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Consumers' Reaction towards Involvement of Large Retailers in Selling Fair-Trade Coffee: The Case of the United Kingdom

Felix Adamu Nandonde¹,

ABSTRACT

Since 2002, the year the concept of own label on fair trade products was introduced in the United Kingdom, grievances have started to come out. The Fairtrade Labelling Organisation (FLO) has continued to be criticised in the commercialisation movement for giving large retailers (LRs) licences to use Fairtrade mark to produce and sell on their own brands. Earlier, the products were produced by alternative trading organisations (ATOs). To reach mass markets, fair trade products need LRs distribution channels and not the old system of using speciality shops as distribution channels, any more. However, the challenge has always been on the use of own label and the willingness of the large retailers to implement the fair trade guiding principles for the benefit of small producers in the South. The purpose of this study is to explore UK coffee consumers' reactions to the involvement of large retailers in selling fair trade coffee. The analytical techniques used to analyse the data collected in June 2010 in the high street of Newcastle through face to face interviews include: (1) Factor analysis conducted with a sample of 219 coffee consumers-so as to understand factors influencing purchase decision and, (2) Cluster analysis employed to identify customers' reaction to large retailers' involvement in selling fair trade coffee. The study indicates that credence processing attributes such as 'retailers image', 'fair deal', 'fair trade promotion', 'social responsibility' and 'against own label' are the major factors that influence consumers' intention to purchase fair trade coffee in the United Kingdom. Two clusters have been identified. Cluster one is the male 'ethical consumers' group influenced by retailers' image and social responsibilities activities. This group was found to be in favour of the idea of having large retailers using their own label. Cluster two is female 'ethical and well being' consumers group. This group is not in favour of allowing large retailers to use their own label for fair trade coffee. The interesting finding here is that, this group is not against the involvement of large retailers in selling fair trade coffee. Studies have shown that consumers are not in favour of own brand issued to large retailers, but they are willing fair trade products stocked in supermarkets. This alarmed the Fairtrade Labelling Organisation (FLO) to review its policy of allowing the large retailers (LRs) to use own brand. The findings of the study need to be interpreted with caution because of two major reasons. The first reason has to do with the sample size used: The size of coffee consumers in the UK is very small. The second reason is the fact that the study is based on the evaluation of hypothetical attributes of coffee and any additional factors, and this may affect coffee purchase.

Key words: Large retailers, fairtrade, fair trade, coffee, north, south

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Acronyms

ATOs	Alternative Trading Organizations
FLO	Fair-trade Labelling Organization
FT	Fair Trade
KNCU	Kilimanjaro-native Cooperative Union
LRs	Large Retailers
NGOs	Non-Governmental Organizations
RTD	Ready- To-Drink
UCIRI	Union of Istmeno Indigenous Communities
UK	United Kingdom

Introduction

The first commodity to be introduced in the Fair Trade (*fair trade* is the business model while *fairtrade* is the trade mark used in the UK) scheme was coffee. Up to 2009, more than 250 products were incorporated in fair trade. There are 865 fair trade-certified producers around the globe that grow and sell sustainably-certified products in international markets (TransFair, 2009).

Small producers in the South (in this paper the term South means 'developing countries' and North means 'developed countries'), whose number is estimated to reach five million, depend on the fair trade coffee scheme. According to TransFair (2009), the five major producers of fair trade coffee are Peru, Nicaragua, Costa Rica, Colombia, and Mexico, with market shares of 24%, 11%, 10%, 10% and 9%, respectively. The major producers from Africa are Ethiopia, Tanzania, and Rwanda. Table 1 summarises metric tonnes of fair trade (FT) coffee exported worldwide from 2002 to 2009. Since 2006, the metric tonnes of FT coffee started to decline sharply from a-53 % to 6 % - increase in 2008, although in 2009, the quantity exported increased to 12%.

Table 1. Worldwide fair trade coffee produced from 2002-2009 (Metric Ton)

Year	Metric Tonnes	% change
2002	15,779	n/a
2003	19,895	26
2004	24,222	22
2005	33,992	28
2006	52,064	53
2007	62,209	19
2008	65,808	06
2009	73,781	12

Source: Fairtrade Labelling Organisation, 2010

In the early years of the emergence of the fair trade concept, the major players were nongovernmental organisations (NGOs) such as Max Havelaar in Holland, Oxfam in the United Kingdom, Churches and the Equal

Exchange in the United States of America, who have been overseeing the certification and labelling of the Fairtrade trademark in each major market. Consumers trusted these NGOs and bought products with the belief that premium price they pay would go to the producers in developing nations even though the label was not attached (de Ferran and Grunert, 2007).

The fair trade business model was estimated to benefit seven million farmers in the South (Fair trade, 2008). Through the scheme, nearly US \$ 200 million has been paid to the farmers in the South as an additional income (Transfair, 2009). The share of fair trade products is estimated to be 1 % of the global coffee sales (Barrientos and Smith, 2007; Smith, 2007; Comfort et al., 2003; Hilcosx, 2007). The growth was due to the expansion in scope of Fairtrade foundation to include new commodities such as sugar, honey, cotton, rice, flowers and wine, all of which were originally not in the scheme.

The market of certified fairtrade coffee was projected to expand more due to the incoming of the US-based coffee giant, Starbucks, a company with ready-to-drink coffee in Europe, to start selling Fairtrade coffee and its expansion in China.

The major markets for Fair Trade goods are Europe and North America, although recently Fair trade has expanded to South Africa, and Japan. Table 2 shows the estimated retail value of sales of fair trade products of the ten major markets in the North. According to Solidaridad (2008), in Europe, Fairtrade coffee accounts for 1 percent of the coffee market share while the UK has 20 percent of the market share (cited in Pay, 2009).

Table 2. Estimated retail value of selected major market of Fairtrade products (€'000)

Country	2006	2007	% increase
Belgium	28,000	35,000	25
Canada	53,000	79,600	48
Germany	110,000	141,000	29
United Kingdom	409,500	704,300	72
Ireland	11,600	23,300	101
Japan	4,100	6,200	51
Netherlands	41,000	47,500	16
Norway	8,600	18,100	110
USA	499,600	730,800	46

Fairtrade Coffee in the Uk

According to the 2008 European Coffee report, coffee per capita consumption in the UK is 3kg, annually. UK citizens are not fans of coffee when compared with citizens of other countries in the European Community. However, the recent market trends show that, coffee consumption has started to rise in the country, especially in FT coffee. Mintel's 2010 coffee report suggested that, the increase in consumption of coffee in the UK was due to the health scientific facts that drinking of coffee helps in the fight against Type 1 and Type 2 diabetes. Coffee is the biggest selling product in the UK Fairtrade schemes. In 2009, Fairtrade coffee market sales reached £ 157 million which is estimated to be 20 % of the market share of coffee*.

According to the Fairtrade Foundation (2008), 64 % of consumers in the UK understand that the Fairtrade label stands for a better deal for producers in the developing countries. The Cooperative supermarket was the first supermarket to change all of the chocolate own brand to fair trade line in 2002. It also started to stock fair trade products since 1992 from Cafe direct. A supermarket chain owning 5 % of the UK fairtrade market share also started to introduce own brand for fair trade products. The large retailers selling in Fairtrade mark products make them far more convenient and accessible to most shoppers. However ethics and adherence to the fair trade business model principles by the large retailers was questionable.

**(author calculation based on the UK 2010 Mintel Coffee Report estimated UK coffee retail sales to be £782million).*

Statement of The Research Problem

Fair trade is based on credence attributes that cannot easily be identified physically by a consumer. The concept includes the promise or guarantee of a fair price to the primary producer and the protection of the environment during process of production, and no use of child labour. The business model's success depends much on the

experience and knowledge consumers developed on to the ATOs. This study investigates consumers' reaction to the involvement of large retailers in selling Fair Trade products in the UK.

Since 1994, the FLO has allowed the LR's to use the 'Fairtrade mark' for their own brands, which has led to the emergence of two models of distribution in many of parts of Europe. One model was where producers in the South deliver to the supermarket supply chain with FT-labelled products for the LR's own brands. The second (original) model was a direct marketing of the FT brand through contracts with ATOs. FT as a business model needs major retailers as the channels of the distribution of their goods to meet the needs and wants of mass markets. However, the challenge was on the implementation of the principle guiding the FT business model by the LR's.

Involvement of the LR's was not according to the principle governing the concept of the fair trade business model. The element of the FT principle based on the long term partnership between buyers in the North and producers in the South, where buyers are involved directly on various projects for the improvement of agricultural products in order to meet standards required by consumers. Cafédirect, for example, invested back £1.2 million in the producers' countries, and helped their four coffee certified producers to access other new emerged market, among them, the Kilimanjaro-native Cooperative Union (KNCU) from Tanzania, which, through producers partnership programme managed to sell products in Poland, Dubai, South Africa and Pakistan (Cafedirect, 2010).

The change towards supplying FT- labelled coffee to the LR's as 'own brand' products has caused problems in the South. Among the major problems was LR's failure to initiate long term relationships with producers. For example, a number of retailers in the UK have rejected goods supplied under this type of contract from various producers in South Africa (Smith, 2008). This study found that, the LR's purchase decisions was based on 'just-in-time', depending on day- to-day sales and consumption trends, in order to limit storage and wastage costs. Due to that risk, the costs are passed down to suppliers. This rejection forced producers to sell their products in

conventional markets which made them to incur costs and resulted in general loss. In this situation, only the well-organised cooperatives with strong trust relationships with toasters and importers, managed to sell more than half of their harvest to FT market outlets (Renard, 2005). In a case study he conducted, Renard (2003) observed how the French store Carrefour bought unabsorbed FT coffee from Mexican cooperative UCIRI (Union of Istmeno Indigenous Communities) by conventional price, while the same company has a contract with Oxfam to sell FT coffee in Belgium.

As Fairtrade mark enters mainstream chain, the system established by the ATOs no longer seems to be really 'alternative' after all (Nicholls and Opal, 2007). Also, the implementation of the systems becomes more complex and very complicated. The Fairtrade mark needed to make LRs to reach mass markets. On the other hand, the system brought a rift between institutions and producers.

In spite of the fact that the amount of the merchandise sold labelled as Fairtrade is increasing, very little is known on the consumers response towards Fairtrade as an ethical label or brand (Lotale and Loureiro, 2005).

Review of Theoretical Literature

The decision taken by the FLO to grant licences to supermarkets and use Fairtrade mark on their own brand products brought much change in the expansion of FT sales in Europe and especially the UK (Barrientos and Smith, 2007; Smith, 2008). However, the challenge is on the impact of this given the fact that supermarkets are not bound by the rule of FT and regulations, results into types of practices that bring much pressure on the producers in the South as that which exists in conventional production networks. LRs are preoccupied with their own label product; producers used to think that the relationship with retailers ends in vain because retailers have their own agenda-to tie them in and then cut the price (Fearne,1998).

Originally, FT was focused on small farmers and was promoted by NGOs in Europe and America, which were involved in selling goods and spearheading the essence of

the movements. This indicates that consumers are buying Fairtrade products because they are influenced by their moral beliefs. Mann, (2008) expressed the principles as follows:

Imagine a mother A who suffers because she finds that her elder son B treats her younger son C unfairly. If A suffers due to the relation between B and C it is likely that B excludes C from something which A considers to be C's right. If consumer A buys fair trade coffee or tea; it may be because he feels that coffee harvester C has some right to be granted free medical care. Hence the focus of fair trade is to change relations of B and C because the latter deprived the basic right of the former.

Recently, however, the movement has changed with a large number of big retailers in the UK (such as ASDA, Tesco, Morrisons, Marks and Spencer, Sainsbury; Debenhams and John Lewis) starting to stock Fairtrade products such as cotton clothing, coffee, honey, sugar, rice, tea, etc (www.fairtrade.org.uk). This means that those who were originally considered to be unfairly exploiting the producers, the large multiple retailers, have now been accepted by the FLO as genuine participants in the project. Today, the movement changed from being owned by NGOs to LRs. The question here is: are consumers convinced by the decisions of large retailers to stock fair trade goods?

However, some LRs sell part of their products with Fairtrade label or assign part of their shelf space to fair trade products as a component of their corporate social responsibility (Del Pelsmacker, 2006)

A widely accepted view is that, performance of brands depends on the perception that consumers associate within the memory (Herzgoz, 1963). A consumer's perception on buying a commodity is highly influenced by his or her past

experience on the situation. Previously, consumers did not agree with the movement dominance of LRs, and many claimed that farmers from the South were exploited.

Through the ATOs, producers own shares in the FT coffee roasters. For instance Cafédirect, producers own 5 % of the company's share; TWIN trading and Kuapa Kokoo, the Ghanaian cocoa cooperatives, hold 45 % of the share of the Divine Chocolate Company: share increased.

The situation indicates that a long relationship between ATOs and the producers in South has developed. Renard (2005) described the movement of the LRs as 'green washing' which, he argued, in the long run will let producers under the FT scheme to be the losers. (Hutcheson, 2010) observed that FLO and TransFair are not transparent when it comes to the question of these LR's involvement in the FT scheme. Under this situation, the future of FT relied on the customers' decisions as to whether to support or reject the idea of the goods being sold by LRs under their own labels.

The essence of the alternative trade organisations (ATOs) is that the consumers should be told the truth, not only about what is in the product, but also the truth about the producer, her or his conditions of life and work, what they get for their work and what they do to the environment in the process of production (Brown,1993). The central concept was to raise consumers' awareness and encourage them to exercise their buying power in favour of the products where production and marketing are based on ethical considerations, instead of conventional commercial products whose marketing and supply chains exploit small producers, especially those in developing countries.

The ATOs were also involved in improving the quality of the goods produced, through providing trainings and in packaging to the producers' cooperatives in the South. However, through all these activities, the scheme had no 'mark' that could have made it easy for the customer to identify the products. The need for a label on the products emerged to move Fairtrade being from marginalised to mainstreaming.

Review of Empirical Literature

In buying fair trade coffee, consumers have a positive attitude towards the business model that producers in the developing country would benefit from-the premium price they pay in the north.

Lotade and Loureiro (2005) found that consumers in the US are willing to pay US\$ 21.64 more for the fair trade labelled coffee, US\$ 20.02 more for shade grown and US\$ 16.25 more for organic products. Also a study conducted in Italy by Maieta (2003) found that, consumers are willing to pay 25 % more for fair trade coffee over the normal coffee price.

Normally, in the purchase of fair products, consumers attach importance to the intrinsic attributes such as 'fair trade', 'organic', 'taste', 'respect for the environment' and 'equality between humans' (de Ferran and Grunnert, 2007). Hence, the success in buying ethical food bases on how retailers communicate and implement these attributes. Once-cheated consumers are willing to boycott the products. For instance, in the UK, six in ten consumers were prepared to boycott products that did not meet their ethical expectations (Jones, 2006; Fairtrade, 2008)

The inconvenience of the shopping was among the reasons that hinder consumers from using fair trade products (Ulrich and Sarasin, 1995; Boulstridge and Cardigan, 2000; De Pelsmacker *et al.*, 2005). The problem was due to the fact that coffee was distributed by NGOs which have no wide networks compared with that of supermarkets' bigger network of supply chain. The issue of convenience and availability (De Pelsmacker, *et al* 2005; De Pelsmacker *et al.*, 2006) of fair trade products led to the suggestion of involving LR's in the FT business model.

However, consumers were not trusting information provided by the LR's based on the fact that producers in the South will benefit through the products sold in their retail stores (De Pelsmacker *et al* 2005, De Pelsmacker, *et al* 2006). This posed the problem of credibility to the LR's involvement in the FT scheme. This was due to the fact that, NGOs have different mission compared with the ordinary supermarket. Whereas the later focused on sales and profits, the former's primary concern is the improvement of human living standards in the South (De Pelsmacker *et al*, 2006).

Methodology

The study recruited 219 respondents through face-to-face survey interview conducted in the high streets of Northumberland, Haymarket, Grey and Justice Tower where the largest mall of Eldon Square is located and the supermarkets like Tesco, Mark and Spencer, Fenwick and Debenhams are found. This is also where famous fast food joints like Starbuck, Burger King, Pret-A-Mager, Greggs and Milligans sellers of ready-to-drink (RTD) coffee are located. The number of recruited sample was limited due to time constraints. The face-to-face survey was employed because it is a quick and the easiest method for the researcher to provide some clarifications to the respondents when necessary.

A screening question was designed in order to identify respondents who drink coffee and who have basic understanding of FT parallel business model. The data was gathered in June 2010, during week days and weekends in summer, and between 10:00am and 6:00pm. The technique of interacting with the respondents during break hours at noon was also used especially for the respondents who were working. These respondents usually come to Haymarket and Newcastle Council garden for break and a rest during lunch hours.

To measure the customers' attitudes towards the involvement of large retailers in selling the FT goods, a graphic non-comparative rating scale was used. Since number scales can be easily understood, the respondents are motivated to participate (Hawkins and Tull, 1993).

The questionnaire was developed from a review of literature by various authors who are known to have contributed a lot to FT and mainstreaming to supermarkets and its impacts (See Hilcox, 2007; Comfort *et al.*, 2003; Smith, 2007 and Barientos and Smith, 2007; De Pelsmacker *et al.*, 2003; Lotale and Loureiro 2005; Raynolds, 2008; Murray, *et al.*, 2004). Some 14 itemised 5-point choices were established for the study (1= strongly agree and 5= strongly disagree). The marks were assigned on the statement and the model was regarded to be easy for

respondents to understand (see Annex 1 for model of the questionnaire used in the study).

The questionnaire was pre-tested three times in the high street of Newcastle upon Tyne on 15 respondents. Based on the feedback from respondents in the pre test, some improvements were made on the framing and wording of questions. Technical terms used in the original questionnaire were also cancelled for purpose of clarity. The final version of the questionnaire was evaluated in terms of clarity of instructions, ease of use, reading level, general clarity, item wording and response format and was judged to possess face and context validity (De Vellis, 2003). Moreover, the final version was made to consider the time value of respondents in high streets and not to take much of their time. The questionnaire was administered by self completion survey of consumers in high street and the researcher was around to clarify some important issues raised by the respondents. Convenience sampling procedure was employed to involve people who were considered to be most conveniently available. The procedure helps well in obtaining a large number of completed questionnaires quickly and economically (Zikmund, 2000). Another technique was also used to include interviews to explore perceptions and attitudes of selected respondents in more detail. The method is good because the respondents can interact with the researcher and the researcher can administer complex questions, explain and clarify difficult questions, and even use unstructured questions (Birks and Malhotra, 2007)

Findings

Characteristics of the sample

The City population was estimated at 1,093,500 (www.tyne-wear.co.uk), female 51 % and male 49 %. A higher proportion of respondents was that of males (58%) than females (42%). Females were not well represented according of the actual data of the region in the study. The research shows that younger respondents ages 17 to 30 years constituted a higher proportions (59.8%) than the older respondents aged 71 years and above, the later not

well represented with only one participated in the study. The younger age group in the city population comprised of 41 percent (www.tyne-wear.co.uk). However, the percentage of their age ranged from 16 to 44 ages. In general, the study's population used young people ages 17 to 40. The younger were well represented in the study.

Data analysis

The quantitative data was analysed using two techniques: factor and cluster analysis. Factor analysis was used to study the dimensions on which customers perceive or evaluate objects such as brand, organisations (Aaker *et al.*, 1998). Factor analysis is a multivariate technique that is used to summarise information contained in a large number of variables into a smaller number of subsets or factors. Principal components and Varimax rotational procedures were used throughout this study to identify measures for the sample taken. These procedures are highly accepted and most universally used. The component analysis model is appropriate when the primary concern is on predication or the minimum numbers of factors are needed (Field, 2006).

Factor analysis was employed together with SPSS 17.0 for the analysis in this study to identify the variables that can be used to understand consumers' reactions to large retailers' involvement in selling fair trade coffee. Principal components and Varimax rotational procedures were used throughout this study to identify measures for the sample taken. In this study, factors more than **1 given** value was used and those below that were dropped. This criterion is generally accepted and respected in social science as the basis for excluding or including factors (Kaiser, 1960, Anderson *et al.*, 1998)

(Anderson *et al.*, 1998) suggests factor-loading to be based on the number of sample size, and for 200 sample size, 0.4 as the cut-off level. The study adopted the conservative approach; the decision rules is that, variables required to be at least ± 0.5 , and that is respected in the social science.

Scale reliability for consumers' reactions to the involvement of large retailers in selling fair trade coffee was evaluated by using cronbach's alpha, . (Bush *et. Al.*, 2006) suggest that *Cronbach's alpha* valued less than 0.6 is unsatisfactory. The study's overall reliability of the scale

was 0.663. This is above the suggested level and is respected in social sciences.

(Table 3 summarises the results). For the Factor 1, the following attributes correlate most strongly, *'availability of the products'* (*avaproduc*, 0.567), *large retailers have helpful staff knowledgeable about fair trade coffee* (*staffknow*, 0.755) and *many retailers provide a wide choice of fair trade products* (*widechoice*, 0.759). For Factor 2, the following load significantly, *large retailers, are sensitive to social inequalities* (*inequalities*, 0.577), *large retailers are environmentally responsible* (*envresp*, 0.620) and *fair trade coffee farmers are getting fair deal from large retailers* (*fairdeal*, 0.677).

The following variables load higher for Factor 3, *retailers provide fair trade customers information leaflets in the shops* (*fileafinfor*, 0.690) and *retailers provide specific shelf and sign for fair trade products* (*ftshelf*, 0.809). One element load significantly for Factor 4, *large retailers adopt actions that can lead to a more equitable world* (*eqeworld*, 0.824). The following variables load more significantly for Factor 5; *I don't trust information provided by large retailers on fair trade coffee* (*lrinfor*, 0.695) and *supermarkets should not use their own label for the fair trade coffee* (*notownlabel*, 0.827).

The five factors are defined, respectively as, Factor 1 *'retailers image'*, Factor 2 *'fair deal'*, Factor 3 *'fair trade promotion'*, Factor 4 *'social responsibility'* and Factor 5 *'against own label'*. These factors were interpreted and reserved for cluster analysis.

Table 3: Rotated component matrix: consumers' reaction on involvement of LRs in fairtrade

variables	factor number					
	1	2	3	4		
5	h^2					
inequalities	.504	.577	-.170	.246	.074	.682
envresp	.349	.620	-.087	.429	.126	.713
eqeworld	-.025	.187	.031	.824	-.097	.724
avaproduc	.567	-.132	.177	.513	-.273	.708
staffknow	.755	.061	.155	-.144	.141	.638
widechoice	.759	.067	.059	.031	-.020	.585
notownlabel	.004	.027	.068	-.093	.827	.697
lrinfo	.026	-.252	.006	-.011	.695	.548
fairdeal	.080	.677	.144	-.098	-.149	.517
sminfo	.371	.328	.396	-.426	-.067	.588
display	.375	.279	.470	.068	-.176	.475
primiprice	-.169	.648	.263	.085	-.209	.569
ftshelf	-.038	.037	.809	.225	.089	.716
ftleafinfor	.186	.078	.690	-.263	.076	.591
Eigenvalues	3.217	1.837	1.483	1.129	1.087	
Variance	22.976	13.120	10.5	8.067	7.762	
Cummulative	22.09	36.09	46.68	54.75	62.24	

ve variance	6	0	7	4	3
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Cluster analysis procedure

The objective of cluster analysis is to group similar objects together. The most common measure is to measure similarity in terms of distance between pairs of objects. The objects with small distances between them are more similar to each other than are those with larger distances. There are several ways of computing distance. This study used Euclidean or its square. The Euclidian distance is the square root of the squared differences in values for each variable.

Cluster analysis was applied as a two-stage process to saved factor scored for consumers' perception on involvement of large retailers in fair trade. There are two methods of clusters analysis-hierarchical and non-hierarchical. Anderson *et.al.*(2010) suggest for these two procedures to be used together, in order to use the advantages of each other. The hierarchical procedure helps in judging the number of clusters and non hierarchical assign objects into a cluster. Stage 1 employed a hierarchical technique to provide an indication of the appropriate number of clusters from the agglomeration schedule. The study employed Ward's procedure to illustrate hierarchical clustering. In hierarchical clustering, the distances at which clusters are combined can be used as criterion. In stage 2, K-Means optimization method was employed. According to Anderson *et al.* (2010), K-Mean works by portioning the data into a user-specified number of clusters and then iteratively reassigning observation of cluster until some numerical criterion has been met

Cluster profile

This study used the nominal variable to identify respondents' *ages; level of education; point of buying fair trade coffee; point of drinking fair trade coffee*. The ANOVA table was used to identify the profile. Cluster profiles were developed in terms of descriptive profiles of average factor scores for the attitudes towards involvement of large retailers in selling fair trade coffee. These extended profiles are established from chi-square contingency tests under the null hypothesis that the (nominal) clusters

identify variable and respective respondent characteristics. The tests adopt a 5% significance level. The cluster profiles are summarised in Table 4.

Cluster 1 defines males as 'ethical consumers'. They are influenced by the retailers' image and social responsibility in making decision to purchase fair trade coffee. They are not supporting any movement against the supermarkets to sell fair trade products. They are at mid ages (31-40) and many of them are Master and PhD-holders. Their lack of interest in supporting movement from stopping supermarkets to sell fair trade products, suggest that they are workers who are impressed by the price-cuts implemented by many retailers in the UK.

Cluster 2 defines the female as 'ethical consumer and wellbeing' that are of younger age (17-30) who buy fairtrade coffee mostly in supermarkets and they mostly consume it at home. This suggests that they have families and they are buyers of the family food. Their level of formal education is quite low compared with cluster one. The cluster mostly doesn't favour supermarkets to have their own labels for the fair trade products and instead highly favour the payment of fair price for producers in the south.

Table 4. Consumers' reaction towards involvement of large retailers in fair trade

Profile	Cluster number	
	1(58%)	2(42%)
Description	Male, influenced with fairtrade promotion	Female, ethical consumer
Buying point		
Speciality shop	High	Low
Supermarket	Low	High
Fast food	Low	High
Fairtrade drinking point	Low	High
At home	Low	High
At work	High	Low
In community places		

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Gender and fairtrade coffee		
Male	High	Low
Female	Low	High
Education and fairtrade coffee		
Secondary	Low	High
Diploma	Low	High
1 st degree	High	Low
Masters	High	Low
PhD	High	Low
Fairtrade coffee and ages		
17-30	Low	High
31-40	High	Low
41-50	Low	High
51-60	Low	High
61-70	High	Low
71 and above	Low	High

*Profiles established using chi-square test under the null hypothesis that (nominal) cluster identity variable and (nominal) demographic/behaviour are independent.
Significance level= 5%.

Discussions and Conclusions

Today's consumers are more concerned with moral values; pay attention to firms that value them and are willing to buy products with an ethical equality. According to Jobber (2007), an ethical consumer is an individual whose purchase decision making takes into account not only personal interests but also the interest of the society and the environment. The findings of cluster analysis divide the customers into two dimensions: the first is 'ethical consumer and wellbeing purchaser of FT coffee who buy from supermarkets and the second is 'well being and socially oriented' who are against supermarkets to use their own label for fair trade products. The findings support the study of de Ferran and Grunert (2007). However, their study based only on purchasing point.

Consumers in cluster 1 want to be satisfied with the consumption of goods with a good taste or a good quality product and this group has to be associated with a desire for furthering equality between human beings by purchasing fair trade coffee in speciality shops. According to de Ferran and Grunert (2007), this indicates that the purchasers are more experts than those who buy in the LRs. However, the changes of the trends in the UK of mainstreaming Fairtrade coffee from marginalised products to mass market may influence the purchaser to switch to LRs. This researcher argues that, the market acceptability is due to the fact that LRs also stock fair trade products from ATOs.

Also, it can be argued that, males who dominate cluster 1, seem to be difficult to change them from buying fair trade products in supermarkets to buying from ATOs. This may be because they can find products produced by ATOs in the supermarkets: Cafédirect stocked these products in cooperative supermarket chains since 1994, for instance.

Concerning the issue of reaction on the involvement of large retailers in fair trade coffee, cluster 2 is against the own-label by the retailers. This differentiates them from group 1. Cluster 2 is dominated by women, so the findings suggest that women in the UK understand the role played by ATOs and are conservative with the need to see ATOs leading the role on fair trade and not otherwise.

The research indicates that sufficient number of consumers were against LRs own-label for FT coffee. Generally, the idea of own-label was introduced with the aim of competing directly with branded products (Clarke, *et al* 2002). This suggests that consumers in cluster 2 had experience of the LRs and they don't want the same thing to happen to FT scheme. Customers complain about LRs' practices of giving preference to their own label over generic branded goods, and as a result, there was not enough choice on supermarkets' shelves for ATOs products (Smith, 2008).

According to Clarke *et. al* (2002), the major impacts of LR's own-brand is the possibility of the emergence of anti competitive practices. For instance, supermarkets usually force suppliers to reduce their prices, while the costs of production remain high. This is because one is required to send products at the distribution centre.

Practical implications

The knowledge of consumers on fair trade product is higher in the UK. However, the problem is with translating that positive attitude into practice, and that is actually deciding to purchase the products.

The respondents in this study show that, at least a substantial segment of the Newcastle consumer is not impressed with the FLO decision to allow LRs to have their 'own label' for fair trade products. The movements seem to promote negative attitude towards the participation of those companies to the brands. The decision taken by the FLO to allow LRs to use Fairtrade mark on their own brand products by just becoming a licensee brought many changes in the expansion of fair trade sales in Europe and especially the UK (Barrientos and Smith, 2007, Smith, 2008). Scholars of FT suggest that there is a negative impact about this decision towards the label (Sally, 2008; Comfort *et al.*, 2003; Raynolds, 2009; Barrientos and Smith, 2007; Smith, 2007; Comfort *et al.*, 2003; Hilcosx, 2007).

This doesn't however mean the scholars are against ATOs in using conventional market gears. But it's high time for the FLO to change its policy towards the licensee of LRs in selling fair trade products, and the best policy for them is to follow the FT business model, whereby RLs are required establishing a long time partnership and assisting producers from South to reach their set standards. According to Raynolds (2008), giving large retailers the authority to use Fairtrade mark is just positioning them as the 'pressure' group without any responsibility to be taken by them on improving producers' quality. This actually means that all the responsibilities go down to the producers and roasters, and hence, through the chain, the producers are the ones who suffer. This is against the FT business model and in general put the FT in danger of devaluing credibility before the customers who are willing to pay premium price for the FT products.

The expansions of the niche market of the organic FT coffee among the ethical consumers pave the way for the export of more products from developing countries, and the

development of perhaps a more stable market that will be fair because consumers will be ready to boycott products of the company that is found cheating.

The issue of the 'payment of premium price' has influences on the consumers' decision on the purchase of FT products. The roasters have to prove it through corporate social responsibility in the manner in which they contact and pay producers. Otherwise, the 'ethical' consumers will be ready to boycott products.

Further results indicate that consumers are not against the LR to sell fair trade products, which is a good sign in the sense that they will stock those goods that were once sold in the ATOs shops only. But then, the study reveals, customers are influenced by retailers' image and social responsibilities.

The FLO has no control over the final price of the product. This allows for the SM to use that loophole to exploit farmers by charging customers high prices and feed back small portions (The Sunday Times, 2003). According to Hutchens (2010), FLO will continue to offer licences to LR and facilitate the use of own label, as it is the major source of funds.

However, retailers have a duty to convince consumers that they are responsible and ensure that they are handling the fair trade products according to the principle of the business model. But the question is as to why this is the case? A study conducted in Belgium found that customers are not impressed with retailers' information (De Pelsmecker, *et al.*, 2005). It is argued that, in order for the UK LR to convince consumers that they are observing and implementing the fair trade principles, endorsement from the third party is needed and all corporate information must be endorsed by, such as, farmers associations or the well respected NGOs like Oxfam.

Market segmentation

In general, the study indicates that there are two groups of consumers of FT coffee in the UK, which are the organic fair trade coffee and normal fair trade coffee. According to (d'Amico and Zikmund 2002), there are features to consider in a meaningful market segmentation. The major

features are, unique features of the market, significant market size, accessible customers, unique market need and measurable, among others. The market segmentation of FT coffee seems to have all these features.

The UK fair trade products in a market size are expanding at 44 % annually and the sales in 2009 reached £ 700 million. Consumers are more aware of the Fairtrade mark for about 74 % more than in any other country the fair trade product has so far penetrated the markets.

The research highlights the existence of niche markets available to differentiated products carrying ethical and environmental messages. This differentiation is supported by a study by which revealed that consumers are willing to pay more for fair trade coffee by 21.6 % and organic coffee by 16.3 % (Lotade and Loureiro, 2005). But in practice, organic coffee is sold more than FT coffee.

The consumers are segmented as ethical consumers and organic coffee buyers. The finding shows that consumers are interested in organic coffee. This suggests that, within the fair trade coffee, there is a possibility of having a niche market of organic fair trade coffee. Some companies in the UK started to produce fair trade organic coffee that sells in bigger prices than inorganic coffee.

The study provokes the academic argument based on the qualitative and theoretical base of the fair trade principles on the impact of the LR's involvement on fair trade products. Although the study did not manage to show the exact differences which exist in purchasing FT coffee between SS, supermarket and fast food (FF), it has attempted to show that customers are not against the 'mass market' of fair trade product in general. However, some consumers are against the large retailers' use of Fairtrade mark on their own label products. Future research in the study will have to focus on understanding the market performances of ATOs in conventional markets against own brand fair trade product in the supermarkets.

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