

Do Preferences for Fair Trade Rely on Ethical Arguments or Logos?

***Roman Maciej Konopka**, Massey University, Email: r.konopka@massey.ac.nz

Professor Malcolm Wright, Massey University, Email: m.j.wright@massey.ac.nz

Dr Mark Avis, Massey University, Email: m.avis@massey.ac.nz

Pam Feetham, Massey University, Email: p.m.feetham@massey.ac.nz

Abstract

This paper investigates the effect of ethical labelling on consumer choice in the context of fair trade. Previous studies have shown that the Fairtrade logo has a positive effect on brand choice. However, it is uncertain whether this effect is due to attention to an ethical claim or due to the Fairtrade brand. Understanding which of these two aspects are the main drivers in consumers' decision making can help marketers to design marketing communications and packaging strategies. This paper reports a conjoint experiment that compares the effect of the Fairtrade logo with a hypothetical comparator logo that is matched on contrast, size, number of colours and ethical context. The effect of the Fairtrade logo was much larger than for the comparator logo demonstrating that fair trade effects are not solely due to mere attention or ethical appeal.

Keywords: Fairtrade, consumer choice, conjoint analysis, ethical labelling

Track: Buyer Behaviour

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1.0 Introduction

Fair trade is broadly defined as an alternative approach to trading partnerships aimed at sustainable development of disadvantaged producers in developing countries, and as an ethical movement has attracted much attention. Over the past 15 years the sales of fair trade products – particularly those bearing the Fair Trade Labelling Organizations International (FLO) certification mark – have grown exponentially (Nicholls, 2010). Current figures show that in 2013, shoppers spent €5.5 billion on fair trade products worldwide – a 15% growth in comparison to 2012 with the UK as the market leader (Fairtrade International, 2014). Fair trade has penetrated UK supermarket chains' own label categories, illustrating how widely the label has infiltrated main stream retailing (Nicholls & Opal, 2005).

The effect of the Fairtrade logo on consumer choice has been widely studied. A considerable number of studies confirm that the Fairtrade logo has a positive impact on consumer choice and on willingness to pay a premium for goods certified as Fairtrade (De Pelsmacker, Driesen, & Rayp, 2005; Elliott & Freeman, 2003; Hainmueller, Hiscox, & Sequeira, 2011; Hira & Ferrie, 2006). Examples of using ethical labelling as means to 'green wash' or to charge higher prices (Low & Davenport, 2005, Wade, 2013) do not seem to significantly affect the higher consumer preference for fair trade products in comparison to non-fair trade products.

A previous study by Konopka, Wright, and Feetham (2013) investigated the sources of Fairtrade effects by examining whether the preference for Fairtrade labelled products is simply caused by the salience of this logo as an element of packaging. Results confirmed that consumers choose Fairtrade certified products not only because it helps a product stand out on the supermarket shelf. Findings from this study revealed that consumers had significantly higher preferences for the Fairtrade logo in comparison to a matched logo that did not carry any ethical claim, but simply said 'New Pack!'. However, because the non-Fairtrade logo did not convey any ethical claim, this study was unable to determine whether preferences for fair trade rely on ethical arguments or logos.

Konopka et al's. (2013) study also examined the effect of altruism on consumer fair trade choices and found no relationship between consumers' preferences for the Fairtrade logo and their altruism. This surprising finding implies that consumer preference for fair trade products may be largely affected by other aspects than the ethical claim that is carried by the Fairtrade logo. Hence, consumers may not necessarily process ethical arguments when engaging in purchasing fair trade products.

Other findings report contrary to Konopka et al. (2013). Brecard, Lucas, Pichot, and Salladarre (2012) found that consumers choose ethically labelled products according to their ethical and social values. Similarly, De Pelsmacker, Driesen, et al. (2005) and Doran (2009) concluded that personal values might have influence on consumers' fair trade choices. If this is the case, consumers are likely to engage in ethical purchasing due to their consideration of the fair trade claim. Given these contradictory findings, the sources of the Fairtrade effect remain unclear.

Fairtrade is the most widely recognised ethical brand globally (Byrne, 2011). A survey carried out by Globescan¹ reported that nearly six out of 10 consumers (57%) have

¹ Globescan survey carried out in 2011 on 17,000 consumers across 24 countries

seen the Fairtrade certification (Globescan 2011). This suggests that preference for the Fairtrade logo may be an effect of mere exposure, meaning that exposing participants to a familiar stimulus leads them to rate it more positively than other stimuli, which were not previously presented (Zajonc, 1968; 1980). Therefore, preference for fair trade products may be predominantly caused by the familiarity with the Fairtrade logo rather than the fair trade argument.

Additionally, consumers' experience with and knowledge about fair trade is likely to impact on consumers' preferences for the Fairtrade logo. Tversky and Kahneman (1973) and Kahneman (2011) found that availability bias affects the mode of information processing and when people have extensive knowledge or expertise about a subject, they are likely to use intuitive and automatic information processing in their judgements. Therefore, when engaging in ethical purchasing, knowledgeable consumers are likely to rely on the Fairtrade logo rather than the fair trade argument that is represented by the logo.

Given the growing presence of Fairtrade certified products, the positive effect of the Fairtrade logo on consumer choice and the unknown sources of this positive effect, the objective of this research was to examine whether preferences for fair trade rely on ethical arguments or logos.

2.0 Methodology

To address the research objective, this study utilised ranking-based conjoint analysis for 200g packs of coffee. This research manipulated a small number of variables and the ranking task can be completed in full by each respondent. Individual conjoint models and part worth utilities can be calculated for each research participant. This is unusual in marketing as blocked designs usually require individual responses to be aggregated into a single model with concomitant risk of aggregation bias.

Conjoint analysis was chosen as the methodology as it is considered to be less susceptible to several research biases than rating scales, for example ameliorating social desirability and acquiescence response biases, and is therefore more likely to generate valid results (Cohen & Neira, 2003). Additionally, results based on conjoint analysis are believed to provide better means to predict or forecast consumer behaviour (Green & Srinivasan, 1990), and this is indicative of greater ecological validity (Brunswik, 1955).

As the majority of consumers evaluate product attributes jointly when making purchase decisions (De Pelsmacker, Driesen, et al., 2005; De Pelsmacker, Janssens, Sterckx, & Mielants, 2005), participants of this research evaluated cards portraying coffee packs with different levels of brand, price and logo attributes. While brand attribute comprised four levels, Scarborough Fair, Macro, Caffè L'affare and Robert Harris, price and logo had three levels each. The price levels were \$6.99, \$7.99, \$8.59, and the levels for logo were the Fairtrade logo, hypothetical Exchange Ethics logo and no logo option. Figure 1 presents examples of the conjoint cards used.

Figure 1: Examples of the Conjoint Cards Used



Brand and logo were treated as categorical variables while price was estimated using a linear model. The total number of combinations equalled 36 (4x3x3). To reduce respondents fatigue related to the ranking task, this research applied a fractional factorial design that generated 16 profiles. Respondents ranked these profiles in the order from the most preferable option to the least preferable option. A convenience sample of 50 participants was randomly recruited through a mall intercept. Data was collected in the city centre of Palmerston North (a centre that serves both urban and surrounding rural communities), New Zealand in July 2014. The sample comprised mixed ages, and gender was split 54% females and 46% males.

The Exchange Ethics logo was purposely designed for this study to examine the impact of ethical argument on consumer choice. It is matched on contrast, size, number of colours and ethical context. However, it is sufficiently different from the Fairtrade logo to ensure that respondents do not confuse both logos. Figure 2 portrays both the Exchange Ethics and Fairtrade logos.

Figure 2: Examples of the Logo Used



For each respondent the incremental impact of fair trade is the difference in utility between the Fairtrade logo and the Exchange Ethics logo. Should the findings reveal a positive difference between the Fairtrade logo and the Exchange Ethics logo then it would indicate that a respondent is likely to choose fair trade products due to the Fairtrade logo as a heuristic rather than consideration of the ethical argument.

3.0 Results

The aggregate results of all respondents included in a single model are presented below. Table 1 shows mean utilities of each attribute level together with standard errors. Brand and Price are included in the model to minimize the errors associated with estimating the logo effects. They are not discussed further; other than to note that Brand appeared to have the highest relative importance for the total sample (52), followed by Price (25) and Logo (23). These findings are in line with the results of other research (De Pelsmacker, Driesen, et al., 2005; De Pelsmacker, Janssens, et al., 2005), which concluded that in the coffee category, brand was the most important attribute influencing purchasing decisions out of a set of attributes including ethical labels.

Table 1 – Aggregate Model Results

		Utility Estimate	Standard Error
Brand	Caffe L'affare	.32	.10
	Scarborough Fair	-1.03	.10
	Robert Harris	.63	.10
	Macro	.09	.10
Logo	Fairtrade	1.07	.08
	Exchange Ethics	-.14	.09
	No logo	-.93	.09
Price (\$)	6.99	-12.93	.57
	7.99	-14.78	.66
	8.59	-15.89	.70

The aggregate results show that the Fairtrade logo has a strong effect on consumer choice as its incremental utility over the Exchange Ethics logo is 1.21. This suggests that the Fairtrade logo leads to a greater consumer preference in comparison to another logo presenting similar ethical arguments. In other words, consumer choice is more likely to be driven by the Fairtrade logo rather than a similar ethical claim conveyed by another logo.

Results at the individual level provide further insight into consumer preferences. Significant variation in responses occurred and varied from -6.75 to 8.25 with standard deviation of 2.78. Worth noting is that out of 50 respondents, 13 preferred the Exchange Ethics logo over the Fairtrade logo. The source of this higher preference for the Exchange Ethics logo is unclear and it could be a matter of future investigation.

4.0 Conclusions, Limitations and Research Contribution

Although only a preliminary study, this research shows that much of the utility of fair trade may rest in the logo itself rather than in the use of an ethical claim. The implication is that consumers appear to be using the Fairtrade logo as a heuristic, rather than engaging in deliberative thinking about the underlying ethical claims that the logo represents. To separate the effect of the fair trade ethical message from the effect of the Fairtrade logo, research (in progress) uses stimuli where the pictorial Fairtrade and Exchange Ethics logos are replaced by their semantic (text-based) counterparts. This research compares the difference between the pictorial Fairtrade and Exchange Ethics logos and the difference between the semantic Fairtrade and Exchange Ethics logos. This comparison will further allow examining whether consumers' preferences for fair trade certified products rely on fair trade arguments or the Fairtrade logo.

The importance of the fair trade attribute may depend on the nature of the product (Pharr, 2011). In the coffee category, the fair trade attribute is likely to carry a greater weight than in non-FMCG categories. Therefore, future studies could examine the significance of the fair trade attribute in purchasing, for example clothing. Also, while evaluating cards in the ranking exercise, respondents were likely to be influenced by confounding factors, such as additional information on the package of coffee. For example, the 'Coffee Beans' or 'DARK ROAST' wording could have an impact on consumer choice. The salient 'FAIRTRADE' word on the Robert Harris branded pack of coffee may have also influenced respondents to choose Robert Harris fair trade coffee over other options. Finally, future research could investigate whether this result is robust to the presentation of the Fairtrade name without the inclusion of the logos.

The research findings contribute to the literature by providing insights into how consumers process ethical labels, in particular providing a tentative conclusion that consumers are not processing the ethical claims but are instead using the logo as a heuristic device for determination of preference. Further, the findings also contribute to branding theory by highlighting that co-branding with an ethical label provides an increased preference for the product, regardless of whether the ethical label actually has any genuine 'substance'. With regards to marketing practice, this research is likely to aid marketers and decision makers in their marketing communications strategies, for example in the development of packaging design.

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