Consumer Intentions and Purchase Behavior

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Abstract

A rather new business trend concerns social responsible or ethical marketing. Instead of just selling products and brands it makes professional sense to “bundle” or associate the purchase of a product with some altruist activity. While the market share of ethical subcategories in most countries is still confined to a few percentages of the total market at best, it appears that the segment will grow during the next decade. The increased interest for sustainability is found within many western societies both within the business community, academic circles, the political system and among plain consumers. Up to now relatively few empirical studies have focused on the topic. The present study is based on a large scale panel study and uses the German coffee market for profiling the consumer of faire trade coffee and analyzes how this consumer differs from the mainstream consumer. Also, we explore why some consumers intend to buy fair trade coffee but do not purchase the product (and vice versa). Several interesting findings are revealed. Implications for promotion of fair trade coffee are discussed and suggestions for further research are addressed.

Introduction

The responsible marketing concept may be regarded as part of the broader management concept of corporate social responsibility (CSR). CSR covers issues like ban of child work, boycott of companies that let employees work under dangerous and unhealthy conditions (work with poisonous/hazardous material without proper protection), shunning firms that sell weaponry etc. In recent years CSR has become a kind of hype within both academic circles and within the business community.

Today, many promotional campaigns are inspired by the fair trade marketing concept, pioneered by the Max Havelaar Foundation - named after a novel by Dutch writer Edward Douwes Dekker (1820-87). The foundation awards a quality label to products that have been produced in accordance with the principles of fair trade. When a company’s marketing activities comply with the principles of fair trade, it contributes to improving the living and working conditions of small farmers and agricultural workers in disadvantaged regions. The Max Havelaar Foundation is a member of the

Fairtrade Labelling Organizations (FLO) and acts in accordance with their international fair trade standards. Whereas fair trade brands still are niche products, their popularity is expected to grow across the next decade (In Switzerland Max Havelaar has obtained a market share of 5% within coffee).

Several experts suggest that the number of products that are being launched in accordance with the concept of responsible marketing will be increasing. In a couple of EU membership countries the growth in sales of fair trade products has been about 50% from 2006 to 2007 and according to The Max Havelaar foundations sales of accredited products have not declined in key markets in spite of the global financial crises. However, the sales volume of fair trade goods is still limited, making them niche products. While about 5% of Danish and German consumers have purchased fair trade coffee, the market share of fair trade coffee is only 1-1½% of total sales volume. On average fair trade brands i.e. those equipped with the Max Havellar label sell at prices that are 20-30% higher than those of main stream coffee.

Ethical products: Intentions and purchase behavior

According to several studies many European consumers claim to be willing to pay substantially more for ethical products as compared to “ordinary” products (De Pelsmacker and Janssens 2006).

Within academics it has caused considerable research interest whether consumers really act in accordance with their stated preferences. It appears that many consumers that state to be willing to pay more for fair trade products do not act in accordance with their stated intentions.
The phenomenon has been named “The Gap between the Ethical Purchase Intention and Actual Buying Behavior of Ethically Minded Consumers” (Carrington, Neville and Whitwell, 2010).

A couple of research papers have dealt with the gap between intentions and behavior regarding ethical products like fair trade coffee.

Some studies are based on theoretical considerations (Hunt and Vitell 2006; Fukukawa 2003), others are meta-studies trying to summarize earlier research (Connolly and Shaw, 2006; Morwitz, Steckel and Gupta 2007). Several empirical studies have used experimental designs (Auger et. al.

2003, Öhman 20011). Still other studies have tried to analyze the intentions/behavior gap by employing conjoint analysis (De Pelsmacker, Driesen and Ryap, 2005) and structural equation modeling (Follows and Jobber, 2000; De Pelsmacker and Janssens 2006).

So far, all empirical studies comparing ethical intentions with behavior appear to have been based on self-explicated interviews. To the best of our knowledge no empirical study has yet been based on behavioral data or on comparing intentions data with behavioral (purchase) data involving the same respondents.

It has long been understood that intentions are poor predictors of behavior and that gaining insight into this gap is of critical importance to understanding, interpreting, predicting and influencing consumer behavior. The gap, however, remains poorly understood, especially within the ethical consumer context (Bagozzi 1993; Cobb-Walgren, Ruble and Donthu1995; Auger, Burke, Devinney and Louviere, 2003; Belk, Devinney and Eckhardt 2005; Shaw and Connolly 2006; Carrington, Neville and Whitwell 2010). Nevertheless, self-reported willingness to pay is assessed as a measurement of buying intention that is treated as a realistic proxy of actual purchase behavior (De Pelsmacker, Driesen and Rayp 2005).

The empirical study

The present study is based on a consumer panel of 25.420 German consumers whose retail purchases of selected products were recorded across 52 weeks of 2007. During the year the panelists carried out 2.230.225 shopping trips (87,7 per panelist). Of these trips 206.710 involved purchase of coffee. Throughout 2007 20.020 panelist or 78.8% of all panel members purchased coffee.

The panelists actual purchase behavior of fair trade coffee brands (based on a combination of self-reported diaries and bar code based recordings) were compared with their stated intentions with regard to buying fair trade products. The empirical analysis is based on panel data from GfK Germany.

The statistical analysis employs data mining and multivariate analysis (reported elsewhere).

Identifying fair trade coffee brands is not nearly as straightforward as it might seem since it was not pre-coded by the research agency (GfK) whose data we are using. So, while characteristics like *private label*, *gourmet*, *ecological* and *caffeine light/free* were pre-coded and easily available, a fair trade filter question was not on hand, implying that we needed to manually filter these brands out from more than 1000 brand sizes across 250 brands and 75 producers. After consulting various fair trade websites and experts (i.e. consultants from GfK responsible for coffee data) we ended up with 48 fair trade brands, mostly but not exclusively from small producers and retail stores.

Specifically, the 20.020 coffee purchasing panelists spent 123.392.020 Eurocent on purchases of coffee. It turns out that 19.162 of panelists did not purchase fair trade coffee while 858 did so. Thus, 4,3% (858/20020) of Germans during 2007 purchased fair trade coffee.

The fair trade panelists in total purchased coffee for 6.860.624 Eurocent. So, the fair trade sub-segment accounted for 5,6% of all German coffee purchases during 2007 (6.860.624/123.392.020). However, fair trade purchasers do not exclusively buy fair trade coffee. On average, only 20,3% of their total coffee purchases in Eurocent (1.390.383/6.860.624) was related to fair trade brands while 79,3% of their purchases involved regular coffee, gourmet, ecological, caffeine free etc. Thus, the market share of fair trade coffee in Germany in 2007 was 1.3% (1.390.383/123.392.020). This figure corresponds neatly with the estimate of 1% for Germany reported by De Pelsmacker, Driesen and Rayp (2005).

In our study it was possible to directly compare consumers' intentions with their behavior. The panelists' purchases are recorded on a weekly basis (Each purchase trip is recorded either in a manual diary or by way of bar code scanning of the sales docket). Their intentions are captured once a year by way of a separate questionnaire addressing their intentions on a lot of topics. Also, their background data are updated once a year. Intentions and behavior are merged by way of an ID number.

Results

Table 1 shows two statements and compares the panelists responses on a five point Likers scale with their actual purchase behavior.

Panel A: It turns out that 14,1 % of the panelists (,026 + ,115) in the self-explicated questionnaire reported that they go for fair trade products when they are shopping.
If we now focus of the fraction of panelists (n = 858) that actually ended up purchasing fair trade coffee we observe that 46.2% (,166 + ,296) beforehand claimed that they would go for fair trade coffee. The majority of panelists did not purchase fair trade coffee. Actually, 19.162 did not purchase fair trade coffee. However, 12,5% (,019 + ,106) of these non-purchasers claimed to go for fair trade products while their intentions did not materialize into purchase behavior.

Panel B: More than one out of four respondents (26,9% = ,043 + ,226) within the "coffee panel" (n= 20.020) claimed to be willing to pay more for Fair Trade products. If we once again zoom in on the actual (n = 858) fair trade purchasers, 57,3 % (.205 + ,368) stated they would be willing to pay more for fair trade products while 25,5% (.036 + .219) of the non-purchasing respondents (n = 19.162) that reported willingness to pay more did not purchase fair trade coffee.

TABLE 1: Attitudes toward fair trade products and purchase of fair trade coffee

Panel A

"I deliberately go for purchasing Fair Trade products"		*Has purchased fair trade coffee during 2007*	
	Pct.	Yes	No
Totally agree	2,6	16,6	1,9
Agree somewhat	11,5	29,6	10,6
Neither agree nor disagree	24,9	19,4	25,2
Disagree somewhat	29,8	19,9	30,3
Totally disagree	31,2	14,5	32,1
Total	100	100	100
n	20.020	858	19.162

Panel B

"I am willing to pay more for Fair Trade products"

	Pct.	Has purchased fair trade coffee during 2007 Yes	No
Totally agree	4,3	20,5	3,6
Agree somewhat	22,6	36,8	21,9
Neither agree nor disagree	30,8	21,9	31,2
Disagree somewhat	24,1	13,2	24,5
Totally disagree	18,3	7,6	18,8
Total	100	100	100
n	20.020	858	19.162

To sum up:

- 34,3% (,199 + ,144) of fair trade coffee purchasers during the self-explicated interview denied that they would go for fair trade products

- 12,5% (,019 + ,106) of non-fair trade purchasers during the self-explicated interview signalized that would go for fair trade products but did not do so with regard to coffee

- 20,8% (,132 + ,076) of fair trade coffee purchasers during the self-explicated interview denied that would be willing to pay more for fair trade products. However, they ended up purchasing the normally somewhat more expensive fair trade coffee brands.

- 25,5% (0,036 + 0,219) of non-fair trade coffee purchasers during the self-explicated interview reported to be willing to pay more for fair-trade products. However, they well-minded intentions did not materialize into actual purchase behavior.

Our empirical findings lend support to the suppositions offered by Auger and Devinney (2007) and by Carrington, Neville and Whitwell (2010). According to the latter source, Futerra (2005) reported that 30% of consumers stated that they would buy ethically while only 3% ended up doing so.

Our findings also confirm that intentions are poor predictors of behavior and that gaining insight into this gap is of critical importance to understanding, interpreting, predicting and influencing consumer behavior (Bagozzi 1993).

Fair trade versus non-fair trade purchasers: A comparison

If we try to compare the fair-trade consumer with the "ordinary" coffee consumer we notice (See Table 2):

- The fair trace consumer is a bit younger
- He/she lives in a household whose income that is about 10% higher

Also, we notice that:

- Less fair trade consumers are retired
- Relatively more fair trade consumers are middle managers and top managers
- More fair trade consumers are singles/DINKS and empty nesters
- East Germany is underrepresented with regard to fair trade consumers compared to Western Germany

TABLE 2: Selected demographics of Fair Trade coffee purchasers and non-purchasers

	Mean values of groups			
	Fair Trade (n = 858)	Non-Fair Trade (n = 19.162)	Z	p-value
Age	47,2	48,2	1,98	,03
Monthly Household Income (2002, EUR)	2486	2280	5,25	,00
Size of Household	2,35	2,36	0,22	,57
Number of children in Household	0,52	0,53	0,33	,38
Occupation of HH-Head:				
Retired	22%	26%	2,88	,000
Middle manager	30%	26%	1,87	,03
Top manager	8%	5%	3,94	,000
FLC-categories:				
Singles & DINKS	19%	15%	3,10	,000
Empty nest	10%	6%	4,98	,000
Geography:				
Former East Germany	16%	23%	4,86	,000

The average fair trade coffee consumer only covers about 20% of his/her total coffee consumption by way of fair trade coffee (1620/7996). But the fair trade consumer simply purchases more coffee and is to be regarded as a heavy user compared to the ordinary coffee consumer. See Table 3.

- The *total consumption* of coffee is about 25% higher
- Consumption of *biological coffee* is 38% higher
- Consumption of *private label coffee* is 22% higher
- Consumption of *gourmet coffee* is nearly twice that of the non-fair trade customer
- Consumption of *caffeine light/free* is about 10% higher

TABLE 3: Annual purchases of different kinds of coffee (2007, Eurocent)

	Fair Trade (n = 858)	Non-Fair Trade (n = 19.192)	Z	p-value
Coffee total	7996	6076	8,13	,000
Fair Trade	1620			
Bio (Ecological /Green)	9112	6225	1,8	,08
Normal	5696	3495	11,7	,000
Private label	1022	650	4,6	,000
Gourmet	1072	584	6,0	,000
Caffeine light/free	2673	2339	2,6	,01

If we recode responses of Panel B of Figure 1 such that "Totally agree" and "Agree somewhat" are recoded as *Fair Trade Prone* while "Disagree somewhat" and "Totally disagree" are recoded as *Fair Trade Ignorant*, while "Neither agree nor disagree" are ignored we obtain the following four purchase categories. See Figure 4.

TABLE 4: Cross-tab of (recoded) attitude and behavior regarding Fair Trade coffee

	Willing to pay more for Fair Trade	
	Purchase	Non-purchase
Fair Trade Prone	***"Honest Believer"*** 74% (n = 408) Monthly HHI (EURO) = 2641 Age = 44,3 Years	***"Betrayer"*** 37% (n = 3784) Monthly HHI (EURO) = 2396 Age = 51.3 Years
Fair Trade Ignorant	***"Surpriser"*** 26% (n = 148) Monthly HHI (EURO) = 2095 Age = 48.9,Years	***"Rejecter"*** 63% (n = 6437) Monthly HHI (EURO) = 2185 Age = 48,8 Years
Total	100% (n = 556)	100% (n = 10.221)

Notice the substantial difference in size of the four groups with regard to the total coffee consumption: Honest Believers (3,8%), Surprisers (1,4%), Betrayers (35,1%) and Rejecters (59,7%).

The most interesting differences in background information are:

- “Honest Believers” have the highest household income and are youngest
- “Surprisers” have the lowest household income
- “Betrayers” are oldest

Discussion and implications

The present study to the best of our knowledge is the first large scale empirical study comparing consumers’ intentions regarding fair-trade issues with their actual purchase behavior. The study confirms earlier research showing that consumers’ stated intentions are rather poor indications of actual purchase behavior. Thus, basing the launch of new products and services solely on stated intentions by a sample of consumers may bias sales results.

According to our study 12,5% of German consumers during the self-explicated interview totally agreed or agreed to go for fair trade products. Likewise, 25,5% totally agreed/agreed to be willing to pay more for fair trade products. However, none of these consumers transformed intentions to actual purchase behavior regarding fair trade coffee during the 52 weeks of 2007.

Our study revealed some new information on consumers who purchase fair trade coffee. Fair trade coffee purchasers on average have higher household income and better jobs. Less of them are retired and more of them are singles/DONKS and empty nesters.

Also, they simply purchase more coffee (regular, bio, private label, gourmet and caffeine light/free).

Assumed that coffee producers and retail managers would like to improve sales of fair trade coffee an appropriate promotional strategy would be to approach consumers of bio, gourmet and caffeine light coffee, say, by offering consumers of such brands rebates, samples etc. of fair trade coffee brands.

Follow up studies of the present study will, amongst other things, use a rule based web (data mining) for further revealing and enlightening the difference between fair trade consumers and “ordinary” consumers.

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