

FAIR TRADE MARKETING: AN ALTERNATIVE SYSTEM FOR GLOBALIZATION AND DEVELOPMENT

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Fair trade marketing gives consumers the option of paying higher prices for imported goods so that developing world producers can have a decent standard of living. This article conceptualizes the fair trade movement as a system for globalization and economic development different from that carried out by the conventional marketing of multinational corporations. It investigates the philosophical principles of fair trade and compares them to the ideologies of antiglobalization, marketing management, ethical sourcing, and ethical consumerism. The article also describes the institutional networks of fair trade marketing and explores some implications of this system for producers, consumers, and companies.

INTRODUCTION

Fair trade is “a philosophy that supports the marketing and sale of products at greater than free trade prices” (LeClair 2003). Supporters of fair trade believe that prices – primarily for agricultural commodities, textiles, and handicrafts – must be high enough to assure producers in developing nations a living wage, safe working conditions, and human dignity. Many also contend that the terms of trade have become unfair. That is, the prices paid for developing world commodities, especially coffee, tea and cocoa, are now undervalued in comparison to the manufactured goods imported from industrialized nations. The focus of fair trade is economic development, but bundled with these principles are commitments to gender equity, human rights, and environmental protection. One might describe fair trade as a form of “ethical globalization.”

The fair trade movement can trace its ideological roots back to 1860 and the publication of a novel, *Max Havelaar*, in which the protagonist battles the corrupt colonial government of Dutch Indonesia whose unjust policies toward the coffee trade were impoverishing local farmers. As a practical matter, however, fair trade marketing in Europe did not begin for another century when, in the late 1950s, Oxfam shops in Britain started selling crafts made by Chinese refugees (Bowen 2001). In 1964, Oxfam UK institutionalized this program by founding its “Alternative Trading Organisation.” A fair trade

importing organization called SOS (later renamed SOS Wereldhandel and now known as Fair Trade Organisatie) was established in the Netherlands in 1959 and, two years later, the first Dutch retail store was opened. Additional fair trade shops began to spring up throughout Europe during the 1970s and several industry associations were formed by the 1990s. In 1988, “Max Havelaar” became the first label to certify fair trade coffee, later to be followed by other such seals (see Figure 1a) (Bowen 2001).

The history of fair trade in North America began in 1946 when a Mennonite lay person, Edna Ruth Byler, started selling Puerto Rican embroidery out of her Pennsylvania home. She later added Palestinian needlework and Haitian woodenware to her inventory. In the early 1970s, her “SELF HELP Crafts of the World” became an official program of the Mennonite Central Committee, a church-based relief, service, and peace agency. The project’s current name, Ten Thousand Villages, was adopted in 1996 and has since grown to over 180 stores (Ten Thousand Villages 2006). With the possible exception of Starbucks’s fair trade coffee sales, Ten Thousand Villages appears to be the largest fair trade retailer in North America.

Like other manifestations of globalization, the value of fair trade has grown rapidly in recent years. The Fair Trade Federation (2003) reports sales in the U.S., Canada, Australia, New Zealand, and Japan of \$251 million in 2002, an increase of 44 percent over 2001. Approximately 3260 people were

Figure 1
Fair Trade Labels, Logos, and Brands



a. The Max Havelaar Label



b. Fair Trade Foundation Label



c. TransFair USA Label



d. Netherlands' Fair Trade Organisatie Logo



e. Fair Trade Federation Logo



f. International Fair Trade Association Logos:
old (left) and new (right)

cafédirect®

g. Cafédirect Brand



h. People Tree Brand

employed by fair trade companies in these countries, but of this total, 68 percent were volunteers and of the remainder many were part-time workers. In Britain, fair trade sales were estimated at £92 million in 2003, a 46 percent jump over the previous year (Fair Trade Foundation 2004a). Aggregate retail sales of fair trade products in Europe exceed €260 million and major fair trade organizations employ approximately 1250 people (full time equivalent posts). Food products, mostly coffee, account for 60 percent of the turnover (Jones, Comfort, and Hillier 2004). Despite these promising trends, fair trade overall remains a very small industry, estimated at just .01 percent of all world trade (Bowen 2001; Nicholls and Opal 2005).

Fair trade has been the topic of a growing marketing and management literature, mostly from British and European researchers (see, e.g., Auroi 2003; Langeland 1998; Nicholls 2002; Nicholls and Opal 2005; Strong 1997). In this article, fair trade will be examined as a driver of globalization alternative to that of conventional marketing management. Philosophically, fair trade gives primacy to the needs of the producer, not the consumer, and operationally it is still characterized by networks of relatively small, non-profit organizations, rather than large, profit-making corporations. Moreover, fair trade marketing proposes a model of economic development through linkages between poor country producers and rich nation consumers. International marketing management has a role to play in helping nations develop (Prahalad 2004), but not necessarily through establishing North-South linkages.

This article will 1) examine fair trade principles and their relationship to the ideologies of antiglobalization, managerial and social marketing, ethical sourcing, and ethical consumerism, 2) categorize and analyze fair trade marketing institutions, and 3) explore some implications of the movement for producers, consumers, and companies. What effects, both positive and negative, might fair trade marketing have for developing nation producers? How can consumer recognition of fair trade labels and brands be maintained and expanded? What special challenges and opportunities does fair trade present to commercial corporations? Fair trade should be of interest to marketing theorists because it offers a world view different from the dominant managerial paradigm. Fair trade may not be a panacea for the many challenges inherent in globalization and development, but it does give marketing practitioners a new way to fulfill corporate social responsibility objectives.

In addition to books and journal articles, the research has relied heavily upon the websites of fair trade organizations for information about their activities. The Internet is a pervasive and egalitarian communications medium well-suited to the limited promotional budgets of fair trade and other non-governmental groups (Argenti 2004). Fair trade websites are often rich with text and visual content and, in some cases, appear more forthcoming about organizational objectives and strategies than their big corporate counterparts. Like personal

interviews, or any other data source for that matter, websites are potentially biased and researchers should always be skeptical of their claims. Web pages are also frustratingly evanescent, subject to ongoing additions and deletions, but nevertheless quite accessible and useful when used judiciously.

FAIR TRADE PRINCIPLES: AN IDEOLOGICAL ANALYSIS

Among the many drivers of globalization, such as the emergence of global customers and competitors, improvements in logistics, and advances in information technology, evolving political doctrines typically receive the least attention from marketing writers (see, for example, Johansson 2006, pp. 17-21). Yet, the decisions of governments in China, India, and elsewhere to privatize, deregulate, and diminish trade barriers reflect profound changes in thinking that have had enormous impact. Stated differently, political theory matters! Consequently, this investigation of fair trade marketing begins with an ideological analysis. Table 1 summarizes some of the similarities and differences between the underlying philosophies of fair trade and antiglobalization, marketing management, ethical sourcing, and ethical consumerism. An attempt has been made to interpret and convey the majority or consensus opinion rather than the minority or more extreme arguments.

Fair Trade Principles

Fair trade is based on a distinctive philosophy for which the Fair Trade Federation (2003) offers the following definition:

‘ Fair Trade is a movement promoting trading partnerships based on dialogue, transparency and respect, and that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers . . . Fair Trade organizations are engaged actively in supporting producers, consumer education and campaigning for changes in the rules and practice of conventional international trade (p. 3)’

Table 2 elaborates these ideas by presenting the principles and goals of fair trade as expressed by three different organizations. Common themes include (1) helping disadvantaged producers; (2) promoting gender equity, transparent relationships, and economic and environmental sustainability; (3) reforming conventional international trade relationships; and (4) creating consumer awareness of these issues. Ten Thousand Villages’ statement also adds riders about prompt payment terms and volunteerism. (Earlier versions of the Ten Thousand Villages web page made reference to Christian ethics, but this no longer appears.) The fair trade ethic does not directly address the issue of trade barriers, such as the tariffs, quotas, or health and safety regulations so anathema to free trade advocates, but obviously

TABLE 1
SUMMARY OF IDEOLOGICAL SIMILARITIES AND DIFFERENCES BETWEEN FAIR TRADE, ANTIGLOBALIZATION, MARKETING MANAGEMENT, ETHICAL SOURCING, AND ETHICAL CONSUMERISM

Fair Trade v.	Ideological Similarities	Ideological Differences
Antiglobalization	<ul style="list-style-type: none"> • Both philosophies show great concern for disadvantaged producers, gender equity, and environmental protection. • Both disdain the dominant international trading regime. • Both are infused with idealism and utopianism. 	<ul style="list-style-type: none"> • Fair trade achieves economic development via north-south trading relationships. • Fair trade uses branding and other elements of the marketing mix to achieve its ends. • Fair trade cultivates "positive" consumer demand. • Fair trade partners with large corporations.
Marketing Management	<ul style="list-style-type: none"> • Both philosophies apply managerial principles. • Both emphasize building brands and other elements of the marketing mix. • Both stress creating trust among supply chain members. • Both apply social marketing concepts. 	<ul style="list-style-type: none"> • Fair trade gives priority to producers, not consumers. • Fair trade applies moral criteria to consumer decisions. • Fair trade favors communalism and cooperation over competition. • Fair trade is concerned with market failures.
Ethical Sourcing	<ul style="list-style-type: none"> • Both philosophies assume responsibility for other actors in the supply chain. 	<ul style="list-style-type: none"> • Fair trade maintains price floors for producer products. • Fair trade emphasizes external auditing of supply chains.
Ethical Consumerism	<ul style="list-style-type: none"> • Both philosophies care about the environmental impact of production processes. • Both seek information on how, where, and by whom goods are produced. • Both play up humanitarian ideals and morality. 	<ul style="list-style-type: none"> • Fair trade encourages spending and consumption, rather than voluntary simplicity.

the explicit criticism of existing trade policies raises the possibility of supporters endorsing some protectionist remedies.

Fair Trade v. Antiglobalization

These principles have much in common with the ideology of the antiglobalization movement (Witkowski 2005). Both philosophies profess a concern for worker rights and environmental protection and have disdain for the international trading regime and its supporting institutions such as the WTO. For instance, an International Fair Trade Association website page "Speaking Out for Fair Trade" (IFAT 2006) contains pictures of protesters in Quito, Ecuador, and earlier version had similar images from the WTO Ministerial Conferences in Doha, Qatar (2001) and Cancun, Mexico (2003). Antiglobals and fair traders also share a good measure of idealism, even a touch of utopianism. However, fair trade is more positive and proactive – think of the slogan "trade not aid" – and generally avoids the overly critical and sometimes nihilistic tendencies of some antiglobal extremists. In contrast to the unrelenting antiglobal attacks on brands and other elements of the marketing mix (Johansson 2004; Klein 1999), fair trade proponents acknowledge the usefulness of building product value through certification and consumer education programs. Cultivating "positive" consumer demand, developing recognizable brands, and, when necessary, partnering with corporations are high on the fair trade agenda. Finally, antiglobalism attracts a dark side of right-wing nativists (Buchanan 2002) and religious fanatics who do not

share the humanism and progressive social activism of the fair trade movement or, for that matter, the great majority of antiglobals.

Fair Trade v. Marketing Management

In practice, fair trade applies many of the basic concepts of marketing management, the dominant intellectual approach to marketing today (Shaw and Jones 2005; Wilkie and Moore 2003). The fair trade movement places great emphasis on building trust among supply chain members and fair trade companies have created successful brands that they are managing with a great deal of sophistication and promotional flair. In addition, fair trade programs might be seen as an application of the social marketing concept. In their seminal definition, Kotler and Zaltman (1971) state:

Social marketing is the design, implementation, and control of programs calculated to influence the acceptability of social ideas and involving considerations of product planning, pricing, communication, distribution, and market research . . . It is the explicit use of marketing skills to help translate present social action efforts into more effectively designed and communicated programs that elicit desired audience response (p. 5).

**TABLE 2
PRINCIPLES AND GOALS OF FAIR TRADE**

International Fair Trade Association (IFAT)	Fair Trade Federation	Ten Thousand Villages
<ul style="list-style-type: none"> • Creating opportunities for economically disadvantaged producers. Fair Trade is a strategy for poverty alleviation and sustainable development. • Transparency and accountability. Fair Trade involves transparent management and commercial relations to deal fairly and respectfully with trading partners. • Capacity building. Fair Trade is a means to develop producers' independence. • Payment of a fair price. A fair price in the regional or local context is one that has been agreed through dialogue and participation. • Gender Equity. Fair Trade means that women's work is properly valued and rewarded. • Working conditions. Fair Trade means a safe and healthy working environment for producers. • The environment. Fair Trade actively encourages better environmental practices and the application of responsible methods of production. 	<ul style="list-style-type: none"> • Fair Wages. Producers are paid fairly for their products, which means that workers are paid at least that country's minimum wage. • Cooperative workplaces. Cooperatives and producer associations provide a healthy alternative to large-scale manufacturing and sweatshops conditions. • Consumer educations. Fair Trade Organizations educate consumers about the importance of purchasing fairly traded products which support living wages and healthy working conditions. • Environmental sustainability. Fair Trade Organizations encourage producers to engage in environmentally friendly practices which manage and use local resources sustainably. • Financial and technical support. Small-scale farmers and artisans in the developing world lack access to affordable financing, impeding their profitability. • Respect for cultural identity. Fair Trade Organizations encourage the production and development of products based on producers' cultural traditions adapted for Western markets. • Public accountability. FTF members' finances, management policies, and business practices are open to the public and monitoring by the Fair Trade Federation. 	<ul style="list-style-type: none"> • We honor the value of seeking to bring justice and hope to the poor. • We trade with artisan groups who pay fair wages and demonstrate concern for their members' welfare. • We provide consistent purchases, advances and prompt final payments to artisans. • We increase market share in North America for fairly traded handicrafts. • We market quality products that are crafted by underemployed artisans. • We build sustainable operations using a variety of sales channels, including a network of stores with a common identity. • We choose handicrafts that reflect and reinforce rich cultural traditions, that are environmentally sensitive and which appeal to North American consumers. • We encourage North American customers to learn about fair trade and to appreciate artisans' cultural heritage and life circumstances with joy and respect. • We use resources carefully and value volunteers who work in our North American operations.

Sources: IFAT (2006), Fair Trade Federation (2006), and Ten Thousand Villages (2006)

Fair trade clearly meets these criteria. As will be discussed in the next section, producer organizations give marketing advice to their members, while industry associations promote the ideals of fair trade to consumers and corporations.

Nevertheless, important differences separate these two approaches to marketing. Marketing management, at least in its textbooks, places first priority on consumer sovereignty and satisfaction, rather than on the needs of disadvantaged producers. Managerial doctrine generally does not make moral judgments about consumer preferences, nor make explicit the network of labor that links developing nation producers to rich world consumers. Marketing theory assumes individualism, private ownership, and competition, whereas the fair trade movement has a decidedly communal bent that emphasizes

cooperation. Marketing is naturally sympathetic to the creation of markets for organizing society, whereas fair trade focuses on instances of market failure – how isolated farmers lack access to transportation, price and quality information, futures and options contracts, and formal credit systems – and their societal impacts. With its deep roots in neo-classical economics, marketing thought is perhaps more compatible with liberal ideals of free trade than are most fair trade supporters (Witkowski 2005).

On the other hand, the rhetoric of fair trade may sometimes overstate these differences. For example, the Fair Trade Federation (2006) webpage listing member wholesale organizations contains the following passage:

High-Quality Products, Reasonable Prices, and Great Customer Service. These fair trade wholesalers offer a range of unique products, including colorful clothing, gourmet coffee, pottery, and much more! Fairly traded products will not cost you more because Fair Trade Organizations bypass exploitative middlemen and work directly with producers. You give your customers added value because their dollars will not support sweatshops.

Because they have better market information and, in some cases, form buying cartels, middlemen may take advantage of isolated, rural producers who have few other options (Nicholls and Opal 2005). However, middlemen have long been accused of being exploitative – not to mention predatory and parasitic – perhaps in part because they often have come from ethnic minorities (Chua 2004; Dholakia and Dholakia 1984; Kaynak 1986). Moreover, basic marketing functions, such as assembling, sorting, storing, and reshipping, must be performed somewhere along the supply chain. Exactly how these fair trade wholesalers can afford to pay more to their suppliers and yet offer similar services and prices to retailers is not explained. Perhaps a heavy reliance on volunteer labor reduces the inherent costs of fair trade wholesaling.

Fair Trade v. Ethical Sourcing

Fair trade marketing is related to the concept of “ethical sourcing,” also known as “ethical trading.” Here, “a company at one part of the supply chain (typically a brand owner, retailer or other Western company with a public profile) takes responsibility for the social and/or environmental performance at other stages of the chain, especially for that of primary producers” (Blowfield 2003, p. 16). For example, Canada’s largest retailer, Hudson’s Bay Company, has established a Code of Vendor Conduct for its private brand suppliers. The Code bans forced and child labor, as well as harassment or abuse, and maintains standards for health and safety, wages and benefits, and hours of work (Hudson’s Bay Company 2006). In contrast to fair trade principles, however, this code avoids addressing the prices paid to producers. Blowfield (2003) contends that this omission is both typical of corporate codes and very shortsighted. Prices that are too low may encourage behaviors, such as the exploitation of labor or poor environmental management, that ethical sourcing purportedly seeks to prevent. Questions can also be raised about corporate monitoring and control since these tasks are fulfilled internally and not by an external audit (Auroi 2003). Ethical sourcing has been added to the policy arsenal of corporate social responsibility advocates (*The Economist* 2005).

Fair Trade v. Ethical Consumerism

Ethical consumerism is a philosophy wherein moral criteria are applied to buyer behavior (Shaw and Newholm 2002). Concerned about the environmental impact and animal welfare consequences of their decisions, ethical consumers avoid

excessive packaging and waste, genetically modified foods, industrialized agriculture, and animal testing. They want to know more about how, where, and by whom the goods they consume are produced (Nicholls and Opal 2005). They reject rampant consumerism and, instead, adopt a lifestyle characterized by varying degrees of “voluntary simplicity” or self-imposed limits on spending for goods and services (Etzioni 1998). The humanitarian ideals of fair trade mesh well with the world view of ethical consumers (Nicholls 2002). However, fair trade is not about frugality so much as making consumption choices that benefit the disadvantaged. Thus, ethical consumers who too severely cut back on their expenditures will not be in a position to help fair trade producers who depend upon them as customers.

FAIR TRADE INSTITUTIONS

Fair trade can be thought of as a complicated network of relationships, usually among numerous small to medium-sized organizations with overlapping agendas, memberships, and leadership. For purposes of analysis, this section breaks the system into four major components: fair trade supply chains, labeling initiatives, brands, and umbrella associations.

Fair Trade Supply Chains

Operating within developing nations are producer organizations that may be village or community groups or cooperatives offering social and marketing services to their members. In Ghana, for example, Kuapa Kokoo – a Twi phrase translated as the “Good Cocoa Farmers’ Company” – first organized in 1993 to sell on the Government Cocoa Buying Board. It grew into a national cooperative that stresses social, economic, and political empowerment, the participation of women and environmentally sustainable production processes. Kuapa Kokoo provides services via a farmer’s union, a farmer’s trust, and a credit union. In 1998, it partnered with Twin Trading and The Body Shop from the U.K. to form the Day Chocolate Company to market Divine chocolates and Dubble chocolate bars (Divine Chocolate 2006). It also supplies European chocolate companies and The Body Shop, which uses cocoa butter in its “Africa Spa” product line. As a large-scale, very enterprising organization, Kuapa Kokoo probably offers more benefits to its members than do most producer cooperatives.

A second level in the supply chain consists of fair trade importers and wholesalers that source from fair trade producer organizations. The Fair Trade Federation (2002) alone lists 131 different wholesalers, most of which specialize in handicrafts, textiles, and fashion accessories. Many also sell at retail and some may be the export arms of producer groups. Supply chains for agricultural products typically include additional stages, such as the factories that roast coffee beans for importers (Auroi 2003). Because bananas need to get to market quickly, the industry is more vertically integrated than coffee, which can be stored for up to a year between milling and roasting (Nicholls and Opal 2005).

Although fair trade retailers can be found in developing countries including Argentina, Bangladesh, Guatemala, Mexico, Nepal, and Pakistan, most operate in the affluent world. They buy directly from producer organizations or indirectly via importers and wholesalers and then market through bricks and mortar stores, catalogs, online, and even direct selling. Some sellers, like Ten Thousand Villages, are primarily dedicated to fair trade, whereas others, such as San Francisco's Global Exchange, see political, social, and economic rights as their primary mission with fair trade programs further down the agenda (Global Exchange 2006). The great majority of these retailers are small, independently-owned shops, but large supermarket chains also sell branded fair trade coffees, teas, cocoa, and chocolates, and some department stores carry fair trade clothing and house wares. Most of these corporate retailers appear to be in the U.K.; only a few are in the U.S.

Leclair (2003) surveyed 30 "major" alternative trade organizations in Europe, India, and Africa. The twelve groups that responded said they had been in existence from four to 42 years, employed from less than 10 to over 100 people, and generated revenues from about \$100,000 to \$200 million. Their products were usually not certified (see below) as meeting fair trade standards. Instead, consumers depended upon the organization's reputation as a guarantee (Jones, Comfort, and Hillier 2004).

Labeling Initiatives

Labeling initiatives certify that supply chains, generally for agricultural commodities rather than highly differentiated handicrafts, conform to fair trade principles. Their goal is to place food products within the distribution channels of mainstream companies, thereby reaching a wider group of consumers (Jones, Comfort, and Hillier 2004). Licensing fees paid by the companies are used to finance the labeling efforts, which include regular inspections of producers and audits of supply chain intermediaries. Eighteen different national initiatives exist in Europe, North America, and Japan. Examples include Max Havelaar groups in Belgium, Denmark, France, and the Netherlands and national TransFairs in Canada, the U.S., Japan, Australia, and Germany (see Figure 1c). The London-based Fair Trade Foundation was established in 1994. It now lends its logo to over 250 products; sponsors a Fair trade fortnight every year in March; and has declared 68 UK towns as "Fairtrade towns." At one time at least seven different certification marks had been in use, but in the Fall of 2002 14 out of 18 initiatives agreed to adopt a universal label (see Figure 1b). The U.S. remains one of the holdouts (Stecklow and White 2004b).

Two rival certification labels threaten the initiatives described above. In Europe the Ahold supermarket chain created the Utz Kapeh label in 1997 for its store brand coffees and, in the U.S., the non-profit Rainforest Alliance has been working with Kraft and Chiquita. These programs stress standards for

environmental stewardship, working conditions, and minimum wages, but do not set minimum producer price requirements. Thus, they allow companies to allay the concerns of ethical consumers at a lower price (Nicholls and Opal 2005).

Fair Trade Brands

The biggest selling fair trade branded product in Britain and perhaps the world is Cafédirect (see Figure 1g). Begun in 1991 by four alternative trade organizations – Oxfam, Traidcraft, Equal Exchange, and Twin Trading – Cafédirect purchases from 33 producer organizations in eleven countries. It sells coffee (roast, ground, and freeze-dried), tea, and cocoa coffee in "ethical stores" such as Oxfam shops and through large chains such as Tesco, Sainsbury's, Safeway, and Asda. It also sells to the out-of-home market including cafés, restaurants, leisure sites, hotels, workplaces, and educational establishments. Cafédirect provides many different services to its producers and returns part of its gross profit (8% in 2003) to them (Cafédirect 2006). The success of Cafédirect prompted the Co-operative, a British supermarket chain, to convert some of its store brands to fair trade, while rivals Sainsbury's and Tesco launched their own fair trade lines in 2004 (*Marketing Week* 2004; Nicholls and Opal 2005).

A relatively new fair trade brand is People Tree (see Figure 1h), which sells "fair trade ecology fashion" goods in Britain and Japan. Founded in 2001, People Tree partners with 70 producer groups in 20 countries across Asia, Africa, and Latin America (People Tree 2006). Most of its nearly £1 million in annual sales is generated by a catalog distributed to 60,000 customers, with additional sales coming from its website and a small network of independent fair trade retailers (Murphy 2004). In 2004, the company signed a distribution deal with Selfridges, a venerable London-based department store chain.

Umbrella Associations

Within a short period of time, the fair trade movement has spawned a number of different umbrella or industry associations. For example, the International Fair Trade Association (see Figure 1f), founded in 1989 and now headquartered in the Netherlands, represents over 270 fair trade organizations in 60 countries, nearly two-thirds of which are in the South (IFAT 2006). IFAT builds the market for and speaks out on behalf of fair trade. It keeps in regular contact with members, encourages monitoring and standard-meeting, and holds biennial conferences. Similarly, the Fair Trade Federation (see Figure 1e), based in Washington, D.C. since 1994, serves the interests of approximately 145 member organizations. Some fair trade organizations, like Ten Thousand Villages, belong to both groups. The European Fair Trade Association, established in 1990, represents just eleven organizations in nine countries. It facilitates member networking and information exchange and lobbies EU bureaucrats in Brussels (EFTA 2006). NEWS, the Network of European World Shops now located in Mainz, Germany, represents 15 world shop associations in 13 European

countries, which, in turn, speak for about 2500 shops and 100,000 volunteers. Begun in 1994, it emphasizes marketing and management and how shops can attain "best practices" (NEWS 2006). Finally, fair trade labeling initiatives have their own association, Fair Trade Labeling Organizations International. Established in Bonn in 1997, FLO represents 19 national and regional labeling initiatives (FLO 2006). It has trademarked the term "fair trade" in about 44 countries and has convinced several companies to stop using the term on non-certified goods (Stecklow and White 2004).

Despite their impressive titles and often extensive websites, these groups appear to be relatively small operations that depend upon interns and volunteers. NEWS, for example, only had income of €34,203 in 2003. The European associations – FLO, IFAT, NEWS, and EFTA – collaborate on a "FINE" initiative to set common fair trade policies and strategies, and maintain links with counterparts in Asia and the Americas.

IMPLICATIONS OF FAIR TRADE

For Producers

The websites of fair trade organizations like to feature their success stories in a variety of locations around the world. However, the efficacy of fair trade has not been adequately tested (Blowfield 2003). Impact studies mostly consist of case analyses based upon qualitative interviews and participant observations. They typically overlook the effects of fair trade on plantation workers and fail to make comparisons with similar producers lacking access to fair trade marketing (Nicholls and Opal 2005). One exception is Auroi (2003) whose field experience in Costa Rica, Peru, and Venezuela indicated that producers linked to the fair-trade movement not only had a decent living and expressed a high degree of satisfaction, but did better than the average for their local regions.

We do know that social marketing programs for family planning, recycling, and microcredit lending in developing nations have met with some success, but also with nagging doubts about appropriate target selection and incentive design (Dholakia 1984; Dholakia and Dholakia 2001). Thus, similar misgivings can be raised with regard to fair trade. Fair trade websites indicate that hundreds of thousands of producers are involved in these programs, but one might ask if some producers and groups been favored over others. Further, although fair trade may relieve some of the symptoms of rural poverty, it may not do much to change underlying causes such as unjust social conditions. Finally, it has yet to be shown that fair trade fosters development any more quickly than does conventional international marketing.

As Brenkert (2002) points out, ethical dilemmas confront social marketing programs. Despite the very best intentions, fair trade might lead to instances of paternalism and asymmetric moral relationships with producers and, in the

worst case, actually perpetuate unjust systems. Selling handicrafts may degenerate into quite one-sided relationships where rich world consumers inadvertently impose through their purchasing power a form of cultural imperialism on their hosts. In her analysis of Cafédirect newspaper advertising, Wright (2004) argues that the lives of producers and their exotic locales are being consumed as much as is their coffee: "My reading is that the campaign may encourage respect for difference, in the name of fairness or through invoking common human concerns, but it simultaneously invites a consumption of differences confirming the 'superiority' of the minority world consumer" (p. 678). Moreover, fair trade marketing might undermine local cultures just as much as allegedly does commercially-driven globalization. Empowering women through fair trade programs may be a desirable outcome, but as with educational, family planning, and microcredit initiatives, it may also be culturally disruptive (Dholakia and Dholakia 2001).

For Consumers

Consumer support for the general idea of helping developing nation's producers is much higher than specific knowledge of fair trade products and brands (Nicholls 2002). The Fair Trade Foundation began tracking awareness of its logo in 1999 when only 11 percent of the British population recognized it. By 2004, recognition had jumped to 39 percent. Recognition of the mark is highest for women (42 percent compared to 35 percent of men), for people in the 45-54 age bracket, and for higher social classes. When shown the symbol, 42 percent knew that it meant a better deal for third world producers (MORI 2004). Danish research in 1997 found that 34 percent of those surveyed knew about the Max Havelaar label (Langeland 1998). Awareness increased with education, decreased with age, and was unrelated to income level. Among employment groups, students and people out of work tended to be better acquainted with fair trade concepts.

In February, 2004, and again in February, 2005, a market research company, TNS Emnid, studied consumer response to a national German campaign "Fair Feels Good." This campaign, co-sponsored by der Verbraucher (the consumer) Initiative e.V., the German Transfair and World Shop organizations, and the Federal Ministry for Economic Cooperation and Development, featured a variety of events and endorsements from German television and sports personalities. The 2005 survey findings (2004 in parentheses) were as follows: 2.6% (2.9%) bought fair trade products regularly; 23.2% (19%) bought occasionally; 6.1% (6%) bought rarely; 36.6% (35.9%) did not buy but supported the idea; 18.9% (22.2%) neither bought nor supported the idea; and 12.7% (14.1%) did not know. The combined growth in those who bought regularly and those who bought occasionally was small in percentage terms, but still amounted to 2.5 million people spending an estimated additional €25 million annually. Women bought more than men who were generally less enthusiastic and less certain in their attitudes. Household income and education level also predicted fair trade purchasing. People with college

degrees were twice as likely to buy as those without (Fair Feels Good 2006).

Expanding consumer recognition and purchasing of individual brands is another matter. Budgets are generally quite limited and fair trade marketers have had to rely on publicity derived from articles in newspapers' weekend magazines, promotional tours and events, or guerilla marketing tactics such as the office comedy shows put on by Cafédirect in 2003. For more conventional advertising, the choice of appeals – essentially whether to sell the ethics or sell the brand – remains problematic (Langeland 1998). For example, Cafédirect has used over a ten year period a range of copy platforms including social justice, producer stories, exotic locales, organic/sustainable farming, and quality positioning (Cafédirect 2006). According to Wright (2004), the ethical dimension of fair trade makes for a less successful persuasive approach than does flattering consumers by confirming their superior taste.

The involvement of multinational corporations, especially the introduction of private lines of fair trade brands such as those by Tesco, Britain's largest supermarket chain, increases the risk that fair trade might become perceived by suspicious ethical consumers as just so much ethical posturing (Argenti 2004). The kind of consumers likely to be attracted to the fair trade message have become very wary of global marketing and its "in your face" gimmicks (Johansson 2004). In the worst case, corporate-sponsored fair trade might encourage mistrust of the legitimacy of all fair trade labels (*Marketing Week* 2004). Another potential problem might be termed "ethical clutter." As companies trumpet their various corporate social responsibility activities (*The Economist* 2005), consumers might lose sight of fair trade within a welter of other programs, such as charitable donations and recycling initiatives.

For Companies

For large companies, such as supermarkets or department stores, carrying fair trade products pose strategic challenges (Nicholls 2002; Strong 1997). The supply chain, for example, may not always be adequately reliable because of poor transportation and distribution arrangements in remote rural locations. When executives at Starbucks first contemplated introducing fair trade coffee, they had reservations about the consistency of the quality of these beans. The company wanted to meet its standards for social responsibility, but not at the expense of its reputation for product quality (Argenti 2004). Keeping up with fashion trends also may be difficult because fair trade stresses longer-term commitments to producers, whose items cannot be dropped just because they are no longer "in" (Murphy 2004). Selling fair trade brands at a premium may limit sales volume among price conscious shoppers, and thus be a salient issue for retailers that stress everyday low prices (Jones, Comfort, and Hillier 2004). On the other hand, Stecklow and White (2004a) provide evidence that some retailers, including the British supermarket chains Sainsbury,

Tesco, and Waitrose, as well as the U.S. Borders Group, have taken advantage of fair trade labels through excessively high pricing of coffee and bananas.

Given the limited shelf space and small contribution to overall sales, it is not surprising that large firms are reluctant to commit many resources to fair trade items. Supermarkets in the U.K. are said to give limited visibility to the fair trade brands they sell (Jones, Comfort, and Hillier 2004). Starbucks started fair trading in 2000 when the company signed a licensing agreement with TransFair USA. The company claims to have more than doubled its purchases of fair trade coffee between 2003 and 2004, but this still amounts to less than two percent of corporate sales (Starbucks Coffee 2006). In several U.S. stores visited by this writer, Starbucks did not feature any fair trade coffee, either brewing or packaged for take home sales. Only the flyers touting Starbucks' corporate social responsibility mentioned fair trade.

Although the Cafédirect brand has achieved a respectable market share in the U.K., its fine blend of line extensions, creative promotions, and corporate partnerships has been lacking in other rich countries. In the huge U.S. market, fair trade brands, such as Grounds for Change, a Washington state coffee roaster, seem content to sell primarily online or through niche retailers rather than via large corporations. Why has fair trade marketing in the U.S. been relatively limited? In part, it may be less compatible with the American creed of stockholder, profit-oriented capitalism than with the stakeholder model more prevalent in Europe. But companies also respond to consumer demand. Although quantitative data are lacking, most varieties of ethical consumerism seem more widespread in Western Europe than in the U.S. (Etzioni 1998). Europeans put less stress on producing and consuming typical goods and services in order to have more time for leisure, educational, and cultural activities and are more willing to accept limits on their consumer sovereignty for the sake of the larger community (Brownstein 2003). Historically, preaching to American consumers has rarely been successful (Witkowski 2003).

Thus, fair trade in the U.S. faces greater political and cultural impediments than in Europe. However, the U.S. has a long tradition of private giving and its people love to express their political and religious sentiments through shopping, whether for patriotic symbols (flags) or Christian-themed merchandise. An opportunity may await fair trade entrepreneurs willing to give them another excuse for spending, this time with a component of charitable giving. Nicholls and Opal (2005) estimate that worldwide fair trade sales would increase twenty-fold if Americans purchased at the same rate as some of their European counterparts.

CONCLUSIONS

Fair trade marketing is a high-minded endeavor. Rather than just satisfying customer needs at a profit, it aims to help the world's most disadvantaged producers while maintaining

rigorous ethical standards and enforcing them through regular audits. It has accomplished a great deal on shoestring budgets and unpaid help. It is, in the words of Nicholls and Opal (2005, p. 255), a "benign manifestation of globalization." Yet, if this alternative marketing system is to sustain itself and grow further, it must overcome philosophical and operational contradictions. Whereas many of its supporters are critical of standard marketing practices, if fair trade is to benefit more producers it will need to create stronger brands and manage them professionally. Fair trade distribution systems are also at a cross roads. Gaining greater sales requires partnerships with large corporations. Yet, fair trade was created as an alternative to conventional marketing by independent non-profit organizations selling in small shops. These activists might become disaffected by creeping commercialization (Argenti 2004). Finally, the fair trade movement must re-examine its governance. Relying on grants for at least part of their funding and volunteers for much of their labor, alternative trade organizations have avoided conventional financial discipline. Although coordination across organizations has improved in some areas, such as labeling, much more remains to be done to attain the full potential and competitive advantage of these networks.

For marketing academics, opportunities abound for further research on fair trade. Above all, a great need exists for more sophisticated impact studies making use of new measurement models such as the triple bottom line, social accounting, balanced scorecard, family of measures, and social return on investment (Nicholls and Opal 2005; Sawhill and Williamson 2001; Zadek 1998). Among many measurement priorities should be assessments of how fair trade affects disadvantaged consumers. If, for example, additional income is squandered on alcohol, tobacco, or gambling at the expense of health and education consumption, fair trade may contribute little to the overriding goal of sustainable human development. Fair trade also deserves much more attention from U.S.-based marketing scholars. Since the movement has been rather anemic in America, the relative lack of interest among researchers is understandable. Still, much more needs to be known about why American consumers and companies seem so much less interested in fair trade than are Europeans and how this situation might be ameliorated.

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