

The Eras and Participants of Fair Trade

Dr. Iain A. Davies

Cranfield School of Management
Cranfield University
Cranfield
Bedfordshire, England
MK43 0AL
iain.davies@cranfield.ac.uk
Contact Tel: +44 (0)1234 752 211

Dr. Iain A. Davies is a Research Fellow in Marketing at Cranfield University. Having been involved in fair trade for over 10 years from grassroots to corporate level, he followed on to graduate with a PhD in “The Management and Implementation of Strategy in Fair Trade Companies” in 2005 from the International Centre for Corporate Social Responsibility at Nottingham University, where he maintains a role as a Visiting Research Fellow. He has previously been published in *The Journal of Business Ethics*.

Abstract

Purpose: This paper investigates the increased mass-marketing in the fair trade industry to provide a robust analysis of the industry, participants and growth for use as both a starting point for researchers in this field and as a case study for readers with an interest in any ethical trading initiative

Methodology: Utilising data from a longitudinal exploratory research project, participant observation from two organisations and in-depth interviews from a total of 15 organisations are combined to build strong theory grounded in the data.

Findings: The paper provides insight into the nature of participants and industry structure in fair trade over time. Four distinct eras are identified which reflect both current literature and the practitioners' perspective. The four eras can be split into 3 extant eras - *the solidarity era*, *niche-market era* and *mass-market era*, and the fourth - *the institutionalisation era* – depicts participants' beliefs about the future for the industry.

Research implications: The three principle theoretical contributions are the definitions which are provided for the different eras of the market's progression, the view of industry structure and the newly defined participants from both the commodity and under-considered craft markets.

Practical implications: Practical contributions are provided since the paper offers a holistic view of the fair trade market, so acting as a starting point for those new to fair trade.

Originality/Value: This paper provides deep empirically grounded theory from which fair trade research can grow. It also provides future insights from participants in the industry advancing current theory.

Key words: Fair Trade, Strategic Change, Mass-marketing, Industry Structure

Paper type: Research paper

Introduction

Fair trade has been a growing market world wide with annual growth rates of 22 – 56% by volume since 2000 (FLO, 2006) on fairtrade© labelled products. Switzerland has the largest market share for fair trade produce (mainly due small market sizes and high income), but according to the Fairtrade Foundation (FtF), the UK is the largest physical market, worth £140 million sales in 2004, with large year on year growth (46% in 2003, 52% 2004). In line with the sales growth, the number of participant organisations have also grown significantly from less than 20 having signed a Fairtrade Foundation licensing agreement in 2000, to nearly 150 in 2006.

Utilising an in-depth longitudinal method within fair trade organisations, this research builds a robust model of the changes in the fair trade industry in the UK. The paper integrates both existing literature and research from this study to identify a common set of definitions for both the participants and different eras within the UK fair trade industry. It then identifies the implications of these different eras for the fair trade participants and industry in general. It culminates with a review of where industry participants see the future of fair trade within the UK. This provides the first empirical support for conceptualisation about the mainstreaming of fair trade (Moore, 2004, Nicholls and Opal, 2005) and indicates some practicalities concerning the growth of fair trade in other geographies, particularly in Anglo-Saxon cultures where fair trade shows signs of following the same progression.

Mainstreaming of Fair Trade

Prior to the year 2000 (the beginning of this research project), very little had been written about fair trade in academia. Most work focused on ethical consumerism (Strong, 1996, 1997; Shaw, 2000; Bird and Hughes, 1997). Since 2000 the volume of research on fair trade has expanded covering areas as diverse as tourism (Cleverdon and Kalisch, 2000), marketing networks (Tallontire, 2000), retailing (Nicholls, 2003) and social auditing systems (Dey, 2000, 2003). However the largest growth of research has been on changes to the industry as it develops a mainstreaming approach to fair trade products. Table 1 summarises the contribution of the key papers and books in this area.

Author	Eras Identified	Methods
Tallontire (2000)	Four periods in ATO trade relationships with producers: Goodwill Selling (1950s-1970s) – Supporting initiatives by producers Solidarity Trade (1970s-1980s) – demonstrating solidarity with producers Mutually Beneficial Trading (1990s) – direct trading roots to demonstrate mutual benefit for producers and consumers Trading Partnerships (late 1990s) – Set criteria and using trade to fund development	Principle single case study of Cafédirect with some interviews and secondary data sources
Davies and Crane (2003)	Progression from alternative trade to commercialization in organizational decision-making	Single Case study of Day Chocolate Company
Moore (2004)	Discusses from both the producer and consumer perspective a review of the historical ATO based trade to a broader mainstreaming of fair trade produce	Normative – setting out a research agenda but based on extensive personal experience
Golding and Peattie (2005)	Identifies the increased commercialization of fair trade through Tallontire’s Goodwill Selling and then commercialization moving to a hypothesized third phase. This paper identifies problems commercialization create for future development and addresses some of these issues	Normative
Nichols and Opal (2005)	Identifies three phases in fair trade marketing from a network perspective. Phase one: Process Focus – emergence of ATOs, but little marketing, principally at point of sale. This then moves through to the emergence of Cafédirect marketing based on issue-awareness and the differences between fair trade and normal trade. This phase was principally supplier driven Phase two: Product Focus – repositioning fair trade on quality and lifestyle choice. Develop products on a demand basis and increase retail availability Phase three: Place Focus – widen consumer appeal by making it locally focused through initiatives in the community [this would actually be a throw back to early niche era marketing tactics but that is not explored in the book]	Mostly normative drawing on previously published case studies and Cafédirect marketing

As table 1 shows there has been some consideration of the mainstreaming of fair trade but predominantly these contributions have been normative, based on secondary data or on limited primary data. As such they have yet to provide sufficient evidence of mainstream fair trade with limited definitions and a focus on the critique of reasons for and impact of mainstreaming. In this paper we therefore provide more advanced definitions and critique of mainstreaming in fair trade, and are able to explore this further to investigate participants’ opinions on the future for fair trade in the UK.

Method

At the outset of this longitudinal study in 2000, there was a lack of extant theory in fair trade. It was therefore deemed appropriate to follow an exploratory line of enquiry, to develop new insights into this under researched area. This research context required developing theory through an unstructured approach (Miles and Huberman, 1994), allowing theory to emerge from the research data (Glaser, 1992). A qualitative, inductive research design was adopted using a participant observation methodology focused on observation, interviews and document analysis. The main research objective was to understand of how fair trade companies manage and implement strategies to be both profit making and maintain a strong fair trade brand,

The UK fair trade market is ideal to develop an understanding in this area for two reasons. Firstly, the UK has arguably outpaced most other countries in relation to the development of a commercially focused fair trade industry. As such, an analysis of the market in the UK can be used to inform other countries that are further behind in the markets' evolution. Secondly, the UK brands are beginning to expand into emerging markets such as North America, bringing their markets more in line with the UK perspective. Therefore the UK was deemed the most appropriate research context for investigating market trends in fair trade.

Participant observation was conducted over three years, amounting to 500 hours participant observation and used to inform 42 inductive interviews with 32 participants (Interviewee codes Cafédirect(CD), Day(DC) and Equal Exchange (EE)). A semi-

structured interview approach was taken to both obtain an appropriate level of comparability and allow unobstructed narrative.

To ensure internal validity and reliability, a constant comparative method borrowed from grounded theory (Barnes, 1996) was used, where actions and responses of multiple participants within the same organisations were compared against each other, the field notes and secondary sources. In line with Rubin and Rubin (1995) data sources were interpreted collectively to abstract underlying rationales from them and promote theory grounded in the data. External validity and reliability was increased through triangulation with both secondary sources and substantiative interviews with appropriate third parties. This led to a further 12 interviews (Interviewee codes, Fairtrade Foundation (FtF), Traidcraft (TC), One World Shops(OWS), Christian Aid(CA), CRG(CO), Twin Trading(TW), Sainsbury's (SA) Producer organisations (PR)) from across the industry and provided significant substantiation for data collected within the companies. Analysis was carried out through an inductive process using the tools developed for analysing grounded theory research as synthesised by Spiggle (1994).

Results

This paper provides three significant contributions which we will investigate in the three sections below. Firstly definitions for key participants are identified providing a bedrock for further theoretical discussion. Secondly, consolidations of the eras of fair trade are identified, and furthered thirdly, by providing an analysis of the strategic changes in the industry and organisations involved in fair trade.

The Mass Marketing of Fair Trade

Since fair trade's original conception in the UK, in the 1960's, and especially since its more formal status, in the early 1990's, fair trade has grown significantly and developed a greater market orientation. A distinction must be made regarding the different product categories available due to differences in the discernable trends. In principle the market can be dissected into two broad product groups: the Craft and Commodity related products. These predominantly differ in relation to the fair trade accreditation they carry. The craft sector, (including toys, furniture, books etc.) does not have a universal auditing and labelling infrastructure and is run by small organisations and charities. The fair trade guarantee is therefore based on the reputation of the organisations involved on a trust, or organisation "name" basis (Moore, 2004). Conversely, the commodity sector, relating to predominantly beverages and food stuffs, is principally independently audited by the Fairtrade Labelling Organisation (FLO)¹ which charges a small fee for auditing purposes and awards a mark to successful brands (owned by "Licensees"). Nevertheless, some organisations producing commodity products chose to self-accredit fair trade status.

Results - Fair trade participants

The distinction between the active participants of fair trade has not been fully described in literature to date. For instance, Nicholls and Opal (2005) identify some of the groups involved in fair trade such as alternative trading organisations (ATOs) and charities. Their definitions can be problematic from a practical perspective however, as with ATOs. Nichols and Opal (2005) include both religious based organisations and organisations

¹ The independent auditors for fair trade commodity products internationally (FLO). Their UK wing is called the Fairtrade Foundation (FtF)

with the aim of ‘offering products the opportunity to trade in the developed world for the first time, without the control of middlemen’ (p.20), as well as fair trade companies such as Cafédirect and Day Chocolate Company within the scope of the ATO definition. In fact they describe the fair trade companies as mainstream product categories launched by ATOs, which, although historically the companies were set up by money from ATOs, they are companies not products, and have significantly different aims. Further, Nicholls and Opal (2005) identify a significant number of organisations not falling under this category, such as Costa Coffee and Sainsbury’s, but do not expand on the commonality between these organisations. Therefore, these definitions are too limited to understand the process of fair trade. The research in this study identifies five specific participant groups of organisation involved in the marketing of fair trade products.

- **Fair trade authorities** include FLO, FtF and The International Federation for Alternative Trade (IFAT), these organisations oversee fair trade and audit related organisations, often awarding licences to carry marks of certification. They do not trade in fair trade products like the other four participants.

- **Fair trade ATOs** are not-for-profit organisations which have taken a significant role in fair trade development. This term is being used to cover both charities and ATOs such as Oxfam, World Development Movement and Twin Trading. These organisations generally work closely with producer communities to improve standards of work and living. Their purpose in fair trade is using products to create awareness of developing world poverty and pushing any residual profit back into the communities in which they work. They are not profit driven.

- **Fair trade companies** including Cafédirect, Day, Equal Exchange etc. They are organisations set up with a specific fair trade agenda / ideology to undertake logistics and marketing of fair trade products for profit. The companies focus specifically on fair trade products and have little if any products not of fair trade origin. They are typically classified as ATOs, but require separate consideration because they are companies, set up with specific commercial *and* ideological objectives, and as such have a dual organisational purpose of:

1. Increasing sales volume / profit and
2. Ideological purpose (shared by many fair trade organisations including those in this study) based on two principles:
 - a. Having close relationships with fair trade licensed developing world producers and assisting in their growth through higher prices and community projects
 - b. Influencing change in the current market system to improve conditions and income across the entire market

Table 2 demonstrates both the formal written organisational purposes of the three main case organisations in this study as well as the interpreted organisational purpose as espoused by the interview participants.

Table 2: Case Company Missions

Company	No. Employees	Mission	Interpretation of Missions
Equal Exchange	5-8	Demonstrate alternative trading through relationships	Assist the developing through building relationships
Cafédirect	20-30	Pioneer fair trade into mainstream to maximize sales and therefore grower income	Increase volumes to pass more money back to growers
Day	10-12	Demonstrate successful Alt. Trading to drive change in cocoa industry and pass profits back to growers	Increase volumes to improve our profits we then share with growers

- **Fair trade adopters** are organisations that existed prior to fair trade coming to the businesses consciousness, but have since been significant adopters of the ideological principles as demonstrated in the second of the organisational purposes of fair trade companies above. Adopters are predominantly organics companies that offer fair trade products within their range and include Green and Blacks, Clipper and Percol.

- **Fair trade branders** including Sainsbury's, Fyffes and Nestlé are companies who predominantly deal in non-fairtrade marked products but have fair trade as a brand extension to a pre-existing line of products. They are unlikely to be significant adopters of the fair trade principles across their business, but have produced own label fair trade products to capitalise on the market growth. Unique to these organisations is that they already had significant market share in the traditional mainstream market segments where fair trade began to appear and were initially hostile to fair trade initiatives, but as the market grew identified a growth potential in the market or a threat to existing sales. For example, one major supermarket stated in 1994 that "only vicars would be mad enough to buy [fair trade] products" (The Observer, 2006), but now have their own brand of fair trade. Similarly in 1998 Nestlé led a consortium of the dominant coffee companies against the government who were in support of the fair trade initiative *Coffee Challenge*, where the government's definition of fair trade was labelled as "flawed" (CBI in The Guardian, 1998, p.22) and *coffee challenge* was considered "misleading, misguided and unprecedented" (British Soluble Coffee Manufacturers' Association, in The Guardian, 1998, p. 22). However by 2006 Nestle created their first fair trade brand based not on any ideological belief about the benefits of fair trade but on their ability to sell it.

“We researched the market and we found that there are consumers out there who are very interested in development issues that are probably not currently buying a Fairtrade product, and they would be attracted into this market by the strength of the Nescafe brand”, says Hilary Parsons, head of Partner's Blend Project at Nestle UK’ (BBC website, 2006)

Lastly, Cadburys’ recent purchase of a significant stake in fair trade adopter Green and Black is contrary to their 2002 statement:

“We do not believe it is possible to manipulate or regulate the market for a crop that is produced in many different countries and consumed in many different markets,” the company says. "In addition, the majority of cocoa farms are small family-owned operations in rural areas. They are not part of a co-operative group and are therefore unable to benefit from the fair trade system. Fair trade accounts for less than 0.1pc of all cocoa produced, with the actual economic benefit to farmers therefore being very limited.’ (Cadbury’s Schweppes (The Daily Telegraph, 2002))

Clearly these ‘branders’ have little link with the second organisational purpose of fair trade companies and use fair trade solely as a vehicle for either protecting or building market share.

Definition Summary

The latter four types range across the spectrum from *fair trade ATOs* to *fair trade branders*, dependant upon whether and to what degree the purposes of their involvement in fair trade are driven by ideological or volume purposes Figure 1 illustrates the relationship between the four types of organizations found in this study. We then see the non-trading fair trade authorities and their sphere of influence over the fair trade industry.

[Take in Figure 1]

Results - The Eras of Fair Trade

This study resulted in a four era model of fair trade, expanding on the previous models, and provision of a clear empirical foundation for the proposition of the mass-marketing of fair trade. Table 3 identifies these eras and summarises the topics discussed throughout the paper.

[Take in Table 3 – see end of paper]

Prior to 1990 fair trade was focused on the dissemination of information about poverty and the crippling nature of market prices on many producers in developing countries. This period of solidarity with the developing world (Tallontire, 2000) was driven by charities and campaigning organisations, and can be termed the *solidarity era of fair trade* (~1970-1990). However, since the inception of fair trade labelling through the FLO, and in the UK the FtF, most other organisations already involved in fair trade became more commercially and business orientated. Therefore, they attempted to sell more fair trade products as a means to assist the producers in developing countries and increasing consumer awareness as a result. At the same time a group of specialist profit seeking fair trade companies became established, aiming to create a profit from a core group of ethical consumer, this is termed the *niche market era of fair trade* (~1990-2002). More recently however the number of companies becoming involved in fair trade has expanded, where the principle focus is on becoming a leading brand in markets. This is termed the *mass-market era of fair trade* (~2002-) (Davies and Crane, 2003, Moore, 2004 and Renard, 2003b). Finally, we discuss a hypothetical fourth era of fair trade as

discussed by participants where craft products also begin a process of mainstreaming, alternative authorities emerge and greater numbers of mainstream organisations adopt fair trade as a brand extension to existing lines. As a consequence, the meaning and principles of fair trade will over time become partially lost as customers begin to assume fair trade runs across all product ranges from companies with fair trade brands. Therefore from the customers' perspective, fair trade becomes institutionalised as a pre-requisite to trading in the industry, regardless of the extent to which this has happened.

The Solidarity Era (1970 – 1990)

Industry structure and participants - During the solidarity era, craft products provided the bulk of sales. Sold predominantly through mail order, as with Traidcraft or in not-for-profit and charity shops, such as Oxfam or specialist ATOs. Religious groups such as churches were also targeted with presentations and small church shops distributing produce. The industry was generally unregulated despite the creation of some fair trade authorities (Figure 2) and the fair trade guarantee was based purely on the “name” of the ATO involved. Campaign organisations and ATOs worked closely both together and in grower communities making a direct link between producers and customers in the developed world. ATOs often had vertical integration all the way from purchasing products through to retailing in specialist stores or through mail order. As such it was a simple industry structure with the focus heavily skewed towards meeting producer rather than consumer needs.

[Take in Figure 2]

Organisational Purpose, Strategy and Marketing – The purpose of ATOs in this era was heavily orientated to “lobbying and awareness raising” (TC1) about poverty in the under-developed world. Many organisations, such as Campaign Coffee, were run by volunteers with close links to Voluntary Service Overseas (VSO) or similar initiatives. Traidcraft, Oxfam and Twin Trading were some of the bigger organisations but were not run on a purely voluntary basis. However the focus of all the organisations’ was viewed by participants as showing their solidarity with the producers.

Products were undifferentiated, and the ATOs aimed to “sell whatever they could source” (DC2) rather than identifying a market to serve. This product orientation had two knock on effects for the market. Firstly, customers soon bored of the limited choice – DC6 reminisced about receiving the mail order catalogues and thinking “gosh! another basket, how are you going to sell this”, and secondly quality was often poor with little or no quality control. For instance 1980’s fair trade coffee “tasted awful but the product was a vehicle for raising awareness not a consumer product” (EE1). Products were therefore secondary to the values they represented and aimed at a limited market niche of individuals wishing to show support for the ATO’s work in underdeveloped countries (Tallontire, 2000).

A limited number of the commodity products such as coffee became available which promoted a “political message” (EE1) predominantly over branding, quality or mass-market appeal. As such they came in plain, unbranded packaging with leaflets and information for consumers on developing world issues. **Participants recall the Solidarity**

Era of fair trade as a campaigning period, providing limited numbers of products, aimed at raising awareness to social issues such as poor living standards, in regions of the underdeveloped world.

The Niche Market Era (1990-2002)

Industry structure and participants – During the niche market era, unbranded craft products continued to be developed and grow in sales through world shops across the UK. The craft products remained relatively unbranded, but were commonly sold by for-profit organisations as well as the charity shops such as Oxfam. One key change was a review of the supply chains of products going into fair trade shops through BAFTS (British Association of Fair Trade Shops) and IFAT (figure 3). Although not using a label as such, the associations worked to facilitate the flow of information and a set of self-assessment guidelines necessary for membership to the bodies. For example, IFAT is a worldwide membership organisation, consisting of approximately 110 producers of crafts and 50 buying organisations, which it brings together to trade and share information (IFAT, 2003). The guarantee of fair trading, however, is still based on what Moore (2003) refers to as the “name” of the ATO. Since an independent audit of the suppliers does not occur, the ATO’s reputation is the only consumer guarantee of a product’s fair trade status.

[Take in Figure 3]

In the commodity sector one of the revolutionary moments in fair trade was created with the explosion and later consolidation of national fair trade initiatives and labelling. Following on from the Max Havelaar Mark as created in the solidarity era, a number of

national initiatives began to emerge in different countries, with the similar aim of auditing, accrediting and labelling fair trade commodities (Figure 3). The separate national bodies then identified a united set of fair trade principles and formed the FLO in 1997 to oversee the accreditation of the labels to farmers and importers, leaving the consumer guarantee of fair trade status to national bodies.

Through this labelling initiative it became easier for smaller organisations without a well-known reputation to provide a guaranteed fair trade product. As such there was a growth in both the number of companies and number of products available on the market. Cafédirect was created just before labelling commenced in the UK but was one of the first brands to really gain the advantages of labelling. Despite being set up by a number of ATOs with good reputations, carrying a guaranteed label facilitated sales of its products regardless of consumer knowledge about its ownership structure. Labelling also facilitated the emergence for many other fair trade companies such as Day and Agrofair and fair trade adopters such as Green and Blacks, Clipper Teas and Gerber Juice (Fruit Passion).

With the increase in participants, the distribution of fair trade also increased, especially within supermarkets, who stocked fair trade for the first time in 1994 (figure 3). At the end of the niche market era we also see the first own label fair trade brands from the likes of Co-operative Retail Group (CRG) and Starbucks. This in turn led to an increasing market for both crafts and commodities through online sales and a reduction in representatives as the primary vehicle for sales and distribution. **The niche market era**

was therefore one of growth in product volumes, distribution and participation, principally driven by the changes in organisational purpose.

Organisational Purpose, Strategy and Marketing – in the niche market era there is a significant expansion in the distribution and availability of fair trade commodity products. Driving this move was the emergence of companies focused on providing higher quality products to meet customers’ expectations and provide sales volume rather than communicating a particular, political message. They moved away from the former solidarity basis of early fair trade to compete in the “mass-market against leading product category brands” (EE1). With the ownership and guidance of the existing ATOs, new fair trade companies such as Cafédirect and Day, emerge. Simultaneously, a limited number of fair trade adopters such as Clipper and Green and Blacks began producing fair trade brands. ATO’s such as Equal Exchange also began to refocus their organisational purpose towards a commercial approach from the former campaigning position.

“As the charities started to take on trade campaigns we had to refocus... The business was taking up more and more time and we couldn’t go on as volunteers. We had to change and focus more on volumes and making a profit to ensure we could do this for a living.” (EE1)

These new organisations and even existing organisations began to make fair trade about trade, not campaigning. ATOs such as Oxfam and Traidcraft began to expand the lines of products they had on offer from crafts into commodities and expanded distribution. The new companies and adopters were not supported by donations like the charities and had to make a profit to survive. This was the emergence of profit / volume driven organisations (Purpose 1). Sales volume became essential in terms of both creating

profits and as the means of achieving the second purpose - assisting the developing world. However this did not go without producing conflict in the industry between the old and new methods of fair trade:

“There was back when Cafédirect started in mid 1990’s a definite battle within the fair trade movement, that what was important for the [purist] fair traders was that fair trade was to be alternative trade the whole way through and only sold in alternative shops. This is fine and dandy if you have ten nut producers and want to sell one bag of nuts but not if you want to increase your sales.” (DC2)

The marketers won the day, but despite this movement away from the ideological foundations of the ATOs, they remained key participants through both ownership of many fair trade companies and movement of employees from the ATOs to the companies. As such the new participants still view fair trade from a political position, but using fair trade products and market pressure through sales, to leverage the current economic system (Purpose 2) rather than lobbying and campaigns. For example, DC1 comments on Day attempting to “change the chocolate market” through sales volume, CD2 discusses the objective of “enhancing lifestyles” in the developing world through increased sales and EE3 discusses Equal Exchange as being “an example to the market place of a successful alternative way for conducting trade relations”. The ideological purpose of fair trade was therefore still strong in fair trade companies despite the ruffled feathers of some of the purists. The move towards commerciality had begun, despite the strong remnants of the ideological purpose.

The underlying core of ideological values is seen in many of the business functions of the niche market period. Joint Ventures between companies were limited to partners who had

a “proven track record in fair trade” (DC1). As such the only joint ventures in the niche market era are between ATOs, fair trade companies and adopters with long standing commitments to fair trade, e.g. Equal Exchange and Twin Trading (Jams), Twin and The Body Shop (Day Chocolate Company) and Day and the Co-operative Retail Group (see. Davies and Crane, 2003). Suggestions of working outside of these groups, with McDonalds or Walmart (ASDA in the UK) were quickly discarded. In particular it is noteworthy that Day was reticent to enter into a joint venture with Sainsbury’s in 2001,

“That really could undermine our position. So I think we would have to see about that. Would it corrode our sales. our ethics, was it a growing sector? ... We have to ask ourselves what their intentions are, and is that a justifiable thing to be doing?” (DC1)

Yet by 2003 (in the mass-market era), Day were the suppliers of Sainsbury’s own label fair trade chocolate. As such the niche market era was a period of commercial growth limited by ideological objectives.

This limiting of the growth had its knock on effect onto products. Although of higher and more consistent quality and sold as brands, the commodity products were both branded and marketed in a way that limited their market appeal. A review of the advertising history on any of these companies (see especially www.cafedirect.co.uk advertising history pages) provides a valuable insight into the marketing approaches used in this period. Particularly in relation to the use of producer testimonials and a focus on poverty as the key brand message. As such the mediums used for marketing focused on customers with existing political purchasing or gift giving agendas through alternative media like public meetings, ethical trade press, charity mailing lists and church groups.

Mass-market Era of Fair Trade (2002 -)

Industry Structure and Participant – in the mass-market era the industry structure in both craft and commodity markets remained relatively similar to the niche market era (see figure 3) with three changes. In craft markets there is a move towards standardising an audit and certification system with IFAT developing a fair trade craft labelling scheme. The other major industry structure change is the increase in independent retailers such as newsagents, independent grocers and service sector organisations (coffee shops, cinemas, restaurants etc.) encompassing fair trade products in their ranges. There has also been a proliferation of distribution through other channels such as caterers, in company canteens and airlines (MyTravel Northern Europe and First Choice). As such the market is becoming open to universal distribution rather than specific channels providing the only market outlets.

As for participants, the biggest sector for growth in the mass market era has been the emergence of fair trade branders, in particular supermarket own branding with Sainsbury's and Tesco's and new entrants from traditional product market leaders like Nestlé. Allowing large companies to carry fair trade is a critical turning point because the original principles of the Authorities (particularly the Fairtrade Foundation) were to:

“provide a certification mark to small and medium sized organisations with a particular interest in the developing world. We would not award licenses to a major brand or multinational company because we can't control that and we would struggle to believe that they were actually interested in the long term development of fair trade” (FtF1 in 2000)

The original own labellers diverted this by using the existing licensees such as Day to sit as a middleman holding the licence and ensuring the fair trade status of products.

Starbucks was probably the first large, non-ATO organisation to be awarded the mark. This was achieved by working with Transfair (FLO representative in the USA) to convert their existing suppliers towards fair trade principles. Since that time however, other organisations have been awarded licenses to carry the fair trade mark by purchasing existing quantities of fair trade produce on the open market. Therefore one of the original principles of the FLO/FtF has been modified to match the changing demands of the market. The threat of large organisations self-accrediting or using alternative labelling initiatives (such as the Rainforest Alliance Mark in coffee) has forced FLO to lessen the threat from competing initiatives. As such the emergence of new large fair trade branders and threat from competing authorities are key changes to the industry structure and participants.

Organisational Purpose, Strategies and Marketing – in the mass-market era of fair trade most of the fair trade companies and existing fair trade adopters began to broaden their marketing focus. In this period there is an identifiable re-branding by many major participants. For example, Cafédirect re-branded their instant coffee from Cafédirect to “5065” and accompanied this with evocative branding, marketing and a reduction in the size of the fair trade mark and grower comments. Similar initiatives were undertaken by Clipper, Equal Exchange and Day, ATOs such as Traidcraft “identify brand as the future for fair trade” (TC1) and employed marketing consultants to revolutionise their marketing activities. The rationale for all of this re-branding activity was the realisation that:

“[T]o grow the markets as much as possible to maximise the benefits to farmers and especially for [Cafédirect] now are 10 years old, they have hit a market share that is 4-5%

...which would suggest that they, on the information that is currently available, have hit the top of their core market. Core ethics can only get you to 3%. And therefore to go off and grow the market above that you need to hit the much more brand aware customer. You know, not bad customers but not based on core ethics. And therefore you are going to have to market in a traditional way and you are going to have to spend more money because that is traditionally how marketing happens... As we grow it will be no different” (DC1)

In the mass-market era it has therefore been a priority for existing fair trade ATOs and companies to start repositioning brands to expand the target market.

As such marketing of fair trade has expanded significantly based on market influence and changes in the types of participants (with different beliefs on the relative importance of volume over ideology). We see adopters such as CRG and Branders such as Marks and Spencer advertising fair trade produce on television. Even fair trade companies such as Day were able to take advantage of television opportunities to expand the marketing. Spending on marketing in most fair trade participants increased significantly as fair trade attempted to tap a wider market audience with a quality brand message.

Simultaneously, fair trade has seen an increase in market segmentation within existing markets. For example, Equal Exchange designed a product category called “It’s Our Coffee” to try and segment the existing market:

“The new coffees offer the opportunity to re-enter the market with a little bit more of a politicised message, a little bit more of a vibrant, younger, challenging message. Which nobody else is doing, it is looking all rather the same, a little bit stale! The fair trade message is ripe to be segmented” (EE1)

We are also seeing increases in the level of “grading” of products from basic to premium quality, mirroring the existing ranges available on the shelves. All of this is aimed at building a stronger market position and to cannibalise sales of non-fair trade marked products.

In relation to the physical volume of different products, fair trade has exploded from beverages, sugars, fruits, nuts products and confectionary to cover a plethora of products which continually grows to include rice, flour, footballs, flowers, wine etc. There is no end to the number of products ready to become fair trade and the only two restrictions on growth are set by the FLO; how long it takes to get supply chains accredited and products must come from countries in the “South”.

Institutionalisation

There has been a vast variety of opinions and points of view from interview participants on where fair trade will move next. It is clear in the first instance that more products will become available as the queue for accreditation by the FLO gets bigger. There is also going to be increases in fair trade within the service sector, as many organisation switch to fair trade products as part of their bundled packages (e.g. sugar on airplanes or in restaurants). There is also a trend of organisations offering fair trade teas and coffees in corporate headquarters as part of an overall CSR strategy. However the wider considerations for fair trade in the long-term are more uncertain for participants. The key issues they identified are set out below and cover the devaluation of the fair trade mark, loss of control by fair trade authorities, fair trade enforcement by companies, branded

crafts and eventual institutionalisation (possible industry structure summarised in figure 4).

Devaluation of the Fairtrade© Mark - A major fear of current participants, especially the authorities, is a growth in alternative trading initiatives offering broadly similar objectives and principles to fair trade. The Rainforest Alliance is a key example of this where cause-related marketing initiatives are viewed as reasonable alternatives to fair trade (Kenco and the Eden Project have gone with the Rainforest Alliance for their “fair trade” coffee brand). There may therefore become a number of authorities viewed by consumers as in the same market, all offering slight variations on the same issues. Linked into this is a fear about organisations using fair trade as two words (fairtrade© as one word is copyrighted by the FLO) to sell to consumers without independent auditing. Some organisations, such as Forest Fruits (subsidiary of Kestrel Foods), are already offering “fair trade” products to compete alongside fairtrade© products which may cause more confusion amongst already confused consumers. For instance Mintel (2004) found most consumers still do not know the difference between fair trade and organics.

Loss of control - Another major fear is that the FLO would “not be able to control the likes of Nestlé, if the product didn’t sell they would just drop it and that’s not what fair trade was about” (EE3). By allowing organisations with a questionable historical record with the developing world, many participants felt betrayed by the FLO and FtF and that the floodgates had been opened to anyone able to gain the mark, without ensuring long-term contracts with producers (as currently required under the FLO principles).

Participants perceive the increase in branders entering the market as forcing fair trade companies and adopters back into niche market strategies as the mass-market is denied to all but the already brand strong companies. This would therefore accelerate the dilution of the ideological purpose of fair trade.

Fair trade enforcement - A further knock on effect of the opening of the flood gates to fair trade is perceived as an increase in fair trade enforcement. By this we mean buyers forcing fair trade conditions back down the supply chain. Starbucks is a great example where, rather than change suppliers, Starbucks worked with existing suppliers to develop the appropriate capabilities to meet the demands of fair trade. Up until that point it had been ATOs such as Twin Trading that had worked with volunteer producer groups to develop the capabilities. Fair trade may therefore become a more demand, rather than supply, driven initiative.

Branded crafts - The craft market is also perceived as a new point in fair trade evolution as it attempts to catch the commodity market in its market orientation. To date crafts have remained a growing market, but have not expanded into high quality, brand oriented initiatives. Over half of respondents identified apparel as a soon to be growth area as fair trade cotton became widely available, companies will exploit the opportunity by producing fashion orientated clothing, as opposed to the limited selection of plain goods currently available.

Institutionalisation - increasing customer demand for fair trade still looks likely, especially in business to business relationships. However, with the predicted devaluation of the fair trade mark and increasing concessions made by the FLO to organisations, to maintain the FLO control as the principle body for fair trade accreditation, there is perceived by participants a significant likelihood of weakness in eligibility criteria. Significantly in relation to this are moves (such as in the cocoa industry) to undertake initiatives to ensure reductions in child and forced labour throughout industries (this being one of the fair trade principles). **There could therefore be a greater convergence between fair trade and standard market practice.** Similarly organisations are coming under increasing demands to implement CSR policies which again should bring them closer in line with fair trade principles when these are translated into supply chain initiatives. In the consumers mind there will therefore be less to differentiate fair trade from other market offerings and eventually consumers see too-little difference to make fair trade a viable alternative and justify the extra cost. Through this fair trade becomes a “one-of-many” offering, promising similar results for the developing world. The bigger brands will therefore survive and companies with successful niche strategies will probably continue. However fair trade could be viewed as being institutionalised in the normal market mechanisms and become of lesser importance to consumers as other issues (such as climate control) begin to take more media and organisational focus.

This is not to paint fair trade’s future in a negative way, in fact **many of the longer term fair traders would see institutionalisation as the original intention of fair trade,** to create change in the market. Successful brands will still prosper and developing world

producers benefit, nevertheless, the impetus behind the initiative must eventually mature or fall back into its original niche markets.

Conclusion

Fair trade has adopted an increased commercial orientation in the UK over the past 15-20 years. This paper has identified the implications of this for the companies and the industries in which they work. As such it provides three groups of theoretical contributions, one empirical contribution and one practical contribution to the literature. The first group of theoretical contributions is the formulation of the three extant and one suggested future for fair trade. Through this we also provide the empirical contribution to the proposition that there has been a main-streaming / mass-marketing of the fair trade ideology, proposed by Davies and Crane (2003), Renard (2003b) and Moore (2004). Further to this a second group of theoretical contributions come in the form of definitions of the key participant in fair trade through these eras to provide long term homogeneity in how fair trade is discussed in academia. Thirdly, theory has been advanced through the production of supply chain structures indicating the common industry format across different periods in fair trade development. As such this paper provides concise encapsulation of the development of fair trade of use to both existing and future researchers in the industry. It however also provides a practical illustration of the most advanced market orientated fair trade market of benefit for organisations of different nationalities who are just beginning to develop stronger commercial fair trade propositions and other interested parties.

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Table 3: Summary of findings in relation to the Eras of fair trade

ERAS	Participants	Strategy	Principle products	Product Range	Distribution	Branding	Marketing
Solidarity	ATOs Some become companies	Raise awareness, Demonstrate solidarity with developing world	Craft Products: Pin cushions, Baskets, Bags, Ethnic Art Commodity Products: Coffee ranges	Very limited Inconsistent / Poor Quality	Mail Order Limited world shops Representatives	Limited Product Branding	Solidarity focused Campaign leaflets Presentations (Principally church based)
Niche-market	ATOs Authorities Companies Some Adopters	Appeal to groups of ethical consumers	Craft Products: Pin cushions, Baskets, Bags, Ethnic Art, Furniture, Toys Commodity Products: Coffee, Tea, Chocolate, Cocoa, Sugar, Nuts, Fruit	larger ranges of brands (e.g. speciality coffee) Improving Quality More consistent	Supermarkets World Shops Mail Order Online Limited Representatives	Labelling - commodity Branded Fair Trade products	Solidarity/ethical consumer focused Press Relations (e.g. newspaper articles) Public Relations (e.g. public meetings) Print Media Promotions Limited Celebrity endorsement Limited TV Advertising
Mass-market	Fewer ATOs Authorities Companies Adopters Branders	Appeal to a broader range of consumers in multiple segments	Craft Products: Pin cushions, Baskets, Bags, Ethnic Art, Furniture, Toys, Clothes, Books Commodity Products: Coffee, Tea, Chocolate, Cocoa, Sugar, Nuts, Fruit, Rice, Wine, Footballs	Large ranges (Budget to premium) High quality Consistency	Supermarkets Corner shops Online Service sector (e.g. Costa Coffee) World Shops Mail Order	Labelling - commodity Labelling - craft Branded Products Own Brand Products Graded brands (budget-premium)	Quality focused Press Relations (e.g. newspaper articles) Public Relations (e.g. public meetings) Print Media Promotions Celebrity endorsement TV Advertising Vast Point of Sale Sponsorship
Institution-alisation	Authorities? Companies Adopters Branders Service Sector?	absorption of bare minimum requirements within many product categories	Universal	Range of grades and consistency	Universal	Multiple Labels or end to labels Multiple brands Own brands	Universal

Figure 1: Continuum of Fair Trade Participants by Mission

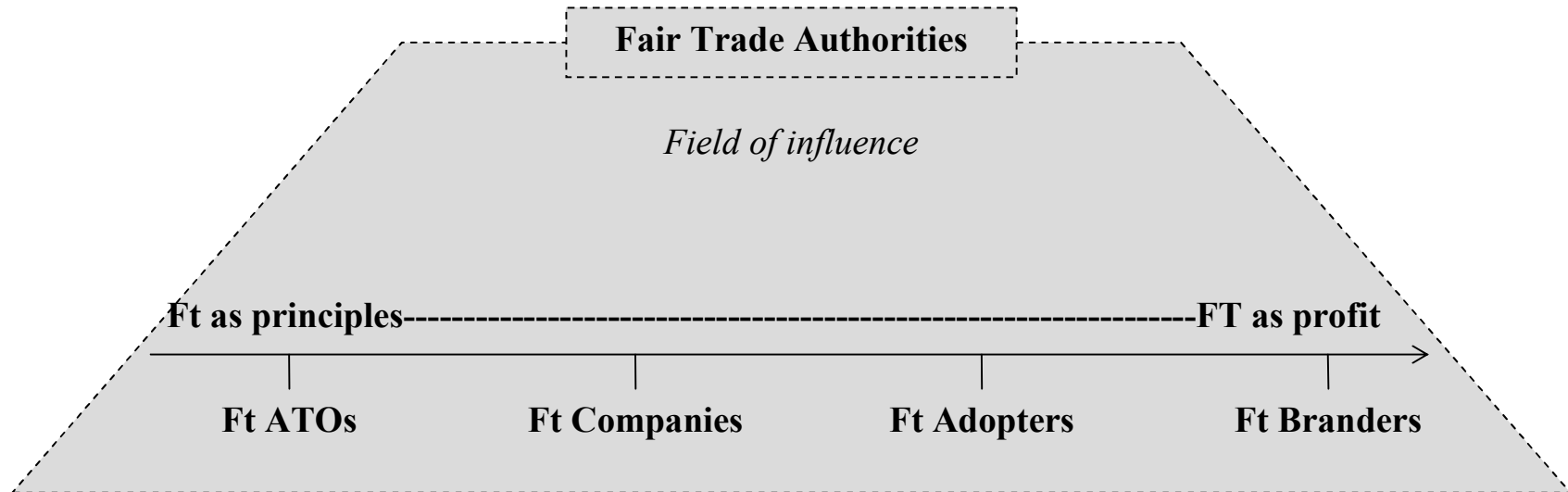
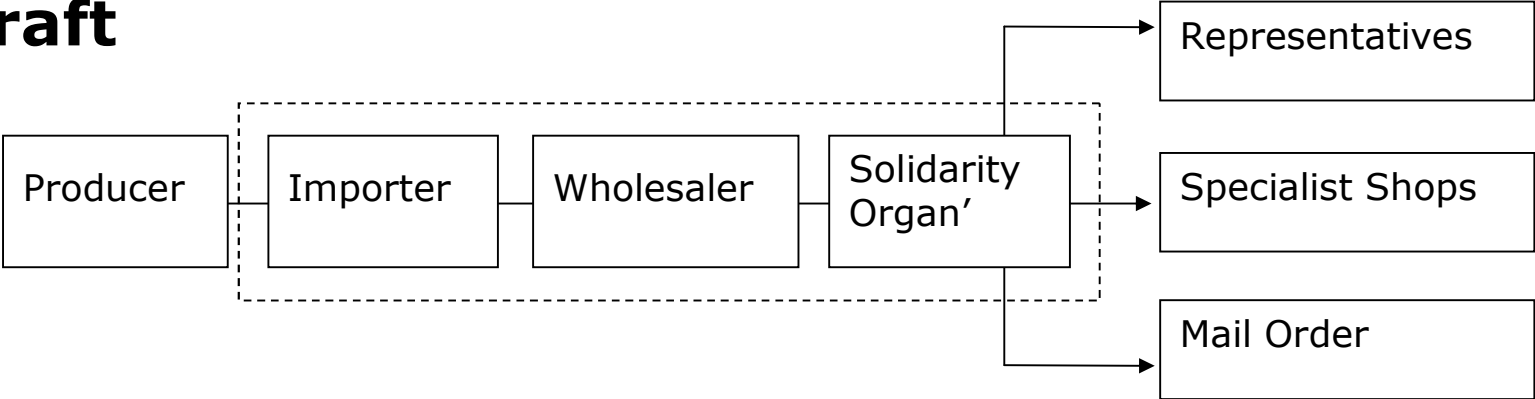
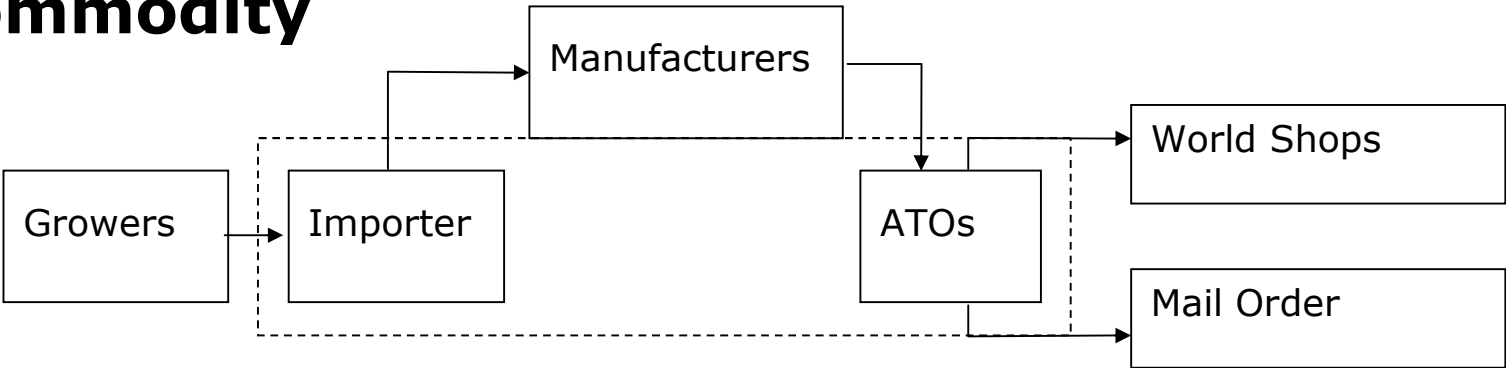


Figure 2: Industry Structure in the Solidarity Era

Craft



Commodity




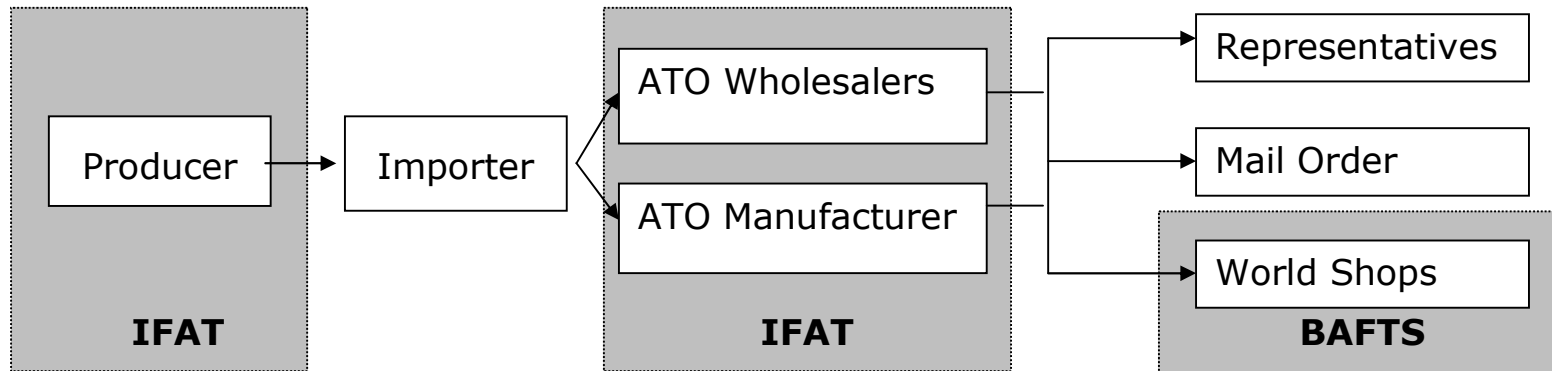
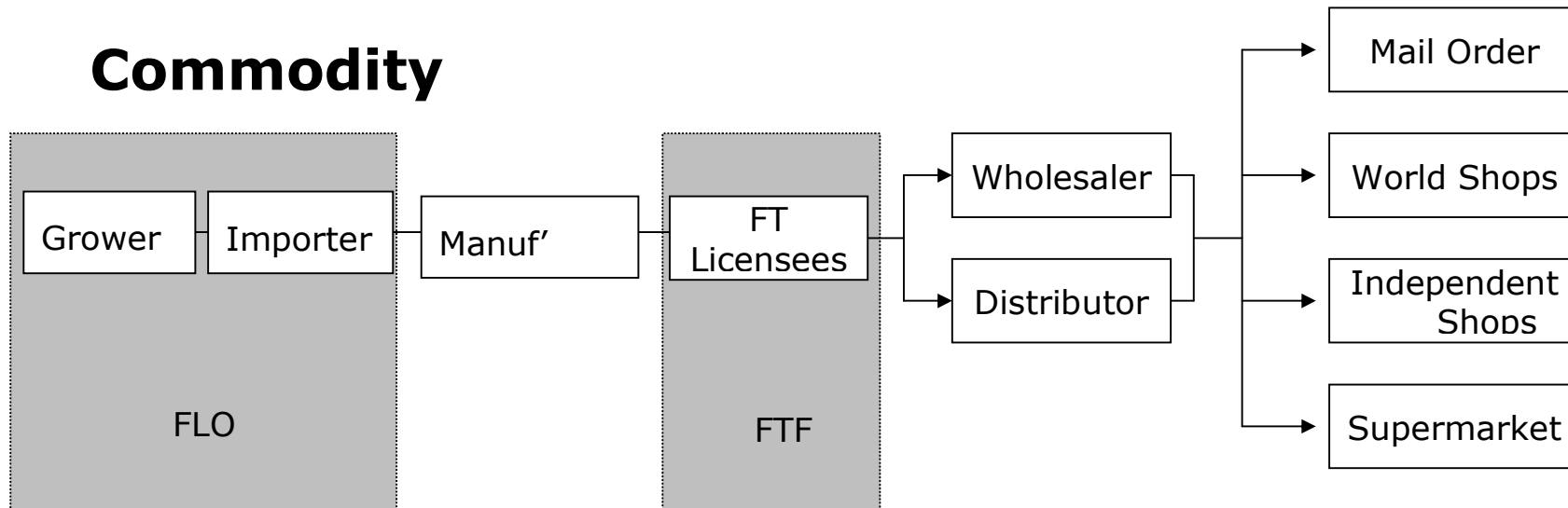
 May Refer to one company completing all these stages

Figure 3: Industry Structure in the Niche and Mass Market Eras of Fair Trade

Craft

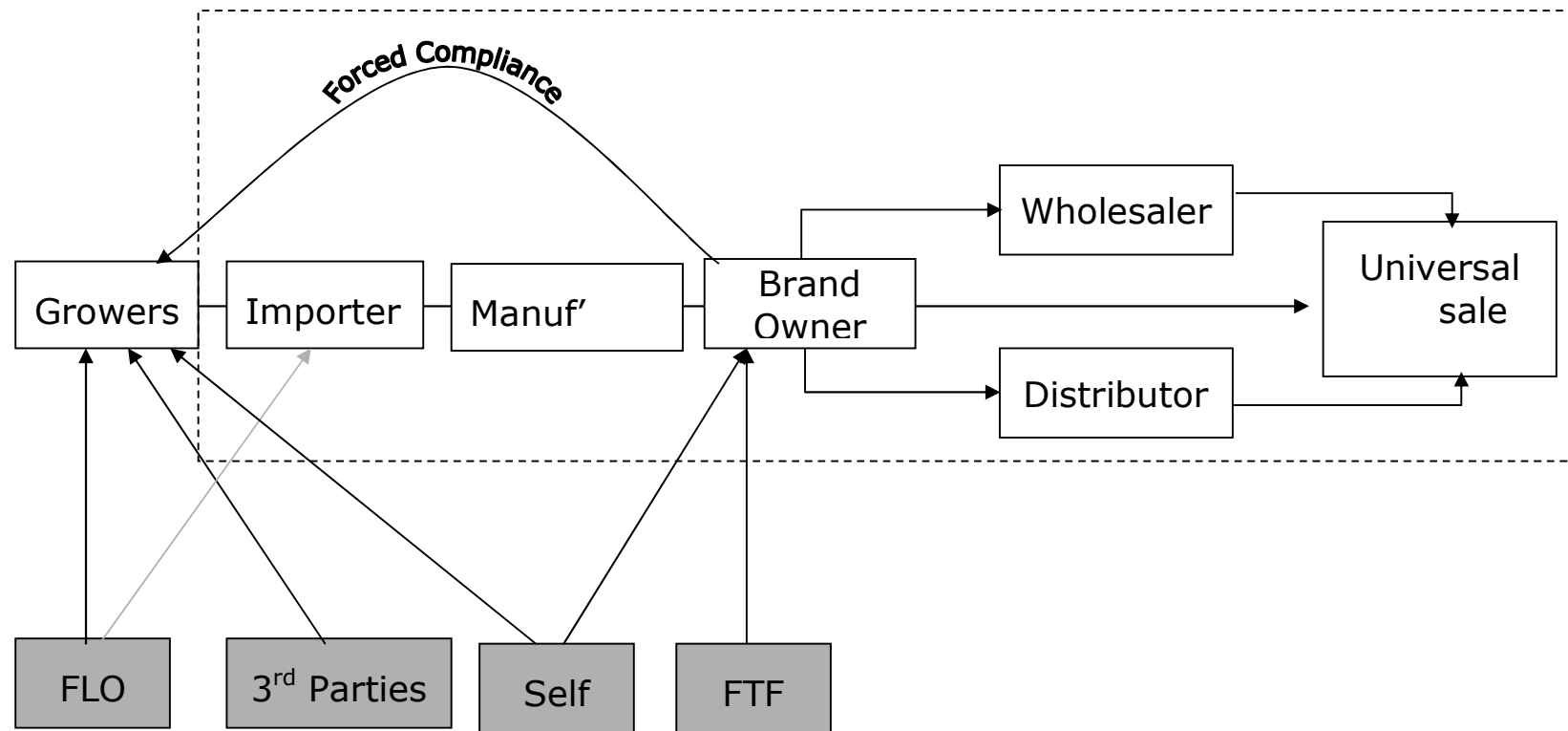


Commodity



■ Refers to likely fair trade authority

Figure 4: Industry Structure in the Institutional Era of Fair Trade



□ May Refer to one company completing all these stages

■ Refers to likely fair trade authority