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Ethical consumption: fair trade in Portugal

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Abstract

Consumers are the key to change on marketing practices. New consumers demand new approaches. In spite of this, little attention has been given to the understanding and analysis of ethics of the consumers, or the role ethics play on consumer behaviour (Carrigan and Attalla, 2001).

At the same time, even within the group of consumers, who tend to have a more positive attitude towards social responsibility practices, only a small percentage actually buys ethical products, or products traded on the basis of ethical values. According to some studies (Carrigan and Attalla, 2001; Boulstridge e Carrigan, 2000) these consumers tend to be willing to pay a higher price for products which were produced and traded according to some ethical values, but these values are not the main reason for them to buy the products.

Ethical motives for consumption are particularly present in fair trade. The increasing interest of the public opinion on the conditions under which products are made and traded, highlighted by some journalists, known as opinion makers (Klein, 2000; Werner and Weiss, 2003) has led to the creation of this movement and its institutionalisation. Since its beginning, the fair trade has increased in impressive numbers (Rice, 2001). Since 2000, the annual average growth has been 20% (Krier, 2005).

Fair trade is an alternative to traditional international trade. It has a focus on the development of partnership relationships between producers from poor countries from the South and consumers from rich countries from the North. These partnerships are intended to be long-term. Its aim is to help to reduce poverty from producers who most of the times are excluded from the international trade, or exploited by some companies from the traditional trade. It promotes access in fair conditions to producers from Africa, Asia and South America (IFTA – International Fair Trade Association, 2008, 2001).

Bearing in mind the constant growth of ethical consumption in Europe, it seems interesting to find out the more important reasons of buying for the consumers of “Shops of the World”, shops that sell only fair trade products.

In Portugal, in 2009, fair trade had seven shops located mainly in the North Region.

Two of these shops (one in Porto, and the other in Lisbon) had to shut down, because of the decreasing turnover. Nevertheless, until then, the fair trade commerce had risen annually on average 20% and is still rising in the other shops.

We intend to conduct an exploratory research in four of these fair trade shops (two in Porto, one in Braga and the very first one to open in Amarante), all located in the North Region of Portugal, to find out main reasons of buying. All these shops have as a main partner the Italian distributor Altro mercato, the second biggest European distributor of fair trade products.

Here, we present the results of the interviews carried out in just two of the four shops. Our aim is to gather the data of at least 200 interviewees (50 from each shop). Though they are preliminary results, the triangulation of different sources of information makes them interesting to look at.

Customers were interviewed after buying some products. These interviews were carried between February and September 2009.

The findings point out that the majority of customers buy the products because of their quality in the first place and secondly because they want to support the project. For the second largest group constituted mainly by men, the most important reason to buy is to support fair trade.

The best selling products belong to food and drink category: chocolate, coffee, jam, marmalade, biscuits, fruit juices, sugar.

In terms of fashion the shops offer a variety of products, but t-shirts are the best selling product. Most of the t-shirts are from the brand "People Tree", present already in some European cities and best known for their "corner" at Topshop in London. Other products such as bags and jewellery are valued because of their handicraft nature. Their quality was also stressed.

The Internet and friends seem to be the main sources of information.

The conclusions support that the main reason to buy for the Portuguese consumer is the quality of the products. But as this is a trace recognised in these products, the support of fair trade is appealing and gaining adepts between Portuguese consumers who are willing to pay a fair price. The turnover of the Portuguese shops of the world has grown more than 100%, since 2000.

The quality of the products and the ethical values underneath the project seem to reinforce each other. Therefore, communication seems to be key to fair trade.

Keywords

Ethical consumption, fair trade, consumer behaviour

Background Issues

Ethical based Consumption

A growing trend in Europe is the buying of products on the basis of ethical values. Some have to do with the green consumerism, some with fair trade. Fair trade (Krier, 2005:7) has been growing from the year 2000, on average, 20% *per* year and, only in the so-called Worldshops, which sell only fair trade products, in 2005 the turnover until October exceeds € 660m. In spite of this, few attention has been given to the understanding and analysis of ethics of the consumers, or the role ethics develop in the consumer behaviour (Carrigan and Attalla, 2001).

There are several authors who argue that the behaviour of consumers is more ethical now, because consumers have more information (Hirschman, 1980; Barnes e Mctavish, 1983; Titus e Bradford, 1996). At the same time, the access to information turns them into more sophisticated consumers (Carrigan and Attalla, 2001). Nevertheless, it is necessary to analyse whether this knowledge and sophistication increases the practice of a more ethical consumption. What happens is that sophisticated consumers receive loads of information. To be sure that ethics is always present in their mind by the time they are considering the consumption, or actually consuming something is another matter.

On the other way, companies may lead to a more ethical behaviour on the part of consumers, in a very asymmetrical way. Companies that have non ethical activities or attitudes may lead to very strong negative answers from consumers, but if companies follow ethical patterns this may not be translated into more positive attitudes from the part of the consumers. Consumers tend to react in a more immediate way to companies that are not ethical, but they do not necessarily reward the ones that follow a more ethical behaviour (Carrigan and Attalla, 2001).

Though there are many consumers who state they are willing to pay a fair price, only a small percentage actually buys ethical products, or products traded on the basis of ethical values. According to some studies (Carrigan and Attalla, 2001; Boulstridge e Carrigan, 2000) these consumers tend to be willing to pay a higher price for products which were produced and traded according to some ethical values, but these values are not the main reason for them to buy the products. On the UNEP (2005) Report 40% of customers in the “North”, mainly what we call the Western world are willing to buy products based on ethical values, but the real

figures show that the total sum purchased represents only 3% of the markets. So, there is a potential unexplored market.

For many years the higher price of these products was a reason, but as the difference of price decreases, other reasons stand up as obstacles to the fair trade movement. In terms of fashion (Beard, 2008), for instance, there is an increase on an attractive design. In the UNEP Report (2005) the main factors to be worked by green or ethical products are distribution and communication.

In the study carried out by Boulstridge e Carrigan (2000), the majority of respondents stated that social responsibility was not important in terms of reasons of consumption. The more important criteria were: price, value, quality and notoriety of the brand. Consumers buy more on the basis of personal needs than social needs, but the fact is that ethical considerations are important. Otherwise the consumers will not punish companies considered to be non-ethical in terms of business. On daily life, in the absence of negative information, other criteria stand out as the main reasons to buy.

Another question is that, in this daily basis, for many consumers ethical, means legal. Therefore, a company that obeys the law is perceived as being an ethical company, a company that has an ethical behaviour and is socially responsible. If a company does something illegal, then it is perceived as a non ethical company and the consumer will take into consideration this fact by the time he/she is doing his/her shopping.

The results of the research carried out by Carrigan and Attalla (2001), point out that young consumers have an ethical perspective different from the older ones. They are more aware of the fair trade phenomenon, though with some misunderstandings. Apart from socio demographic considerations the ethical consumption also depends from the kind of products we are talking about. Products related to social consumption, or fashion are strongly influenced by reference people, or self-image and self-esteem. In the study of Carrigan and Attalla (2001) ethical consumption will take place if the price is not higher, if the products have quality and if they are available, in the sense it will not take a lot of time to the consumer to buy these products. And the conclusions of the UNEP Report (2005) reinforce these ideas.

These authors acknowledge that consumers know little about companies that base their business on ethical values and refer that they may tend to be more selective when they do.

The reality is, as long as non-ethical behaviour is not public, the company does not suffer any discrimination from the part of the consumers.

Fair trade

Ethical consumption is particularly present in fair trade. The increasing interest on the conditions under which products are made and traded (Klein, 2000; Werner and Weiss, 2003) has led to the creation of this movement and its institutionalisation. Since its beginning, the fair trade has increased in impressive numbers as we have already said (Rice, 2001).

Fair trade is an alternative to traditional international trade. It has a focus on the development of partnership relationships between producers from poor countries from the South and consumers from rich countries from the North. Its aim is to help to reduce poverty from producers who most of the times are excluded from the international trade, or exploited by some companies from the traditional trade. It promotes access in fair conditions to producers from Africa, Asia and South America. These partnerships are assumed to have a long-term commitment (EFTA – European Fair Trade Association, 2001).

According to the Report on Fair trade in Europe (Krier, 2005: 21):

“The essence of fair trade [is]:

- Deliberately to work with marginalised producers and workers in order to help them move from a position of vulnerability to security and economic self-sufficiency;
- To empower producers and workers as stakeholders in their own organisations;
- Actively to play a wider role in the global arena to achieve greater equity in international trade.”

The consumers of fair trade use their market power to solve social and environmental problems in the globe (Taylor et al., 2005). These consumers are not happy with the return given to producers, bearing in mind the price they pay on shops. In fair trade, the price is **fair** for the producers; more than 40% of the sales price goes back to the producers, as the supply chain is shorter and less complex (Jaffee et al., 2004).

Fair trade has begun with food and drink products. Then, the trade spread into hygiene and cosmetics and later to textiles. At present, the majority of sales comes from products such as coffee, tea, chocolate, sugar, fruit juices and textiles (Doran, 2009).

The companies operating in the fair trade have to sell their products exactly in the same way other companies do, except for the fact they have to make sure the whole process of production is fair for the people involved: from the producer to the consumer. They have products that must be appealing to consumers, the price must be fair, the distribution is important and so is the communication. Plus, they have the competition of other companies that may not be ethical, offering products with quality at lower prices with a wider retailing net and with more financial resources, that makes them able to spend more in communication (Doran, 2009).

The fair trade organisations include (Krier, 2005: 22): **producer organizations** that cultivate or produce a wide variety of marketable products and export them to the consumer countries, **fair trade importing organizations**, who buy products from producer organizations at a “fair price” and sell them through a wide variety of channels, **worldshops**, who are specialist shops for fair trade products and also organize informative and educational activities. An emphasis has been put into the credibility of the movement, therefore fair trade labeling initiatives, under a worldwide umbrella organization **FLO (Fair trade Labelling Organizations International)** ensure that the label is really in accordance to all the principles of the fair trade movement. From 2004, the **Fair Trade Advocacy Office** in Brussels has played a crucial role in promoting fair trade to the European institutions. As there is no EU-wide policy yet, the lobbying activity of the Advocacy Office is an important one, By late 2004 members of the European Parliament set up a working group, and in July 2005 a petition requesting increased availability and visibility in the European Parliament buildings was signed by more than 400 Members.

Methods

Good business research calls for a match between academic and applied research: academic research is undertaken to understand business and management processes and their outcomes and applied research is of direct and immediate relevance to managers by addressing issues which they see as important and presenting them in a way which they understand and on

which they can act (Saunders et al., 1997:2). As Collins (1994) points out, “the conclusions deduced from the research need to be carefully argued in such a way that they will convince the research community, but at the same time the conclusions in business and management research should offer advice to practising managers as to how to conduct their business and management practices more efficiently and more effectively”.

The case study is a particularly suitable research method when the research focus is “a contemporary phenomenon” where “the boundaries between phenomenon and context are not clearly evident “and for which “multiple sources of evidence are used” (Yin, 2003:4). For the reasons stated above ethical consumption seemed to constitute such a phenomenon.

Aside from the research method’s being particularly suited to investigating contemporary phenomena whose boundaries are not yet fully defined, the case study is the only method that provides a holistic view of what is being researched. Its flexibility in selecting and grouping different quantitative and qualitative methods of collecting data, enables the researcher to look at the subject from different angles and to examine the relationships between these different aspects (Gummesson, 1991: 76). This is also important when we consider the emphasis that is given to the usefulness of business research.

There is also another advantage that comes from using several methods of collecting data and that has to do with the opportunity of crossing information about the same subject or issue from different sources and seeing whether it is convergent, as this contributes to the soundness of results (Yin, 1981: 105, Yin, 1994: 94, Remenyi et al., 1998: 170).

The most important advantage of the case study is that it provides the researcher with a rich database; the main disadvantages are related to the fact that it is a time-consuming research strategy in terms of previous research design as well as the organisation and analysis of data collected after conducting the fieldwork.

According to Yin (2003) there are several types of case studies: descriptive, exploratory and explanatory as well as single or multiple. Each one has its aim and its own relation to theory.

In exploratory case studies, theory is built as the case study progresses and this contributes to the formulation of research questions and to the definition of the methods for collecting data (Yin, 2003: 3; Eisenhardt, 1989: 535, 536). In the words of Eisenhardt (1989: 536) on theory-

building research, “investigators should formulate a research problem and possibly specify some potentially important variables with some reference to extant literature. However, they should avoid thinking about specific relationships between variables and theories as much as possible, especially at the outset of the process.”

In this research we conducted an exploratory case study based on information gathered inside two of the “Shops of the world” located in the North Region of Portugal. We intend to gather more data from the two other shops. As there are only six shops in Portugal, the results may seem interesting in terms of understanding the evolution of this phenomenon.

The methods chosen to collect data (Saunders et al. 1997: 212 and 189) were : semi-structured interviews, participant observation and documental analysis.

The interviews were carried out inside the shops just after a purchase was made. The interview had only open questions addressing the main objectives of the study: reasons to buy and mean of communication from which the costumers knew about the shops. Apart from these questions, we also asked about some socio-demographic characteristics of the respondents: gender, age, profession, residence. Some interviews were made on week days, but the great majority was made on Friday and Saturday afternoons.

The participant observation was as a complete observer. The only person who knew the identity of the researchers was the Shop Assistant. The researcher watched the behaviour of customers and will disclose her identity as a researcher just after payment, when she was approaching them to see whether they would be willing to answer some questions.

Several documents were analysed. International and national fair trade reports, Annual Reports from the NGOs which manage the Portuguese Shops, statistics of sales from the Portuguese shops with the reference to periods of the year, the week and category of the products sold.

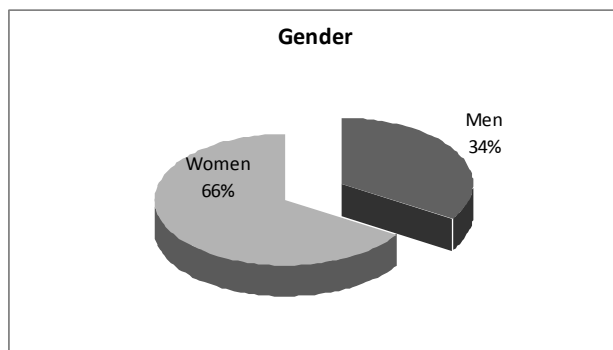
The main research questions we wanted to explore, were:

- a) What were the main reasons for customers to look for and buy fair trade products?
- b) What were the means by which they come to know the Shops existed?

Data analysis

Here we present the analysis of data gathered,« so far. The sample was constituted by sixty-eight customers from Worldshops located in the North Region (two in Porto) and one in Amarante and these are only preliminary results.

Most of the sample was constituted by women.



In professional terms the great majority was people with a technical expertise, teachers or managers and there was a wide dispersion of age: from 17 year old students to 67 year old retired people.

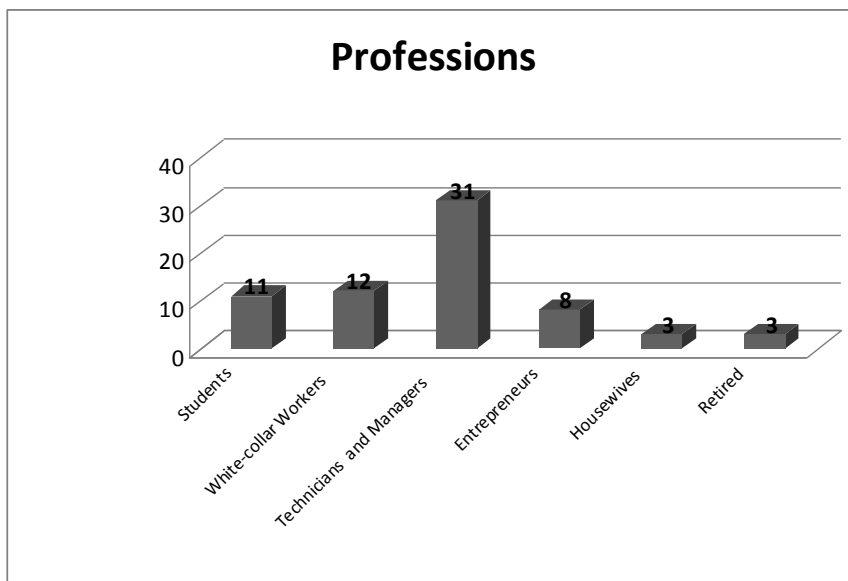


Fig.2

When asked about the reasons to buy interviewees picked up mostly reasons related to the product, stating in a very affirmative way, how they appreciated their quality.

During observation it was possible to perceive that most of the customers were regular customers. The Shop Assistant will call them by their names, calling their attention to some product categories, what revealed she would know well their preferences. These customers would enter the shop having in mind specific products, many of them going to the way where they would usually be.

The characteristics valued by the customers were as follows:

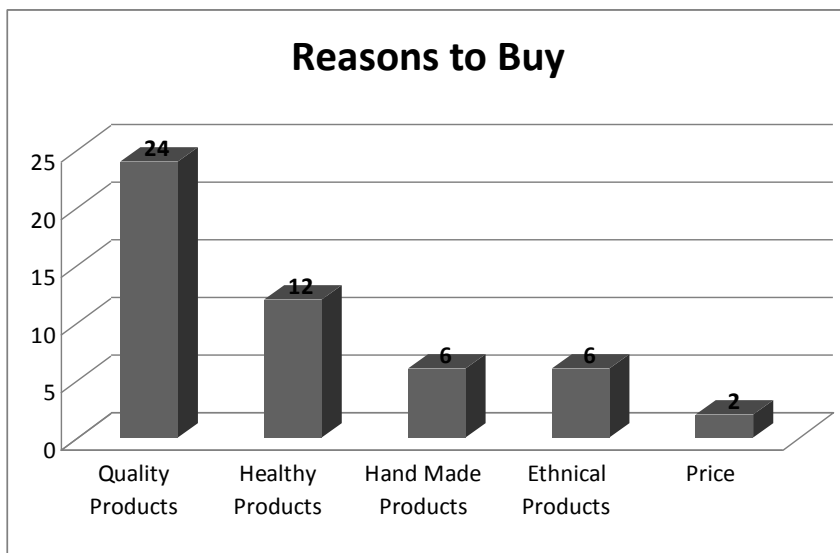


Fig.3

Nevertheless, some of the interviewees would state that their intention of supporting fair trade was also strong. As one of the customers put it:

“If the idea would be to support fair trade, there would be a thousand ways to do it. I could make a donation, instead of buying the products.

I do buy the products because I need them and find them quite good.”

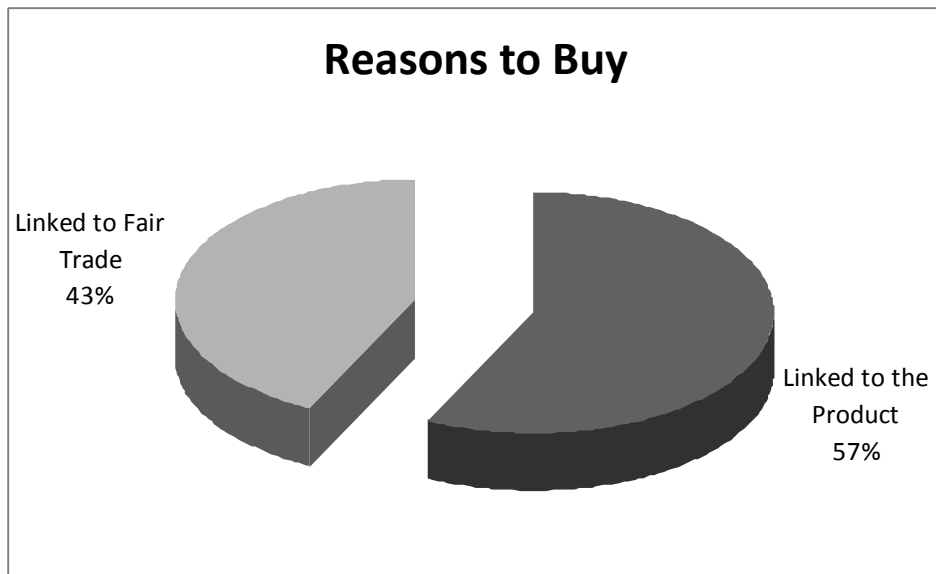


Fig. 4

Many became customers when the first shop opened in a different street in Porto, in the year 2002. So, it is interesting to note their loyalty over time.

The sources of information used were mainly the Internet and the shop. For men, in particular, the Internet was the primary source of information. Some of the interviewees would be teachers and had participated in some of the events organised in schools to publicise the idea. During the year 2008, more than seventy interventions were made in public and private schools.

The first contact seemed crucial. What we could see is that once you are a customer, you keep coming on a monthly basis, with a natural peak of sales on Christmas time. The majority of the interviewees would buy specifically food and drink products.

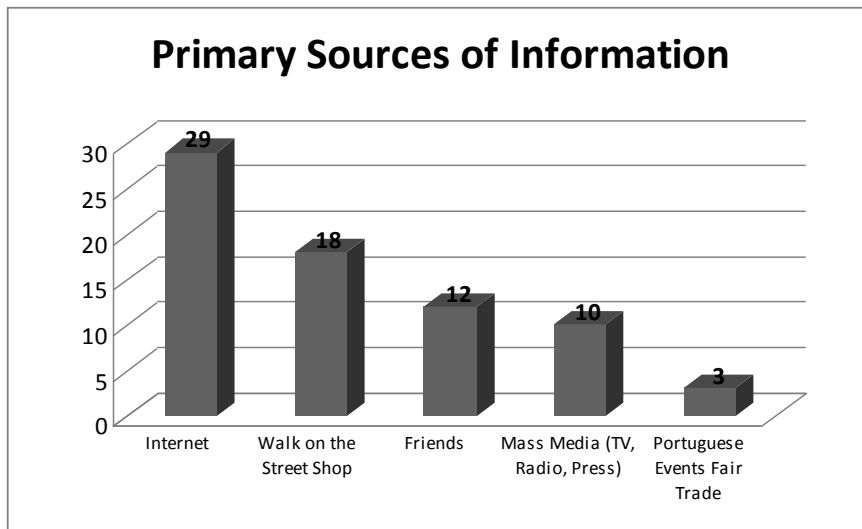


Fig.5

Conclusions, Research limitations and Future research

The conclusions at this stage are not final, as we are discussing preliminary results.

As the final universe considered in terms of field work is four of the six shops existing in Portugal, the results of this exploratory research later on, may highlight some hypothesis to be tested in future research.

At this stage, the important role played by communication, on the Internet, and in the shop stands up. It seems quite interesting to note the great number of people who are attracted to the shop by walking by.

At the same time, the awareness of ethical values seems to reinforce habits of buying. Once a customer always a customer. The quality of the products was emphasised, but customers would come to the shop, even when the location changed over the years. Only one of the customers referred to the price has being also the motive to come to the shop.

It seems therefore that the quality of the products and the values underneath these movement reinforce themselves mutually.

In terms of the research questions, the methods chosen, allow us to define research areas of interest in terms of future research on ethical consumption in Portugal and to go into a comparative study with other countries where this trend is also growing.

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