the cotton mainly. They're not Fairtrade certified workers...to do with the actual material.*

Q: What do you think has helped to promote Fairtrade?

*I would say the energy of the Fairtrade Foundation myself; I don't know what you think. The Fairtrade Foundation in England has made huge efforts. And particularly helpful has been Fairtrade towns or schools, and that movement has been very very successful. So there is a huge effort out there to promote Fairtrade and it has done very well.*

Q: Why do you think people consume Fairtrade goods?

*Well um...I would say that is their first motivation. There is no way that you can sell Fairtrade clothes just because they're Fairtrade clothes, people wouldn't want to wear them. Nobody is going to wear them just because they're Fairtrade. So I think for most people it is the icing on the cake. They're pleased about it. They'll come into the shop because it is something different. With organic once again, some people are searching for organic. They have an idea that it is better for their skin or better for their children to wear, which is not true because you know cotton is a highly manufactured...by the time it has been scarred and washed and boiled and dyed, there is no sign of the pesticide or the insecticide that might have been used in the first place so from that point of view, that is not a reason to buy organic but some people do buy it for that reason. Also, with the non-organic cotton, there are various chemicals that are put on for the finish. And of course they're there and they wouldn't be there on organic cotton. From that point of view, people might like to wear organic cotton, especially people with eczema.*

Q: How do you think Fairtrade compares to other ethical initiatives?

*Other sort of people who are certifying...there aren't any other people who are certifying cotton I don't think. I don't think Rainforest do cotton. Fairly small compared to other things like tea and coffee. Maybe they're just not interested in it. As far as I'm concerned, it is only the FLO certification that there is for Fairtrade. That is where my loyalties lie. I work closely with the Fairtrade Foundation and I know a lot of people there and they're very supportive and helpful to us. And I think they're the best. I don't consider anything else.*

Q: How do you feel Fairtrade compares to aid?

*Well I've always felt that trade is more important. I mean creating employment is clearly so much better for anybody, than being given charity. I mean the whole thing is that it is not charity – it is what it says on the label, it is Fairtrade. And that to me is so much better. We were actually...if you read how our business started, it started with a link between the two (?), that was a registered charity and that was there to produce charitable funds to support the village. And as you read from it, what I was told then, it is not your money we want, its work. And that came from the mouths of the people there so clearly I think it is a better idea.*

*For wholesale customers, some of them are only interested in organic cotton. That is a slight problem, for instance, we had a big customers wanting organic velvet to be manufactured by us for body warmers and they were only interested in*

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*organic and weren't the slightest bit interested in Fairtrade. And the trouble is that you have to produce velvet in very large quantities, minimum order of 3,000 meters. So we needed to put in our own order for velvet in with theirs. So we just made it Fairtrade and organic and we just didn't bother telling them that it was Fairtrade, but it was. They weren't interested.*

**Q:** Does the reverse scenario ever occur?

*Yes, we have got people who only want Fairtrade and don't want organic when they're ordering. That is mainly people who are involved with the Fairtrade Foundation; you know buying bags or tea towels. We sell quite a lot of them. And they're only interested in Fairtrade. But they don't seem to mind getting the organic as well. In fact, when it comes to buying the cotton, it is cheaper to either buy organic or Fairtrade. The most expensive cotton is both. So if we got a very large order from somebody that was just for Fairtrade cotton, we'd probably do that because we'd have to buy the cotton specially. And so that would happen, but it doesn't happen very often because the orders aren't that huge, but if they were you could do that.*

**Q:** Do you source exclusively from India?

*Up till now, we've sourced exclusively from the village of KD Kudmann. That is not happening now, and if you read about us on the website there has been a huge upheaval to our business in the last year, in that what is happening in KD Kudmann is that we've been there for a whole generation, more than a generation, we've been there for 28 years and the tailors and weavers suddenly don't want their children to be tailors or weavers and we have supported them in making sure they were earning enough to educate their children and also we had a special project where we were supplying money to keep their children in school between the ages of 15 and 17 where otherwise they might stop and start work. And so they've all got much better educated children than they are themselves and they're... a lot of them are employed and a lot of them have married well because they've got a reasonable income and they're well educated, so we're finding it more and more difficult to find tailors and weavers.*

*We're actually starting work now with a new organization called Fairlinks which is actually set up by somebody who used to work with Fairtrade as head of strategy for cotton and has now moved back to India. He is setting up in an area with much more need than KD Kudmann. So we will partially be working in KD Kudmann with the tailors we have there still wanting to work, and also with him in another, more (needy?) area. Also in Tamil Nadu. We're working with them already now, they're doing the exporting for us but they haven't set up their new factory yet. Things have changed. It is quite easy access by train to Chennai or to Bangalore and there is a lot of work available there for people who've got qualifications and so you know you do come across a lot of educated young people now who've grown up during the time we've been with KD Kudmann who've then gone off to work in Bangalore or Chennai and we don't see them coming back. Quite different really. And weaving is particularly a dying business; it is not going to go on. In the sense of the location? Many other places that they do it... it is just not what people want their children to do, it is hard work, it is a family business which involves the whole family working on it and you know it is very hard work. They'd rather their children were educated. This is a problem for India generally. It is going to be a problem, because you know if a country wants to be rich, somebody has to do this sort of work. You know they have to be producers, you know not like England where there is nothing produced here any longer. Everybody can't do that. It did cross my mind very early on what would happen if India did get more and more progressive whether there would still be enough money*

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*between the cost there and the cost of selling in England, of the expense of the business of bringing it to England. And I think this is coming about really. I mean what we're paying now is a hell of a lot higher than what we were paying before. We've had to put up our prices. The cost of cotton has risen tremendously. It is no longer...we are often open-mouthed at the price we're being charged now for things to be made. Things have got lots of details on them which we used to be able to afford before, such as hand embroidery. And you know, this is...yeah it is good you know people, as I said on the website, everyone has a colour television and they're actually given to them by the government, you know the Tamil Nadu government. They gave colour televisions to every house, I mean this is bribery in order to get themselves...and they've certainly all got cell phones. And they are certainly are hugely richer than they were when they first went there, which is good.*

*Progress in India...you know the way they live...in some ways it is terribly sad. You know living in the country in India is such a satisfying thing to see, there is absolutely no waste of any kind. So many people grow their own food, they have their own goats and cows and produce their own milk, they have hens. It is very satisfying to see. I remember staying in the village, in a village house and in the morning seeing people out in the fields and weeding the fields and I knew these people were not labourers...what are they doing weeding? And I asked them and they said they were just collecting fodder for their cows. And so the weeds are valuable. So you wonder how these fields are so immaculate because people are willing to go out into the fields to pull out the weeds. You know gosh isn't that good.*

*When you go and buy things in the market, there were no plastic bags, but there are now. It is absolutely awful. Everything was wrapped up in recycled newspaper and tied up with a piece of string. When you were on trains you got tea given to you in a pottery container which you then threw out the window because it is only mud and it turns back to mud. You know now it is plastic cups, so you can't help...I'm 70 now. You look back and think things were better before and much more so in India where the progress has been so swift that it has gone from being almost medieval when I went there – you know the village, not the town. It was extraordinary, you know biblical like, to everybody having a cellphone and TV and high tech really. You know it has got its good things but certainly some of it isn't.*

Q: You've obviously seen a lot change in your time...

*I went there with my 3 month old baby 28 years ago. It was so different then. I'd already been there for a year and a half. It is much less developed in South India than in north India where I was. I found it quite extraordinary how very simple and very different everything was. Whereas Europe is much the same as England.*

*Add a lot of quality to my thesis – But I have to also say that we're doing extraordinarily badly; we're not likely to survive. I'd rather you didn't actually put that sentence in. But the recession has bit us...and combined with trying to sell clothes when it rains day after day in the summer...it is impossible. It is the same for everybody else. You know you read the paper all the time, the sun has come out now for the first time in about a week. How can you sell summer clothes when it is cold and wet? We're just fairly desperate, you know, the price has gone up so much...it is very very difficult. I don't think we'll see another year actually. I'd rather you didn't put that sentence in, but it is just not working any longer. I'm sorry.*

*Yeah but that is the way it is. You know Europe is in decline, let's face it. You know it is the whole of Europe too. Where are we going? I think we're going to be forking round; we're the ones who are going to be needing help, not the burgeoning places in China and India. You know. Here we are. The other contrary thing is that the Rupee is very low*

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*against the pound at the moment, which is strange. This is better for us. We'll be able to buy more. The pound is the highest against the Rupee that I've ever seen it. You know that is helpful...*

*So there we are anyway. Good luck, I hope it all goes well...*

Q: Do you think any improvements could be made to the FLO certification?

*Um this is something that is argued all the time, much more so by the big companies...like Café Direct and Divine Chocolate. And I go to a meeting in London with the Fairtrade leaders, they're all there and they're constantly complaining. I really don't know how it could be better or not. But certainly to spend their time complaining about it...Fairtrade Foundation have treated us very well, carefully, helpfully and nicely and we're not complaining. I can't tell you it is much too difficult. You know they're doing their best, many people are happy with it.*

*The last question...omit what you asked: Obviously it is not a good thing that I'm saying we're not going to last until next year, but I've been saying everything positively because that's the question you've asked me. But you know it isn't positive at all. Ok?*



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## EDUCATION

**University of Leipzig**, Leipzig, Germany September 2010 – present  
**University of Vienna**, Vienna, Austria  
Erasmus Mundus Scholarship Recipient  
Masters of Arts in Global Studies

**Otago University**, Dunedin, New Zealand February 2005 – December 2008  
Bachelor of Commerce (Hons), Marketing Management.  
Graduated with First Class Honours

**HEC School of Management**, Paris, France September-December 2008  
Grande École Master Exchange Program, Focus: Strategy and Marketing

## WORK EXPERIENCE

**Intern, United Nations Platform for Space-Based Information for Disaster Management and Emergency Response, United Nations Office of Vienna** March 2012 - present

- Drafting, editing and review of departmental mission reports
- Assisting with strategy formulation for the South-Pacific region
- Assisting coordination and execution of annual COPUOS Conference

**L'Oréal NZ Ltd – Assistant Product Manager**, Auckland, New Zealand January 2009-September 2010  
Managed & assisted on L'Oréal Luxury Products fragrance portfolio.

- Created & executed the marketing calendar for allocated brands.
- Tasks involved stock forecasting, buying, PR relations, and advertising material management.
- Relationship management with key stakeholders including retailers, suppliers and Head Office staff in Paris.

**Ragtrade Recruitment – Administrative Assistant**, Auckland, New Zealand Summer 05/06 & 06/07

- Supervision and management of candidate interviews.
- Created external communication and advertising material.
- Creation of job descriptions, candidate profiles and company profiles.

## Other:

- Hallentsteins Men's Clothing – Retail Assistant, Dunedin, New Zealand, 2006
- World Vision – Volunteer Administrative Assistant, Auckland, New Zealand, 2004 & 2005
- Pead PR Ltd – Work experience Intern, Auckland, New Zealand, 2003

## LEADERSHIP, INTERESTS & ACHIEVEMENTS

Attended 49<sup>th</sup> Graduate Students Program at the United Nations in Geneva, July 2011.

Recipient of Erasmus Mundus scholarship, for a Masters of Arts in Global Studies.

Recipient of L'Oréal Marketing Scholarship, July 2007, with employment.

Publication of Bachelor degree dissertation in Elsevier Journal Food Policy.

Recipient of Otago University Excellence Award for dissertation proposal, June 2008.

Represented Otago University at the Enterprisers Scheme, Queensland, Australia, 2007 (run by Cambridge University and MIT).

Climbed Mt. Kilimanjaro, Tanzania, Africa (July 2010).

Invited to study under the Honours program for Marketing and Psychology by Otago University, 2006.

Selected to attend Spirit of New Zealand 10 day leadership and development voyage, July 2005.  
Recipient of Duke of Edinburgh Award, Gold Level, 2004.  
Interests: Windsurfing, triathlons, reading, traveling.

**ADDITIONAL INFORMATION**

Language: English, mother tongue. French – intermediate level (A2+).

Computer: Proficient in PowerPoint, Word, Excel, Citrix and SAP.

**Previous Education:**

- Diocesan School for Girls, Auckland, New Zealand, 1998-2004
- St Johns International School, Brussels, Belgium, 1991-1997