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Unité Mixte de Recherche INRA - ENESAD
en Economie et Sociologie Rurales



BUYING FAIR TRADE PRODUCTS: CAN CONSUMERS ENABLE REACH SOCIAL GOALS THROUGH THEIR PURCHASES?¹

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Consumers are more and more interested in processes, that is to say not only in intrinsic qualities of products but also on the way it is produced. For example, as for GM food, the concept of *substantial equivalence* was used by international organisations (Pouteau, 2000). It is a principal used to assess GM food safety as compared to conventional food. This principal was controversial. According to this principle, if a GM food can be characterised as substantially equivalent to its conventional counterpart (chemical & nutritional aspects), it can then be assumed to pose no new health risks and hence it can be assumed to be acceptable for commercial use. This principle is pointed to as a reducing concept because it ignores the context in which products have been produced and brought to the consumer at the end of the chain. It has been stressed a need for taking into account factors that show the moral value contained in food products. The idea is that products' quality cannot indeed be restricted to substance, since products act on human beings not only at the level of their content but also through their relationship to environment and society. Fair trade refers to the same idea. It assumes that comparing products as to their intrinsic attributes is not sufficient and puts emphasis on the way products are produced. This alternative trade needs the intervention of several actors to make ethical trade a success. Several analyses can be carried out on this topic. First, do firms or retailers really do what they claim through labels? Second, if they do what they claim, is it pertinent or efficient for the producers' well being? And finally, if labels are true and pertinent, can consumers enable reach social goals through their purchases? That's the point that will be addressed.

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To answer this question, one important point is to be underlined. It is described this way by Mark Sagoff (1998): *"I love my car; I hate the bus. Yet I vote for candidates who promise to tax gasoline to pay for public transportation. I send my dues to the Sierra Club to protect areas in Alaska I shall never visit. . . . I have an "Ecology Now" sticker on a car that drips oil everywhere it's parked."* This citation shows the duality in individuals between their identity as a citizen and their identity as a consumer. In these two functions, preferences classification is different and the place of environmental and social goals can vary. On the citizenship ground, the point of view is society whereas on the consumption ground, the point of view is individual interest.

Here is what I plan to deal with: What roles can consumers play in the field of Fair Trade? Who is the Fair Trade consumer? Is it so easy? How to implement Fair Trade products' labelling?

1. What role can consumers play in the field of ethics?

a. General principal of consumers' role

Production of goods involves social and environmental impacts. The principal sustaining social and environmental labelling is that consumers can, through their preferences, incite firms to reduce their impacts. The idea is to signal by labels, on the market for goods, products that have less environmental & social impacts. Social or ethical labels could be defined as words and symbols associated with products or organisations which seek to influence the economic decisions of one set of stakeholders by describing the impact of a business process on another group of stakeholders.

Besides, reducing social impacts for firms induces additional costs. That's why an ethical premium may be required to compensate for a price guarantee for producers or a percentage of the price set aside for development projects in the producer community, or for higher costs of production or costs of certification. Thus, ethical trade relies on consumers willingness to pay. This view that consumers can influence firms by their preferences is of course limited by the heavy power of firms that can influence or create consumers' demand through advertising and branding (Tallontire et al., 2001).

b. Other kinds of consumer behaviours

Ethical behaviour can be divided into three types (Tallontire et al., 2001):

- We have just seen one kind of consumer behaviour that is "Positive Ethical Purchase Behaviour" which consists in buying goods with ethical characteristics also called Buycotts.
- The other type is "Negative Ethical Purchase Behaviour" including boycotts that is to say avoiding goods without ethical characteristics. For many years, it was the main form of ethical consumerism.

- Finally, “Consumer Action”. Indeed, consumers can act through direct action. It is, for example, activists who demonstrate concerning their role as consumers.

2. Who is the ethical consumer?

a. Motivations

Fair trade organisations identify 3 categories of consumers (Tallontire et al., 2001):

- Activists: Core supporters, regular consumers who also act as ‘persuaders’; they wish to know the actions, in addition to consumption of the products, that they can undertake;
- Ethicals: Regular consumers; they wish to know more about the producers;
- Semi-ethicals: Infrequent purchasers of ethical goods who may be persuaded to buy more if the goods were made more attractive or more easily available to them.

b. Social and demographic characteristics

FRANCE (IPSOS for “Plateforme pour le commerce équitable”, 2000 & 2001)

| | October 2000 | September 2001 |
|---|--------------|----------------|
| People who declared having heard of fair trade | 9% | 24% |
| ➤ Age: 20-24 years old | 21% | 32% |
| ➤ SPG: senior executives | 15% | 44% |
| ➤ Educational background: Superior level | 16% | 37% |

In several surveys, ethical consumers appear to be better educated, wealthier, mostly women (Cowe & Williams, 2000).

3. Is it so easy?

a. A gap between declared and actual practices

Consumers have high levels of awareness about social issues.

| | |
|--|----|
| Quality | 60 |
| That people who had produced the product were paid enough to live on | 44 |
| That the people who produced the product worked in an environment that did not affect their health | 42 |
| That the product had not been tested on animals (or had not used new ingredients tested on animals) | 40 |
| Your need (for buying the product) | 40 |
| That it causes as little damage as possible to the environment and its production processes are environmentally friendly | 36 |
| Appearance/fashion/style or trend | 31 |
| The human rights record of the country of origin | 28 |
| Availability | 16 |
| Brand name | 16 |
| All/none/don't know | 7 |

Issues taken into account when buying a product from developing countries (Tallontire & al., 2001)

These high levels come from the fact that issues are prompted. When issues are not prompted, the proportion of respondents who purchase products according to ethical criteria is very low. The large difference between the prompted and unprompted responses illustrates the main weakness of this kind of survey:

- ethical issues are not always the main concern of consumers until prompted
- and when certain issues are raised many want to demonstrate support for issues in which they believe the researcher is interested.

Trends over time suggest an increased awareness on the part of consumers to ethical issues in trade and consumption, but awareness and concern are not directly translated into ethical purchase behaviour. Why is this gap between declared and actual practices?

The reasons cited for this include:

- (a) a lack of knowledge about products;
- (b) demanding in terms of time and efforts to find out information on products, and
- (c) a feeling that individual consumers can not make a difference.

The two first ones are informational problems and the third one is due to the fact that benefits are societal and intangible.

b. Problems arising

We identify 2 kinds of problems: informational problems and problems due to the intangibles benefits.

Informational problems

Ethical characteristics of goods are credence characteristics. Indeed, economic theory identifies 3 kinds of characteristics of goods:

Search characteristics

Consumers can get the information at no cost (before purchasing)

Experience characteristics

Consumers can get the information at a rather low cost (after purchasing)

Credence characteristics

Consumers cannot get the information since it is too costly (even after purchasing and using the product)

The high cost of getting the information about processes may come from 3 problems (Grolleau & BenAbid, 2001):

Diagnosis problem:

This problem arises because consumers lack expertise to know how to define a Fair Trade product. When a consumer reads the requirements of a given Fair Trade label, is he able to determine if it is enough or not? It is like going to the doctor's, you see him examining you but you don't have the expertise to judge if it was what should have been done. Consumers must then rely on someone else to define what is a fair price for producers.

Verification problem:

This problem arise because the Fair Trade characteristic is not detectable on the product. Consumers are not able to check by themselves if the label is true or not unless they take a plane to the developing country. If consumers cannot check then an important question is Who checks? and What is the credibility of the third party?

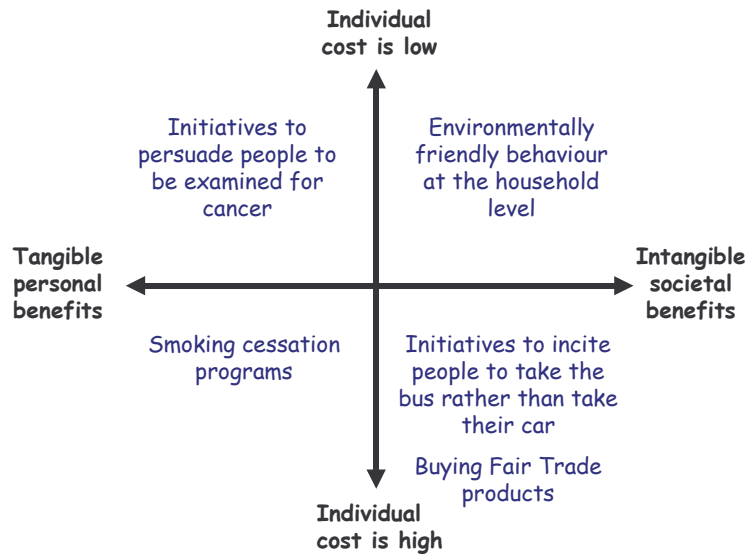
Signalling problem:

It arises because of the limited capacities of consumers to deal with information. Even if labels were credible, the way information is provided on labels is important. What type of information? Summary or detailed one? There is a need to avoid information overload. Labels provide information about products. However, today, consumers are overwhelmed with thousands of messages about products' characteristics, it is attention not information which is scarce.

The key then is not simply to provide more information, but to provide information that is useful, credible and in an attractive form that captures people's attention. In fact, for consumers with little time, credibility and authority of the information source may be more important than complete and correct factual information.

Intangible benefits

In the following chart, costs are compared to personal benefits.



Buying fair trade products: intangible benefits, high individual costs (adapted from Rangan & al.(1996))

Buying Fair Trade products has intangible benefits and high individual costs. Indeed, shopping ethically costs in terms of the time it takes to find products and possibly in terms of the price, quality and choice of products.

4. How to implement ethical products' labeling?

Fair Trade products' implementation needs to overcome or mitigate the 2 problems we identified of information and intangible benefits.

To overcome the problem of information, the solution is to give credible, clear and summarised information to consumers through third party certification for example or brands. Also, Civil Society-Business Partnership to create or sustain a label are more successful. Civil activism acts as a form of awareness raising and gives credibility to labels. A solution is also to avoid proliferation of labels which may lead to confusion.

To overcome the problem of intangible benefits, one solution could be to emphasise on personal tangible benefits by labelling products of high intrinsic quality (products for which labelling work best? Identifiable products, i.e. branded) and emphasising on the positive social image given by social consumption. Social labels have indeed been described as a window and a mirror. A window because it informs and a mirror because it gives a positive social identity.

A report on ethical labelling (Zadek & al., 1998) suggested to take into account several factors:

- Clarity: Do consumers understand the label?

- Trust: Do consumers believe in the legitimacy of the label and the way it operates? Is the label credible?
- Accessibility: Can consumers buy labelled products?
- Relevance: Is the issue important to the consumers?
- Financial viability: Are consumers able to afford labelled products?

The 2 first ones aim at reducing informational problems and the 3 following ones aim at reducing costs of buying Fair Trade products.

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