



Alter Eco Fair Trade Study

A survey of existing and potential fair trade consumers.

October 2008



Contributors

Dr. Eric Arnould, Professor, Norton School of Family and Consumer Sciences, University of Arizona

Melinda Burke, Director - Terry J. Lundgren Center for Retailing, University of Arizona

Dr. Jonna Holland, Associate Professor, College of Business Administration, University of Nebraska-Omaha

Jordan Holtzman, Ph.D. Candidate, University of California-Berkeley

Mike Long, Ph.D. Candidate, Colorado State University

Dr. Cheryl Luczak, Professor, College of Business, University of Illinois-Chicago

Dr. Stacey Menzel Baker, Associate Professor, College of Business, University of Wyoming

Edouard Rollet, Co-Founder, ALTER ECO

Katerina Tsasis



Methodology

461 in-person interviews regarding consumer attitudes toward fair trade and shopping behavior were conducted in the summer of 2007.

Requirements for participation included full or shared responsibility for grocery shopping within the household, as well as a minimum age of 18. Interviewers recruited a mix of age, gender, and ethnicity.

Respondents were recruited in the following markets:

- Berkeley, California
- Fort Collins, Colorado
- Tuscon, Arizona
- Chicago, Illinois
- Omaha, Nebraska
- Laramie, Wyoming



Introduction

Since we conducted our first world consumer study 2001 in collaboration with PricewaterhouseCoopers, we have regularly surveyed the Fair Trade market to monitor evolution in awareness, trends and opportunities to better market fair trade products to mainstream consumers. Based on our philosophy that “we share more than products,” we believe that sharing data, resources and techniques can grow the field and contribute to bringing Fair Trade to the mainstream. This is a necessary step to really make a difference in the lives of hundreds of thousands of farmers and their families in the Global South.

This study confirms, Fair Trade is consistently becoming mainstream and the majority of respondents are associating mega corporations with Fair Trade practices. It is our responsibility, as a small independent company who has pioneered Fair Trade in collaboration with grass root and alternative organizations throughout the industrialized world, to stay committed to stringent ethical trade practices and continue promoting an alternative type of trade that benefits all stakeholders, while placing priority on the most marginalized populations, the farmers and their families. Converting increased awareness into higher sales and beneficiaries while keeping high standards is the responsibility of us all.

In a true Fair Trade spirit, this study is the result of the collaboration between people and organizations passionate about their work and the vision of a more just and sustainable world. We extend our sincere gratitude to all professors, classes and universities who contributed to this study, and especially to Katerina Tsisis who oversaw the process, from questionnaire design to data analysis and interpretation.

- Edouard Rollet, ALTER ECO

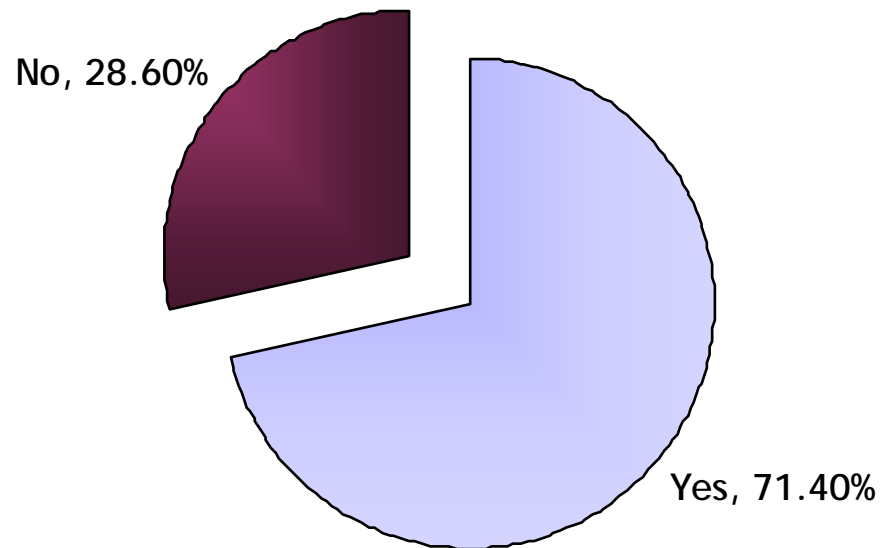
Fair trade has top-of-mind name recognition among respondents.



Over two-thirds (71.3%) of American consumers surveyed were aware of the term « fair trade .»

In comparison, roughly half (47.5%) of European consumers surveyed by Alter Eco in 2005 expressed familiarity with the term.

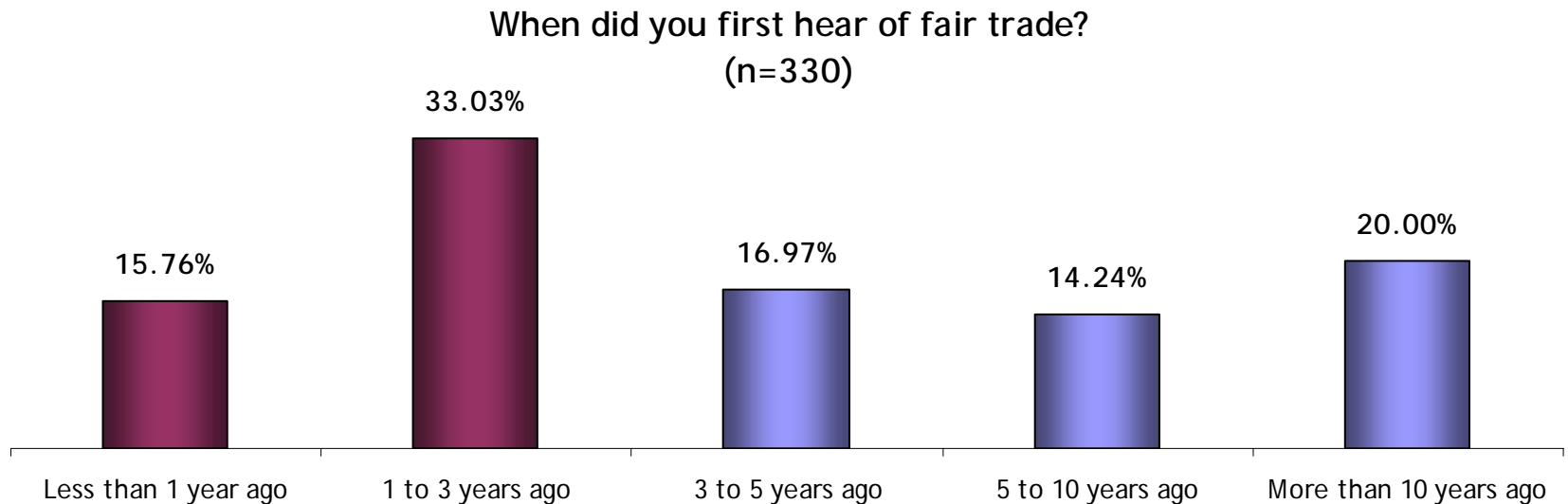
Have you heard of the term "fair trade?"
(n=458)



However, many of those aware of fair trade are new to the concept.



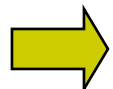
Half (48.8%) of respondents surveyed first heard of fair trade within the past three years, however one in five (20.0%) have been aware of fair trade for more than a decade.





And interpretations of fair trade vary widely.

When asked what « fair trade » meant, themes such as helping small farmers, ensuring fair labor practices were mentioned most often. Many of those surveyed, however, gave vague responses regarding fairness, international trade, and free trade policies.



Consumers need more education on the fair trade concept.

Some consumers have informed opinions, but many have vague notions of fair trade.



“Based on what I have read on coffee products, it is a standardized pricing system for suppliers of food products from developing countries in order to provide the growers and their families, communities with a sustainable income.”

“‘Fair Trade’ means an artificial mechanism to wrongfully assist producers of food who could not otherwise compete in a ‘free market.’”

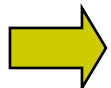
“Fair trade means that countries have little to no barriers between them to trade goods and services.”

“Don't really know, has something to do with trade from foreign countries?”

“Farmers in third world countries don't get advantage of.”

“Importing more products from other countries, specifically Mexico.”

“Supermarkets don't jack the price of goods up on the consumers.”

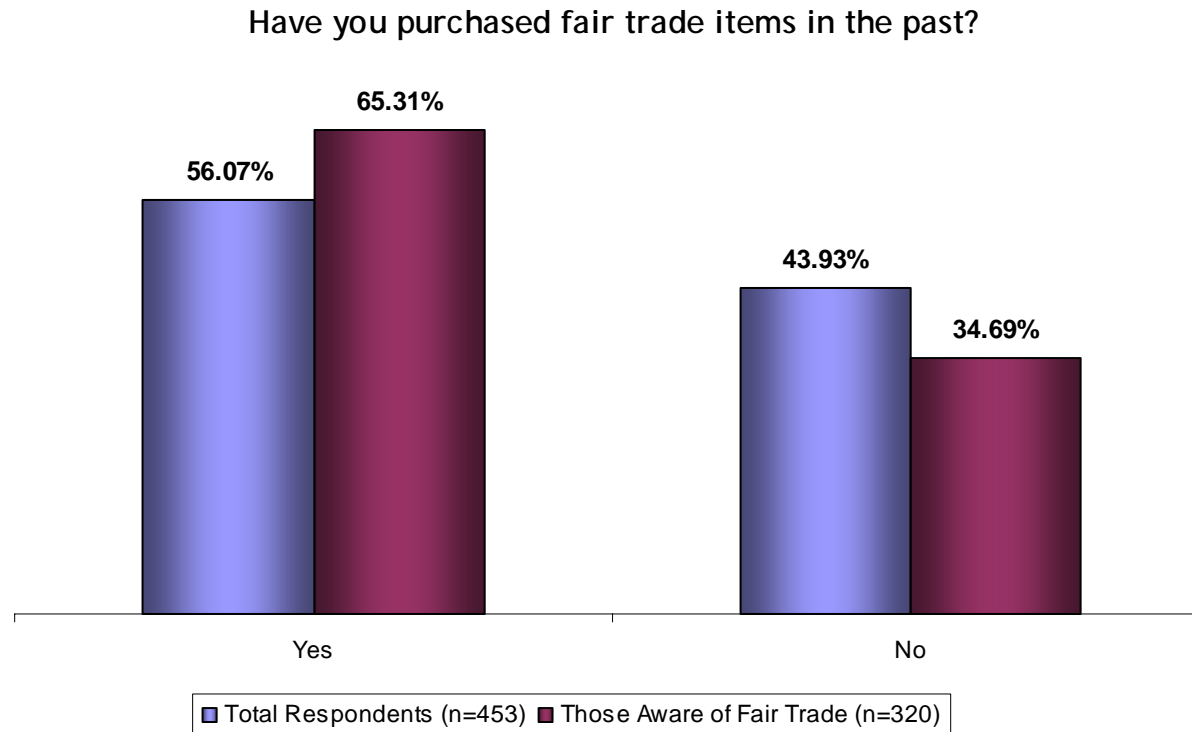


Consumers need more education on the fair trade concept.

Half of respondents have previously purchased fair trade products.



Half (56.1%) of American consumers surveyed have purchased fair trade products in the past. As may be expected, those aware of fair trade were more likely to have purchased fair trade items (65.3%).

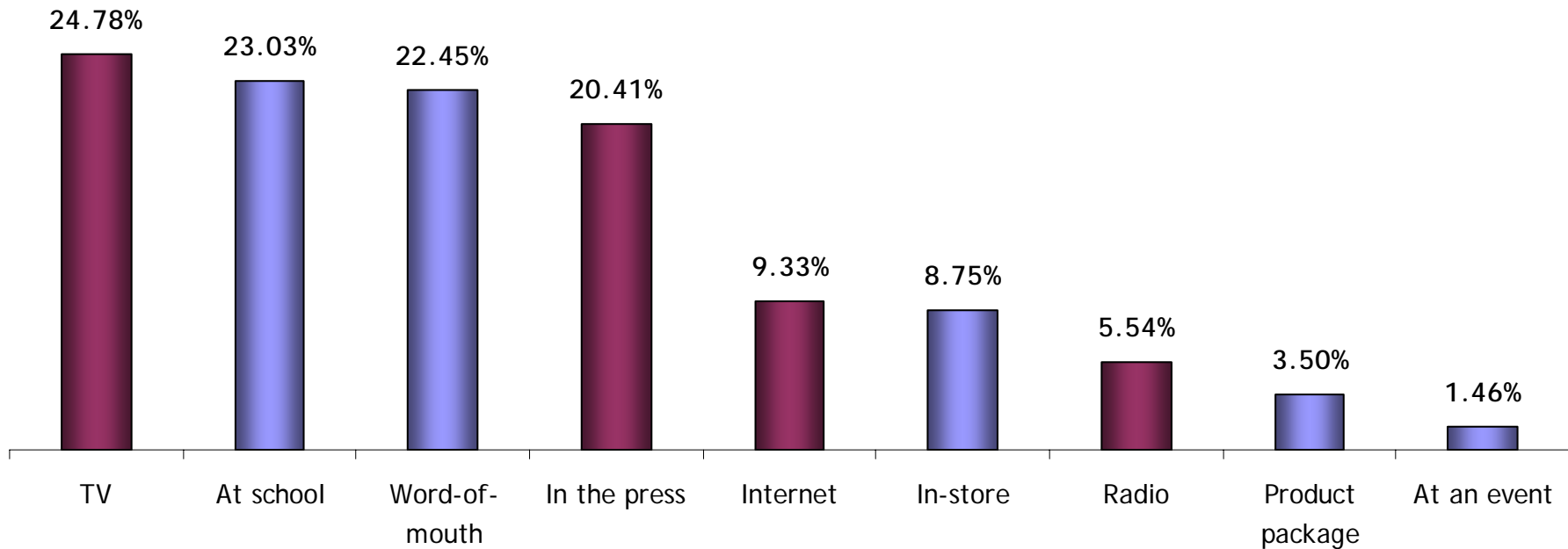


Media outlets are effective in raising awareness of fair trade.



Close to half (45.2%) of American consumers surveyed learned about fair trade through TV or the press.

How did you hear of fair trade?
(n=343)

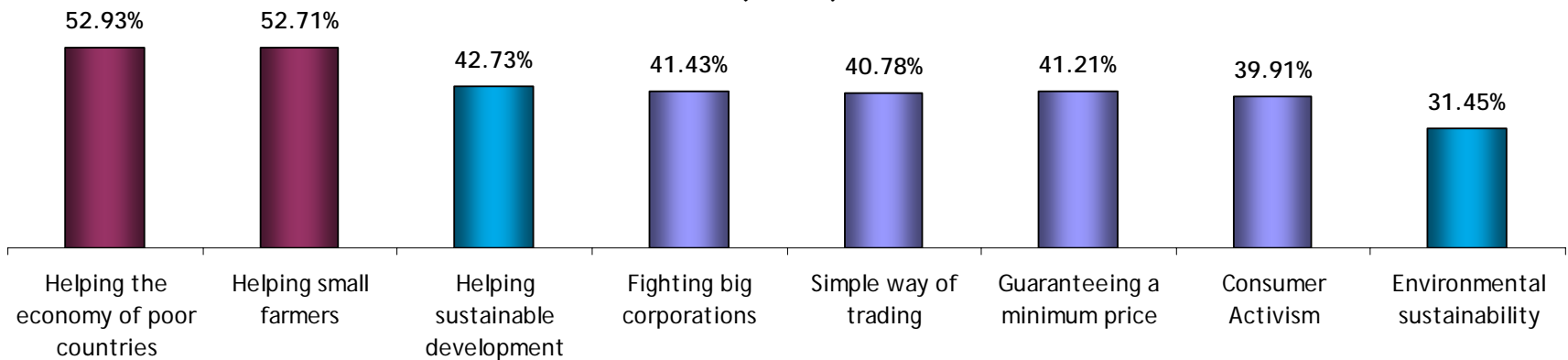


Consumers associate fair trade with ethically-driven business practices.



Half of respondents associate fair trade with helping emerging economies (52.9%) and helping small farmers (52.9%). More than a third associate fair trade with sustainability; be it sustainable development (42.7%) or environmental sustainability (31.5%).

Which of the following would you associate with fair trade products?
(n=461)

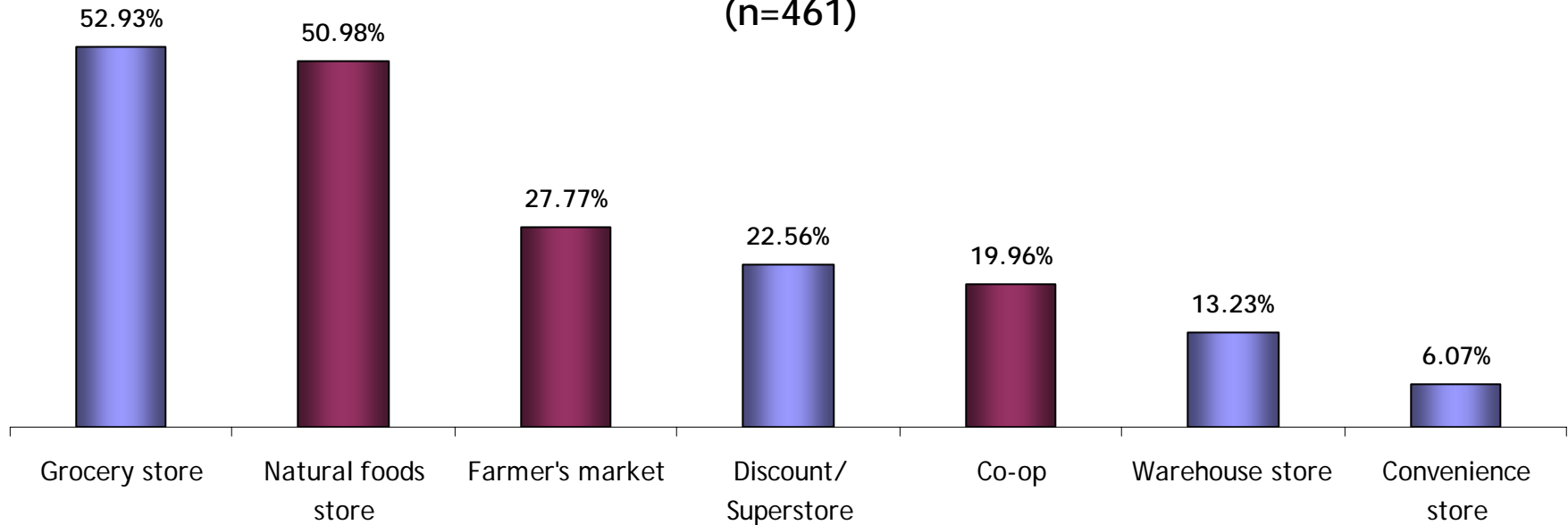


Consumers expect to find fair trade products at both mainstream and alternative retail outlets.



Half of respondents (52.7%) would look for fair trade products in grocery (52.9%) or natural foods (51.0%) stores, and one quarter (27.8%) would seek these products out in farmer's markets.

In what retail outlets would you look for fair trade products?
(n=461)

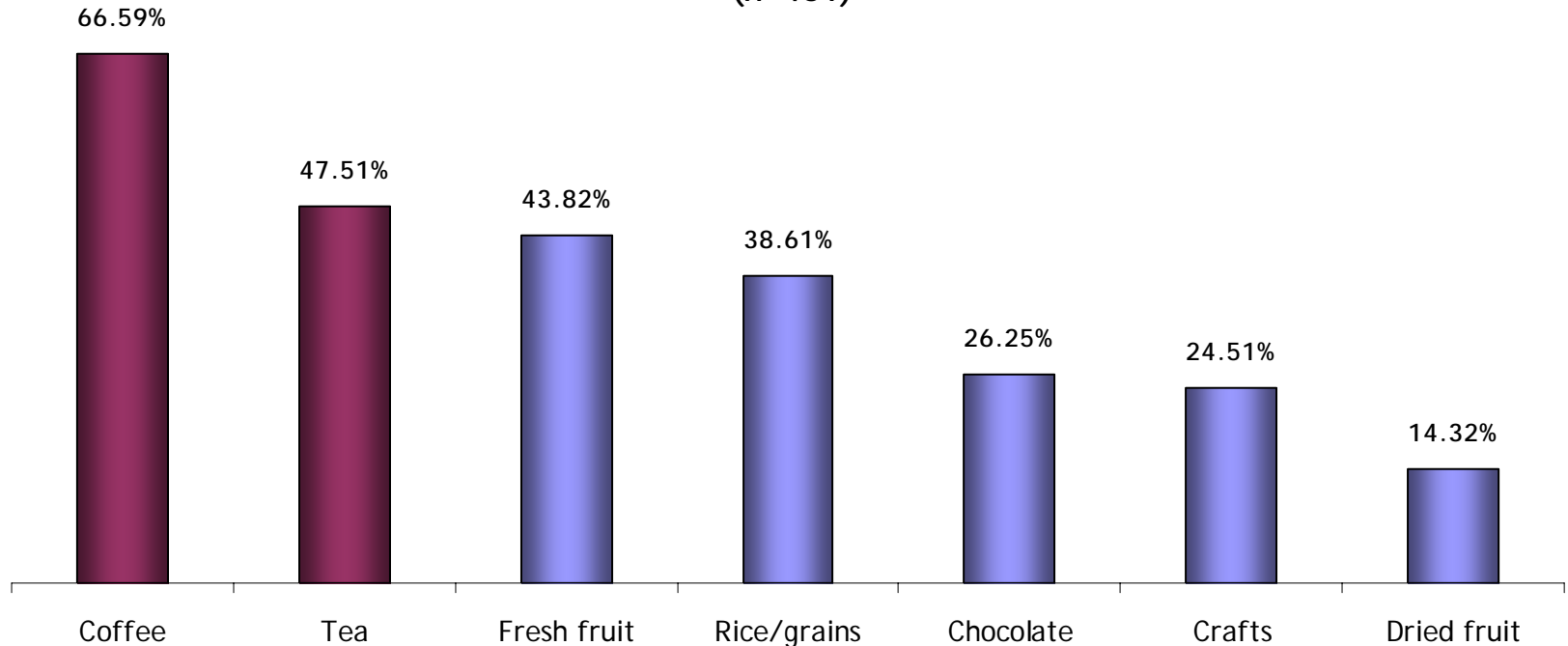


Coffee is the product category most readily associated with fair trade.



Two-thirds of respondents expect to find coffee (66.6%), and just under half would expect to find tea (47.5%) when looking for fair trade products. These beverages were followed in mentions by food categories and crafts.

Which types of fair trade products would you expect to find?
(n=461)



Values and quality are top motivators for fair trade purchasing.



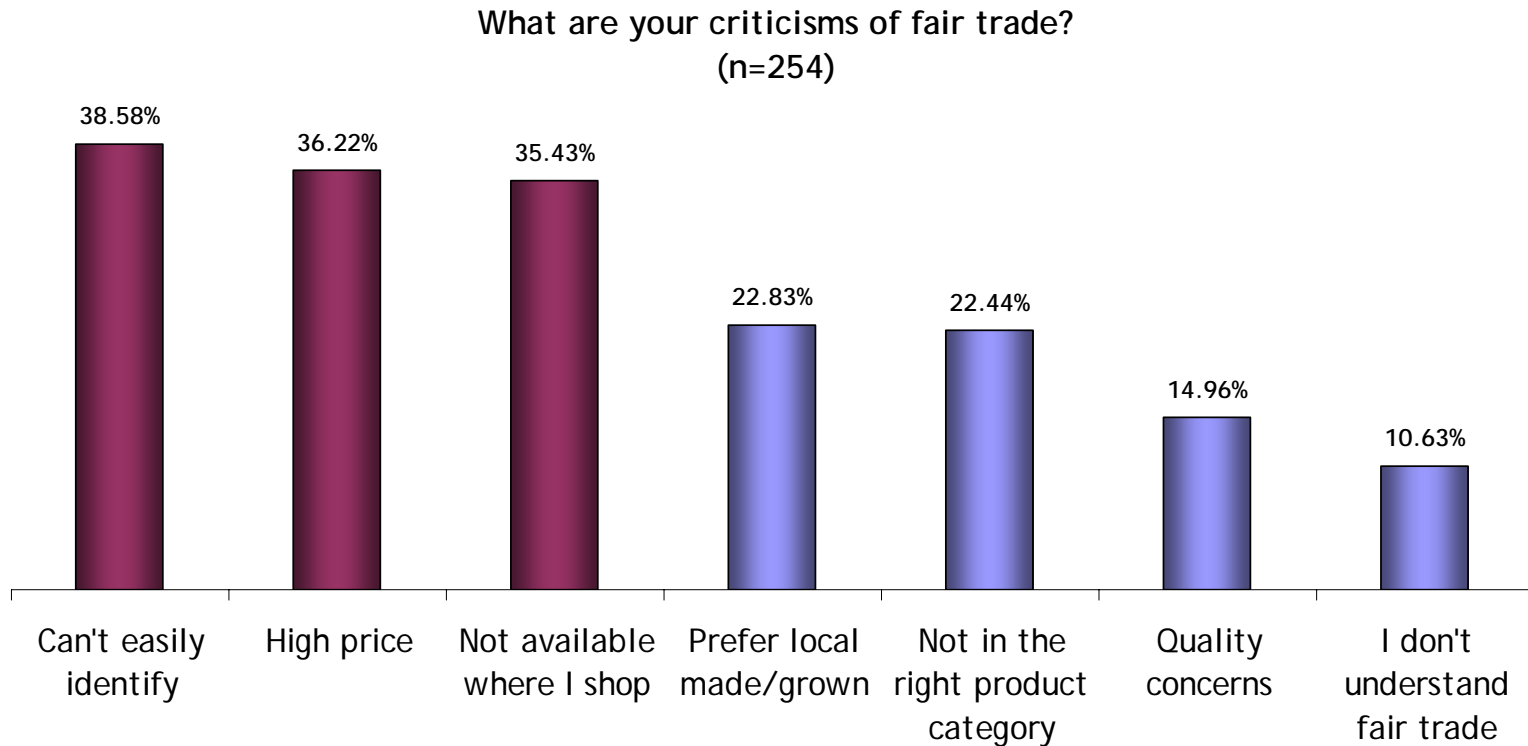
Close to half of respondents who have purchased fair trade items are motivated to do so to help others (48.8%) or for the product quality (45.7%). This suggests that successful marketing of fair trade items should stress the existing perception of high quality, as well as ethical arguments.





Fair trade products are hard to identify.

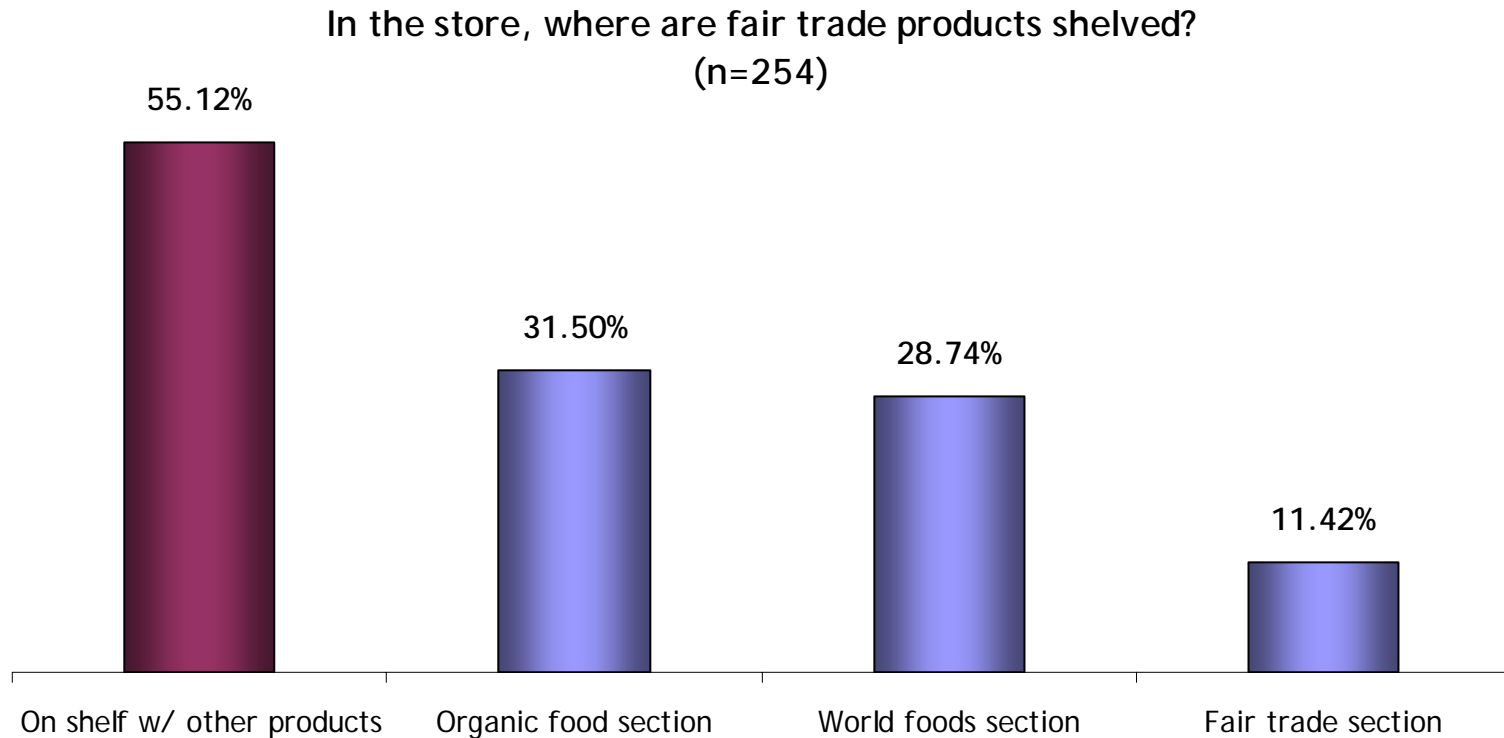
Among respondents who have purchased fair trade items, one-third cite the ability to identify products as fair trade (38.6%), high prices (36.2%), and low availability in the stores they frequent (35.4%) as criticisms.



Fair trade products should be shelved with mainstream items.



Half of consumers surveyed (55.1%) expect to find fair trade items shelved with mainstream products, while only one in ten (11.4%) expect to find these products in a dedicated fair trade section.

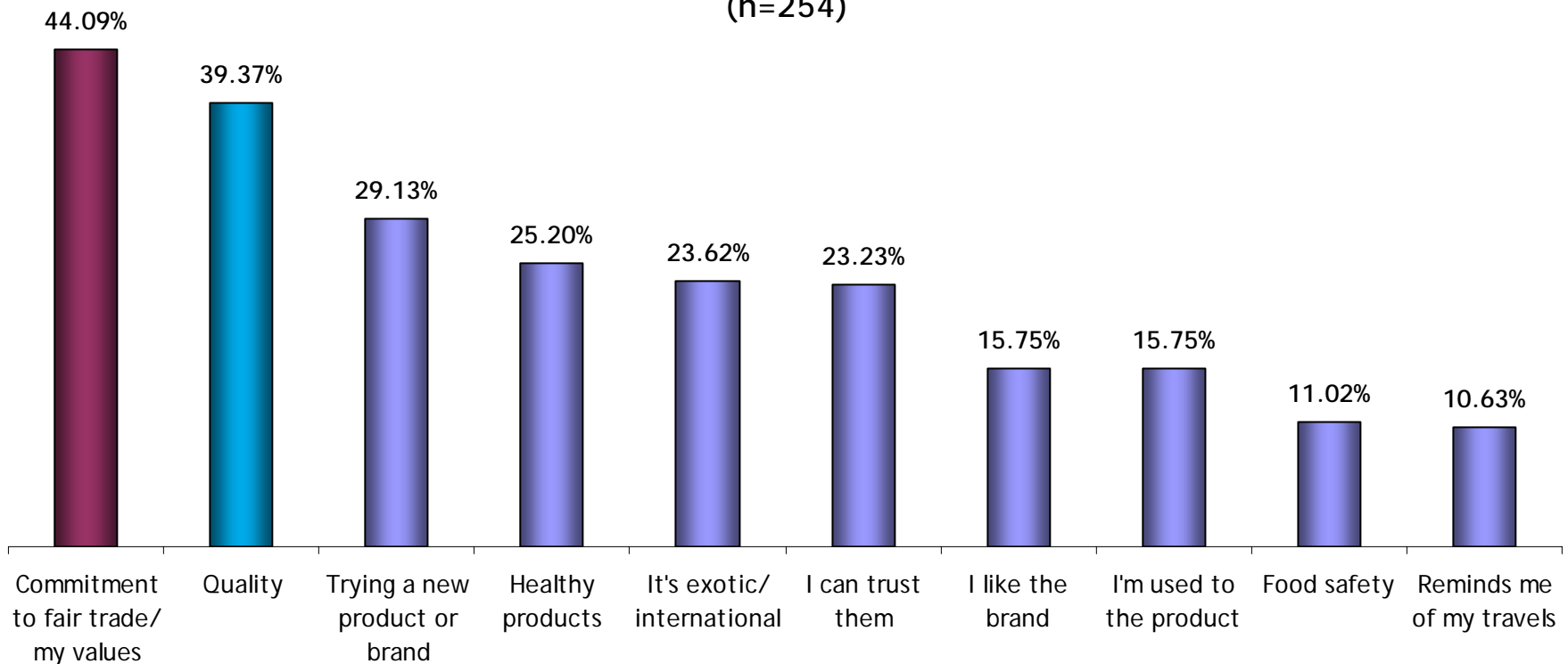


Ethics and quality are top reasons consumers like fair trade products.



Over a third of respondents who have purchased fair trade items cited commitment to fair trade or values (44.31%) and quality (39.4%) as reasons they like fair trade – closely mirroring their cited purchase motivations.

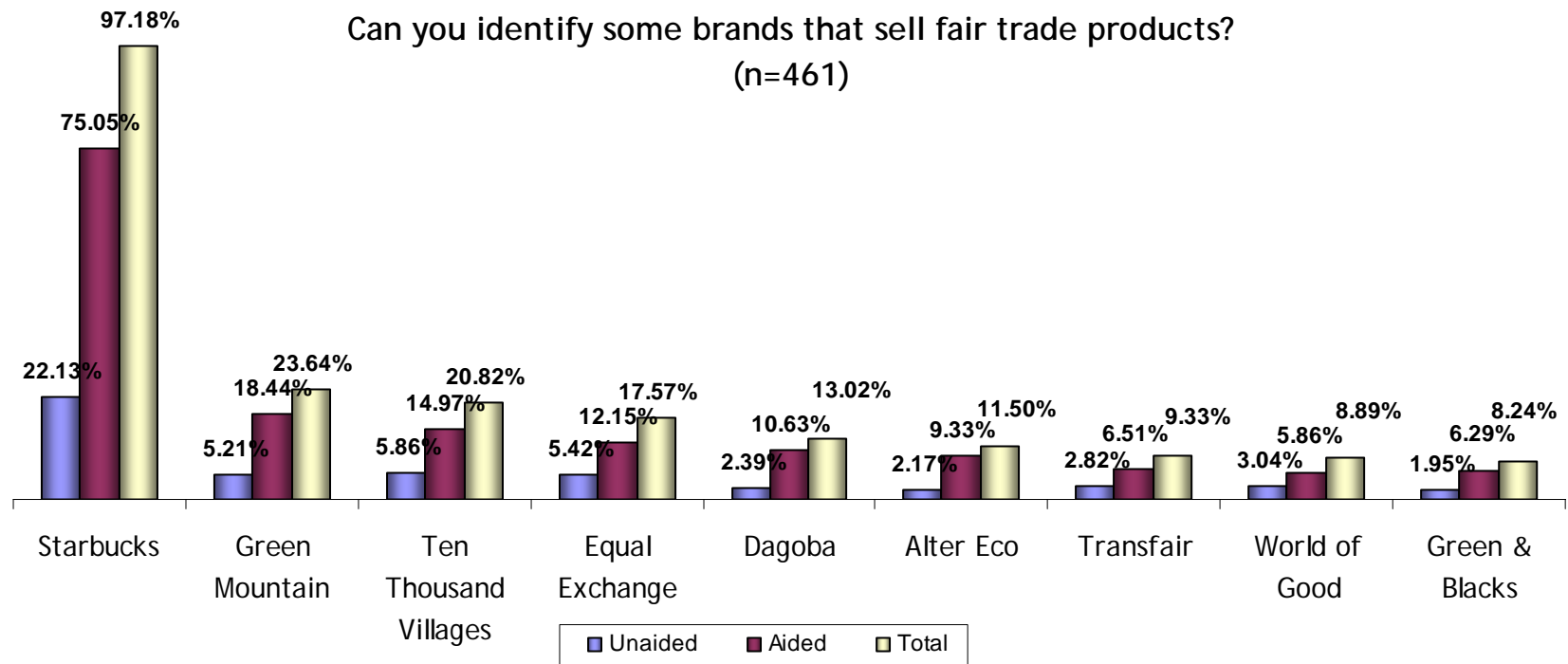
What do you like about fair trade products?
(n=254)





Fair-trade specific brands are not top-of-mind.

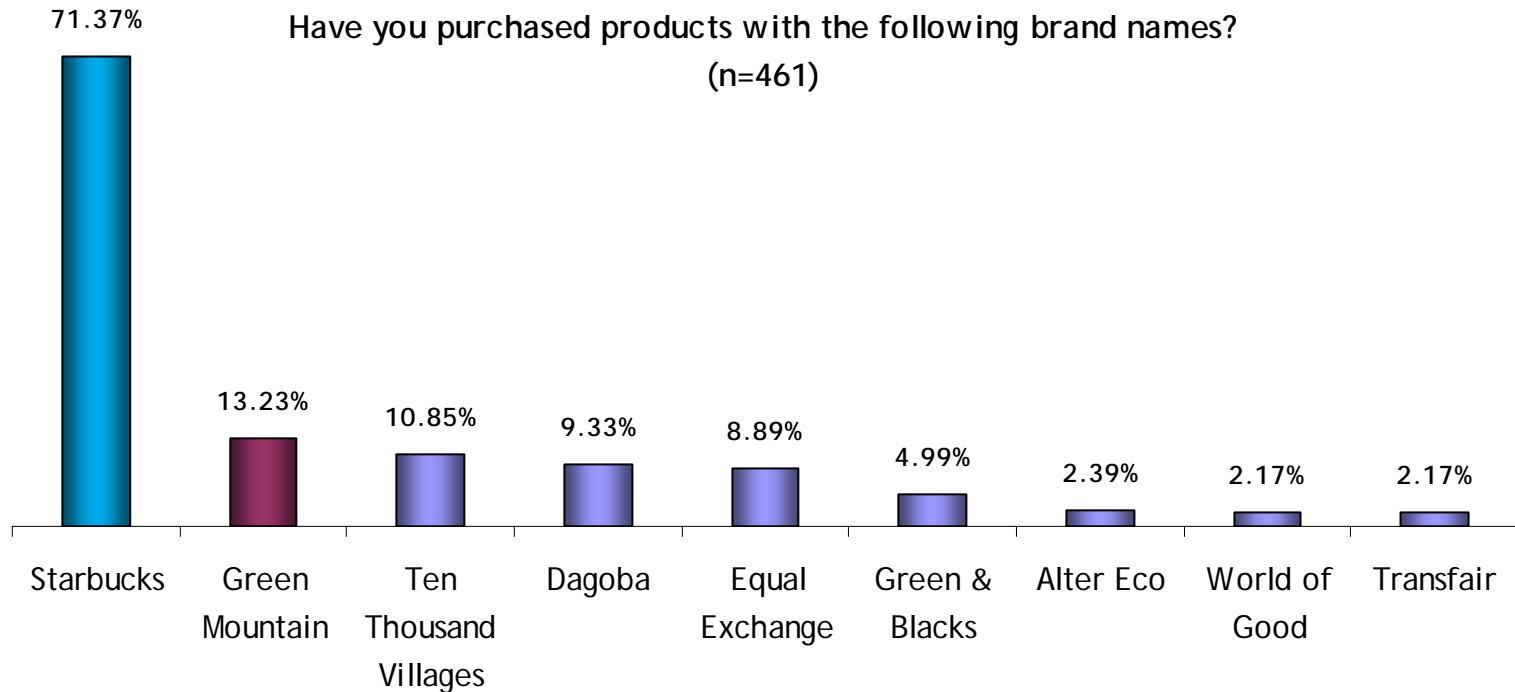
When asked to name fair trade brands, Starbucks dominated the responses. One in five (22.1%) named Starbucks as a fair trade brand unaided, and when aided Starbucks had almost universal recognition.





There are no dominant fair trade brands.

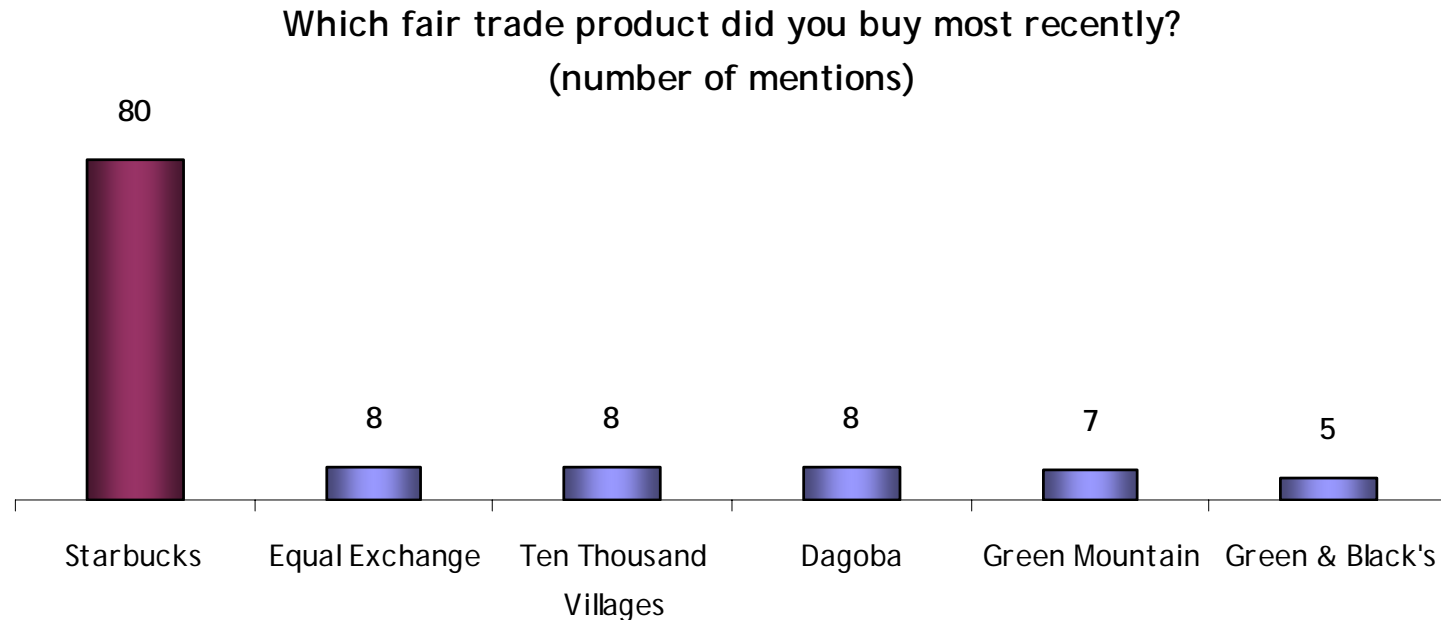
When asked about fair trade brands they have purchased, Starbucks is named by respondents more than five times as frequently as the runner-up, Green Mountain (71.4% vs. 13.2%). Among fair trade-specific brands, there is great fragmentation.





There are no dominant fair trade brands.

When asked about their most recent fair trade purchase, respondents named Starbucks most frequently.

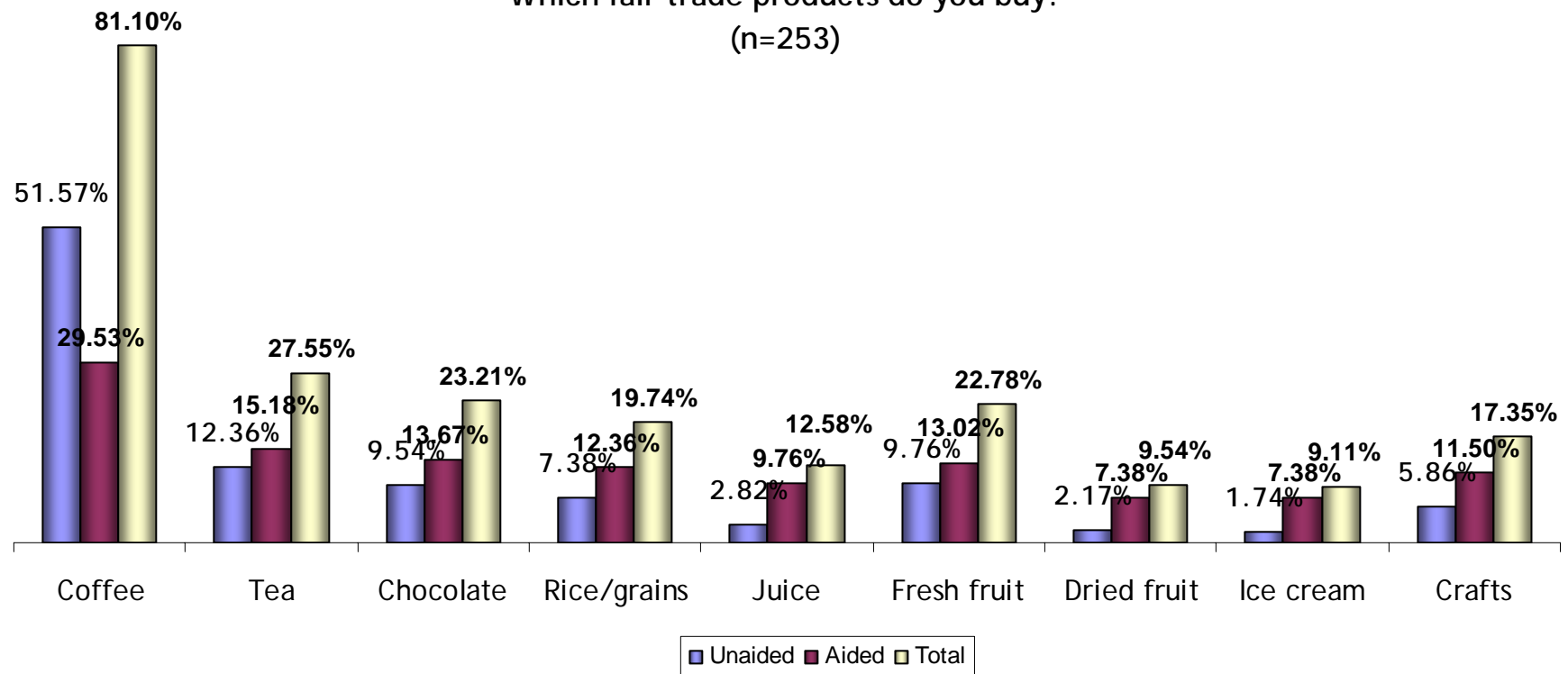


Coffee is the most common fair trade item purchased by respondents.



Half of consumers surveyed (51.6%) gave coffee as a top-of-mind response when asked what types of fair trade products they buy. Another third (29.5%) named coffee when prompted.

Which fair trade products do you buy?
(n=253)

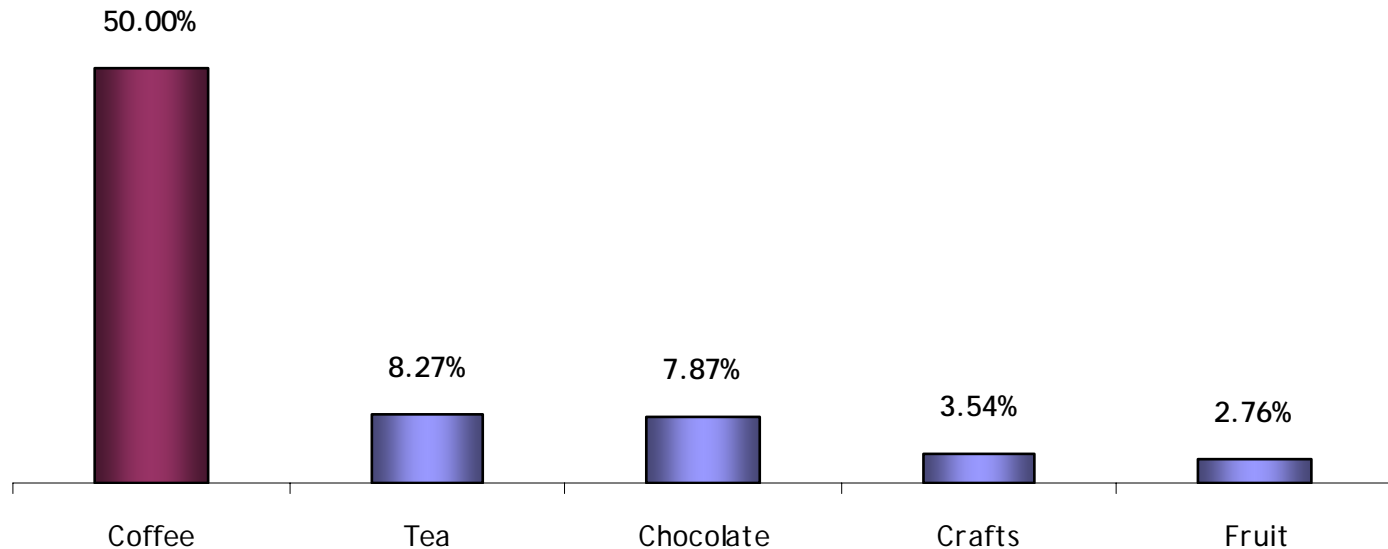


Coffee is the most common fair trade item purchased by respondents.



Half (50.0%) of consumers surveyed reported that their last fair trade purchase was coffee, dwarfing the incidence of recent purchase in other product categories.

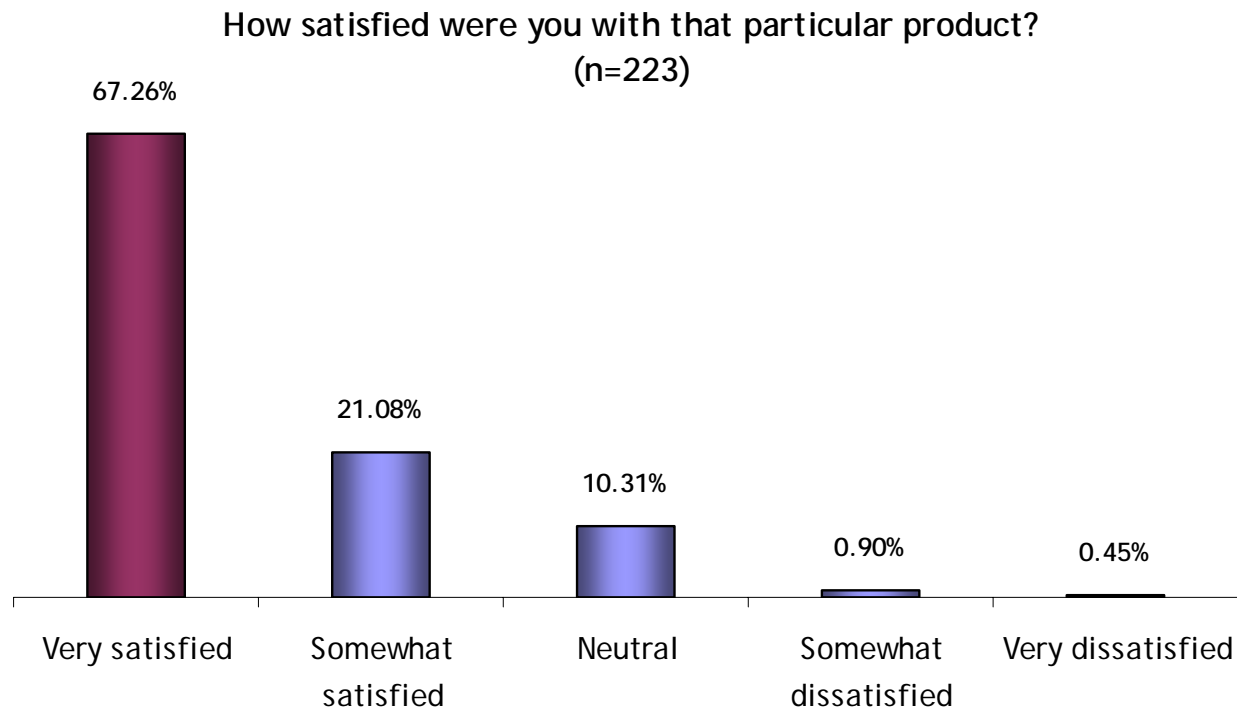
Which fair trade product did you buy most recently?
(n=254)





Consumers are happy with their fair trade items.

Among respondents who have bought fair trade items, two-thirds (67.3%) were very satisfied with their most recent fair trade purchase, and nine out of ten (88.3%) were positive towards this purchase.





Make fair trade easier to find.

Among respondents who have bought fair trade items, availability of these items in the right retail outlets (64.2%) and product categories (45.3%) are among the top attributes that would increase purchase frequency. Price was also mentioned by over half of respondents (59.1%).



Price is a barrier for those who have not previously purchased fair trade.



Among respondents who have not bought fair trade items, high prices was the most frequently mentioned barrier to purchasing (41.2%). As with fair trade purchasers, availability was also among the top barriers cited.



Those who have not previously purchased fair trade want more information.



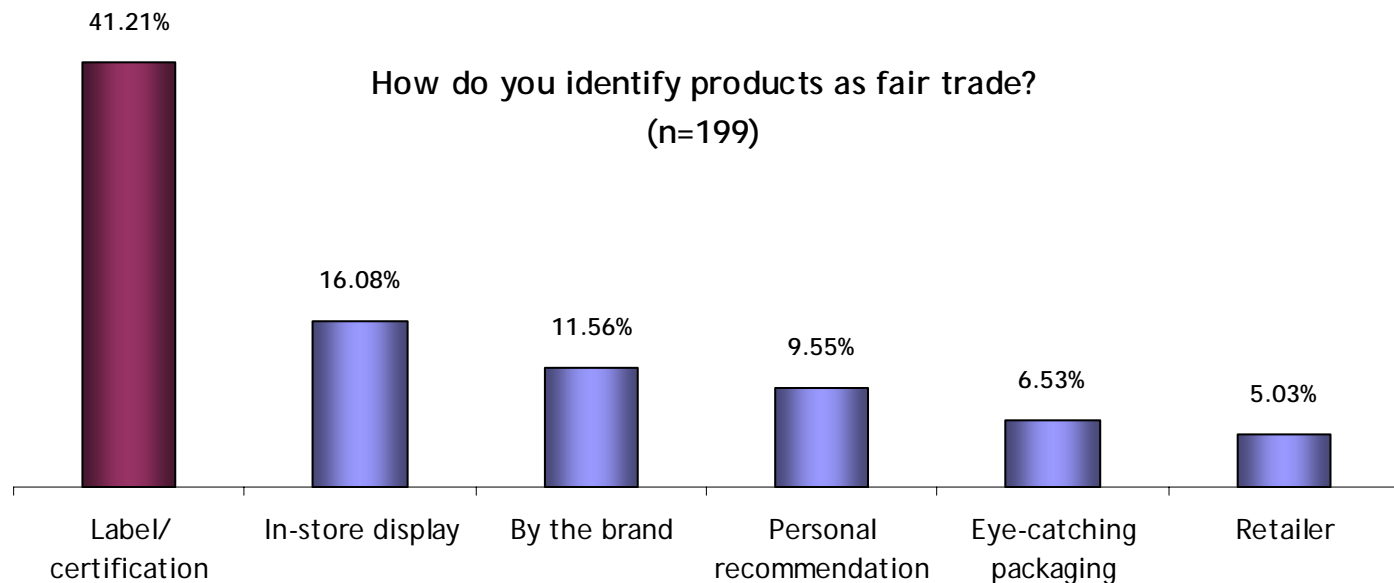
Despite the aforementioned price sensitivity, when asked what would help respondents become fair trade consumers, more information was by far the most frequently mentioned attribute (61.5%). This suggests that consumers may be willing to pay higher prices for fair trade items, as long as they understand why the prices are higher.



Labeling is important in attracting first-time fair trade purchasers.



Respondents who have not previously purchased fair trade items were most likely to cite labels and/or certifications (41.2%) as their method for identifying fair trade products.

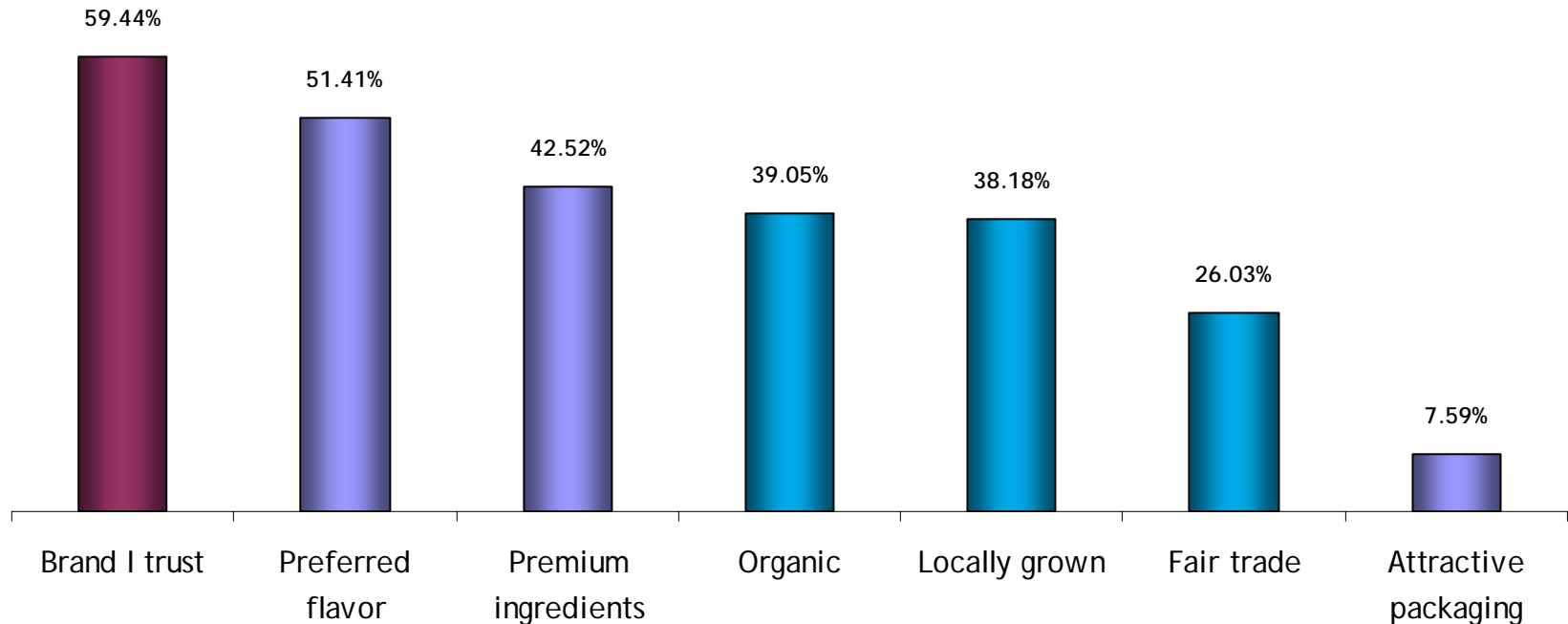




Trust garners a price premium.

Respondents are most likely to pay a premium for the ethical concern that directly affects them - trust (59.4%) – over considerations such as organic, locally grown, and fair trade.

Which of the following are you willing to pay a premium for in your grocery shopping?
(n=461)

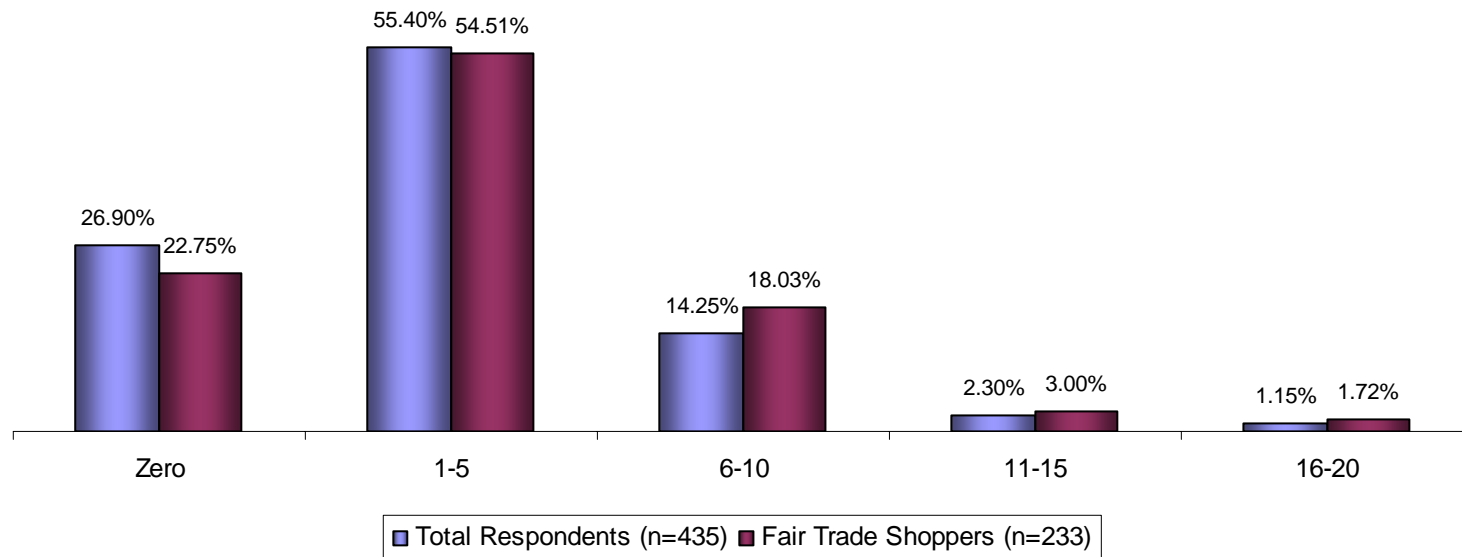


Most consumers buy some organic items in a typical shopping trip.



Three-quarters of respondents (82.3%) purchased one or more organic items during their last shopping trip, with total respondents buying 2.9 organic items on average. Among fair trade shoppers, the average was slightly higher at 3.4 items.

How many organic products did you purchase on your most recent grocery trip?

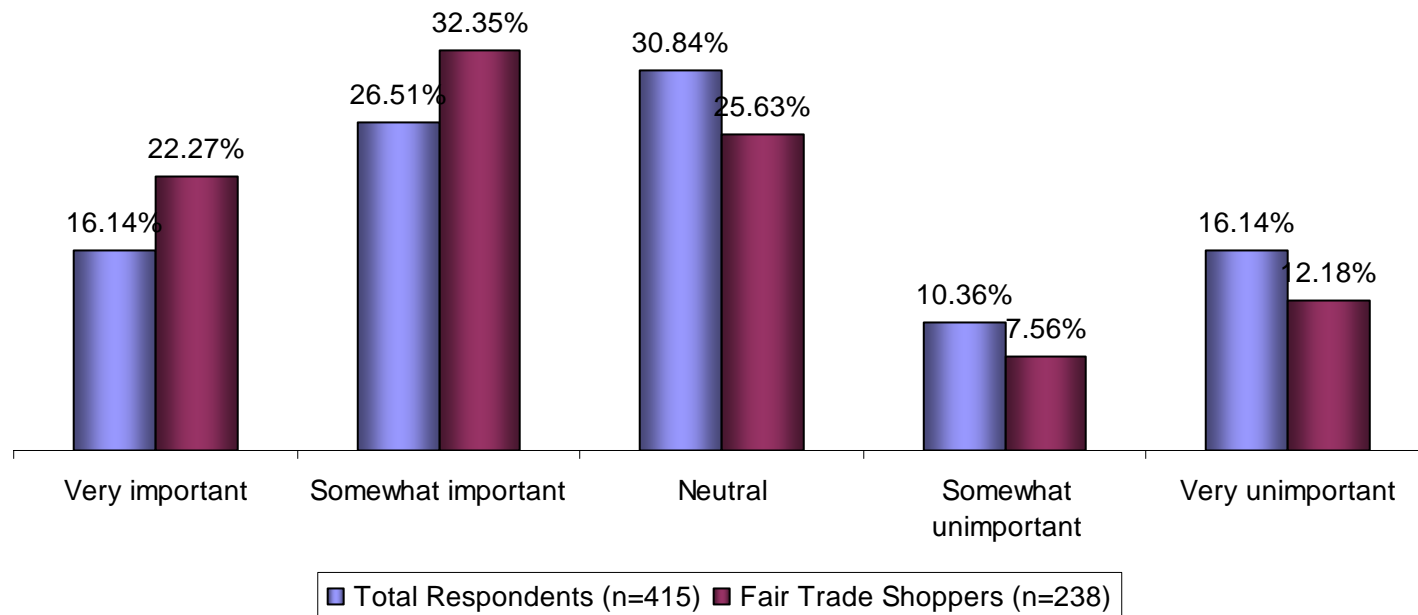


There is interest in items that are both fair trade and organic.



Over one-third (42.7%) of respondents say it is somewhat or very important that fair trade items are also organic. This figure jumps to just over half (54.6%) among respondents who have previously purchased fair trade items.

How important is it that fair trade products also be organic?





Average grocery spending is \$230.

Total respondents spent an average of ~\$230 per month on grocery shopping in the past month, while those who have previously purchased fair trade items spent a bit less with an average of ~\$200.

How much did you spend on groceries last month?

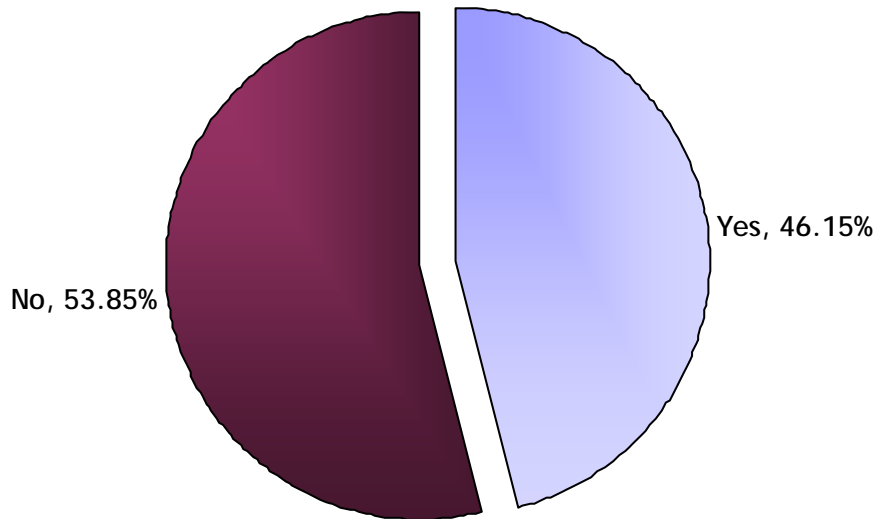




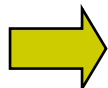
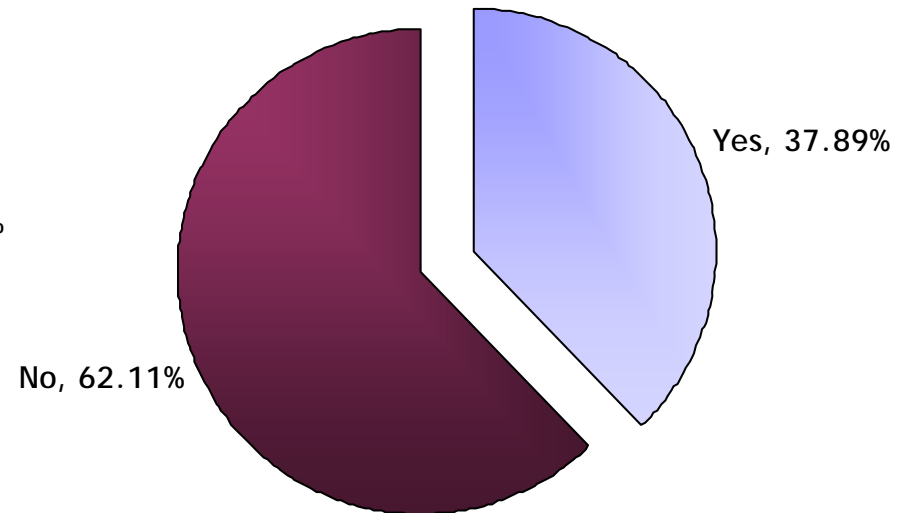
Availability of fair trade items is still limited.

Slightly less than half of respondents (46.2%) have seen fair trade products available where they normally shop, and one-third of respondents (37.9%) feel that availability of fair trade items would influence their choice of retailer.

Have you seen fair trade products available where you shop? (n=455)



Would availability of fair trade products influence your choice of where to shop? (n=454)



Could availability of fair trade items increase customer loyalty for retailers?



Conclusions

- Awareness of fair trade is fairly widespread, with two-thirds of respondents familiar with the term. Their interpretations of fair trade, however, vary widely, and indicate that many consumers are misinformed or uninformed about the concept.
- Mass media is effective in raising awareness of fair trade, with the majority of respondents learning about fair trade via TV, press, internet or radio. Word-of-mouth is also an important introduction to fair trade products.
- Availability and price are the biggest barriers to fair trade consumption, with availability factoring as a larger issue for existing fair trade purchasers, and price being more of a concern for non-fair trade buyers.
- There are no dominant fair trade brands in the minds of consumers. Starbucks has the greatest name recognition among respondents, despite the fact that Starbucks applies a proprietary standard (C.A.F.E.) for coffee production, which is somewhat different than fair trade.
- Few consumers are willing to pay a premium for fair trade items; however, most will pay a premium for brands they trust. This underscores the importance for fair trade brands to be authentic and transparent in their dealings with consumers.
- Availability of fair trade items is still limited. Less than half of respondents report seeing fair trade items where they normally shop. However, one-third of respondents feel that availability of fair trade products would influence their choice of retailer, creating an incentive for mainstream retail outlets to stock more fair trade items and help educate their customers on the benefits of fair trade.