

Fairly sold? 'Doing more' with fair trade coffee in cafes

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Abstract

The presence of fair trade coffee in cafés may help in strategic positioning and market differentiation. The extent to which this is evident is explored for café customers in Auckland NZ. Customers were surveyed on their perceptions of café and coffee attributes including taste, price and store atmosphere. Respondents were analysed by knowledge of fair trade, and by frequency and place of purchase. The study finds that nearly half of respondents claimed moderate self-assessed knowledge, although objective knowledge was lower; more knowledgeable customers cared more for fair trade products and for café atmosphere, of which fair trade promotional material plays a part. Customers stated they expected to pay more for fair trade coffee, although on average not as much as current margins require

Keywords:

Fair trade, coffee, cafe, atmosphere, consumer knowledge

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Introduction

The fair trade coffee category has experienced rapid growth in many countries over the last decade, and New Zealand is no exception. Fair trade products are goods “purchased under equitable trading agreements, involving cooperative rather than competitive trading principles, ensuring a fair price and fair working conditions for the producers and suppliers” (Strong, 1996: 5). According to Fairtrade Labelling Organizations International (FLO), fair trade products experienced significant growth despite the onset of global recession in 2008. An estimated €2.9b (NZ\$5b) was spent by consumers globally for products that were certified by the organization during that year, up 22% on the year before. The fair trade concept has diffused into key supermarket categories (coffee, tea, chocolate, bananas) but also into brewed coffee and tea in cafes, with Starbucks a notable global brand leader. Some independent and small café chains have adopted the fair trade mark promoted by FLO-CERT (the certification body for FLO), sometimes promoted in-store as a point of differentiation from the competition (Raynolds, 2002; Nicholls and Opal, 2005). This has tapped into a growing consumer segment which is concerned about the livelihoods of coffee bean growers in the third world, fostered by documentaries on their plight including *Black Gold*, on Ethiopian growers, the international coffee market, and fair trade.

Coffee is the second most valuable commodity after petroleum in the global market, and the leading commodity carrying the fair trade label (Loureiro and Lotade, 2005: 129). Loureiro and Lotade (2005) found that supermarket consumers were willing to pay a higher premium for fair trade than for shade grown or organic coffee, but whether this carries over to cafés has not yet been determined. This study therefore aims to explore the knowledge and perceptions of café customers, focusing in particular on the provision of fair trade coffee and its promotion within the café.

Understanding Fair trade Coffee

Farmers in developing countries benefit from fair trade practices since the buyer (importer or retailer) and seller (farmer) negotiate directly with fewer middlemen. Although standards vary across certifiers of fair trade logos and systems, in addition to the retribution of a fair price, the fair trade mark also emphasizes the messages of care for the environment, social justice, and quality standards of the product. Loureiro and Lotade (2005) argue that there is inconsistency between different fair trade certifiers and therefore there is also inconsistency between the supposed ‘fair price’ given to the farmers. This problematises how to guarantee to a consumer that what they are buying actually does benefit the farmer in the manner the customer expects, much in the same way as organic food certification struggles to demonstrate a real advantage of the production method to farmers, their communities, or their environments. “The packaging of Fair Trade labeled items may seek to evoke the images and voices of far off peoples and places, but often the Fair Trade message of ‘trust’, ‘respect’ and ‘partnership’ is reduced to a small sticker, requiring that Fair Trade groups draw more heavily on other conventions to coordinate agro-food networks” (Raynolds, 2002: 8). Clearly, the knowledge level of consumers is important in recognising and utilizing brand marks such as FLO’s fair trade mark. Customers with a greater knowledge of what fair trade represents and aims to achieve should place greater importance on having fair trade (FT) coffee at their

cafés, and place less emphasis on its price. Thus:

H1: Customers with greater FT knowledge place greater importance on having fair trade coffee in their chosen café

Fair trade has variously been described as a “norm change” (Levi and Linton 2003: 419), an “anti-hegemonic conscience raising” (Simpson and Rapone 2000: 55), or a process of “cognitive liberation” (McAdam, 1982: 34). “One of the key goals of the fair trade movement, implicit in every comment about ‘a mug of social conscience’ or ‘justice in your cup’ is to question the legitimacy of the separation between commodities and the processes underlying their production and exchange. In so doing, fair trade attempts to erode the increasing prevalence of commodity fetishism” (Fridell, Hudson and Hudson, 2008: 12). Getz and Schrek (2006: 491) state that as a market-based approach, third party certification is premised on the fact that relatively wealthy consumers in first-world countries can be convinced to pay more for a product which is produced in ways which reflect their values. A key question is how cafés can be designed and managed in order to foster this conviction.

Pine and Gilmore (1998) argued that the next competitive advantage in retail marketing lay in ‘staging experiences’, such as themed cafés and restaurants. This could include decorating a café with fair trade advertisements and the incorporation of fair trade literature to influence and reflect the moral conscience of customers, and to encourage a preference for fair trade products. Conversely, MacLaurin and MacLaurin (2000) included food quality as one of nine “important elements for themed restaurants, demonstrating the importance of food quality in developing customer satisfaction and customer loyalty within the restaurant industry” (Meng and Elliot, 2008: 510). Accordingly:

H2: Customers of cafés which sell and promote FT coffee place a greater importance on the in-store atmosphere than customers of cafés without this influence.

H3a: Customers who regularly buy FT coffee pay less attention to the café atmosphere than those who do not buy it; and

H3b: pay more attention to the quality of the coffee, food and the service experience.

Meng and Elliot (2008) found that “perceived price fairness” can play an important role in the reactions of consumers to price, with perceived reasonable prices having a positive influence on customer satisfaction and retention. Fair trade coffee is typically more expensive than regular coffee, at least partly due to the cost of licensing the fair trade mark (although this amounts to approximately \$0.0026 per cup), and to smaller production, shipping and roasting volumes. Customers who place value on the objectives of fair trade may be willing to accept this increased price as the cost of their “mug of social conscience”. Thus:

H4: Customers with greater FT knowledge place lower importance on the price of coffee at their chosen café

H5: Customers are willing to pay a higher price for FT coffee

Methodology

Six cafés across Auckland, New Zealand were targeted in three co-locational pairs, in which one of the pair promoted and sold FT coffee. A total of 25 questionnaires were obtained per café, generating a dataset of 150 (75 from fair trade cafés and 75 from ‘regular’ cafés), of which 143 were usable. Of this 80 percent of respondents were intercepted at their ‘usual’ café, and 46 percent indicated they consumed FT coffee “always” or “when possible”. By far the majority were Pakeha/European (123), followed by Asian/Indian (15) and Maori (5). Respondents were skewed towards females (79 to 64 men), youth (91 in their 20s and 30s,

compared to 30 aged 50 and over) and the well-educated and well-off (83 percent had at least some tertiary education, and more than 50 percent earned more than \$50,000 per annum).

Respondents were asked whether they thought the café sold FT coffee, and a surprising number (52%) either did not know or answered incorrectly, with no particular bias toward FT or non-FT cafes. Respondents were also asked a subjective knowledge question (coded 1 = not at all informed to 7 = very well informed, self-evaluated); answers were correlated against a post-coded open-ended question on “what fair trade is about and what it aims to achieve”. There was a relatively poor correlation of 0.637 between these subjective and assessed measures of knowledge, with respondents typically over-estimating their knowledge level.

Measurement scales were developed to reflect the focus on café and coffee attributes, using an importance-performance grid from Slack (1994), although the original 4-point scale of extremely important, important, slightly important and not important was expanded to a 7-point scale from unimportant (1) to very important (7). The questionnaire was pilot tested and refined, delivered to customers at the point of ordering coffees, and returned anonymously to a box in the café. Scale reliability was assessed as acceptable, with Cronbach’s alpha of 0.612.

Findings

The taste of coffee was unsurprisingly the most important attribute for a satisfactory purchase from a café, closely followed by service quality and café ambience, with having FT coffee rated the least important (Table 1). These rankings also applied for customers with the greatest level of subjective (“claimed”) knowledge, and those whose assessed level of knowledge was high. For those claiming greater knowledge, only the importance of food accompanying the coffee was rated significantly different (and higher), whereas for those with a higher assessed knowledge, the importance of the taste of coffee, café ambience and having fair trade coffee all significantly increased while the importance of the price of food was lower (Table 1). This partially supports hypothesis H1 (for assessed knowledge), but not H4 for either knowledge method.

Women rated many of the attributes at a significantly higher level than men (Table 2), but no other demographic variables were discriminatory. Those who declare that they purchase FT coffee on a regular basis also rated many issues as significantly more important than customers who only rarely or never purchase FT coffee, notably the H3b attributes of coffee taste and food quality, although not service, and thus H3b is only partially supported. H3a is not supported as there was no significant difference for café atmosphere. Finally, those who purchased their coffee from a café which they believe serves FT coffee, rated the importance of café atmosphere and actually carrying FT coffee as significantly higher (Table 2), thus supporting H2.

Table 1: Perceived Attribute means of Cafés and Coffee

Café / Coffee Attribute	Total Sample	StdDev	Claimed Knowledge		Assessed Knowledge	
			Low	High	Low	High
Coffee Taste	6.53	0.829	6.51	6.55	6.34	6.85
Coffee Price	4.86	1.319	4.80	4.93	4.97	4.69
Ambiance/Atmosphere	6.08	0.881	6.11	6.04	5.92	6.33
Accompanying Food	5.56	1.546	5.26	5.88	5.72	5.30
Price of Food	5.09	1.524	4.89	5.30	5.29	4.76
Service Quality	6.22	0.883	6.26	6.19	6.12	6.39
Café Location	5.68	1.432	5.57	5.80	5.65	5.72
Having Fair Trade Coffee	4.18	1.457	3.57	4.84	3.89	4.67
Sample Size	143		74	69	89	54

1= Not important; 7= Very important. Bold: significantly higher rating in subsample (t-test, $\alpha=0.05$)
Correlation between claimed and assessed knowledge: 0.637

Table 2: Perceived Café and Coffee Attribute means continued

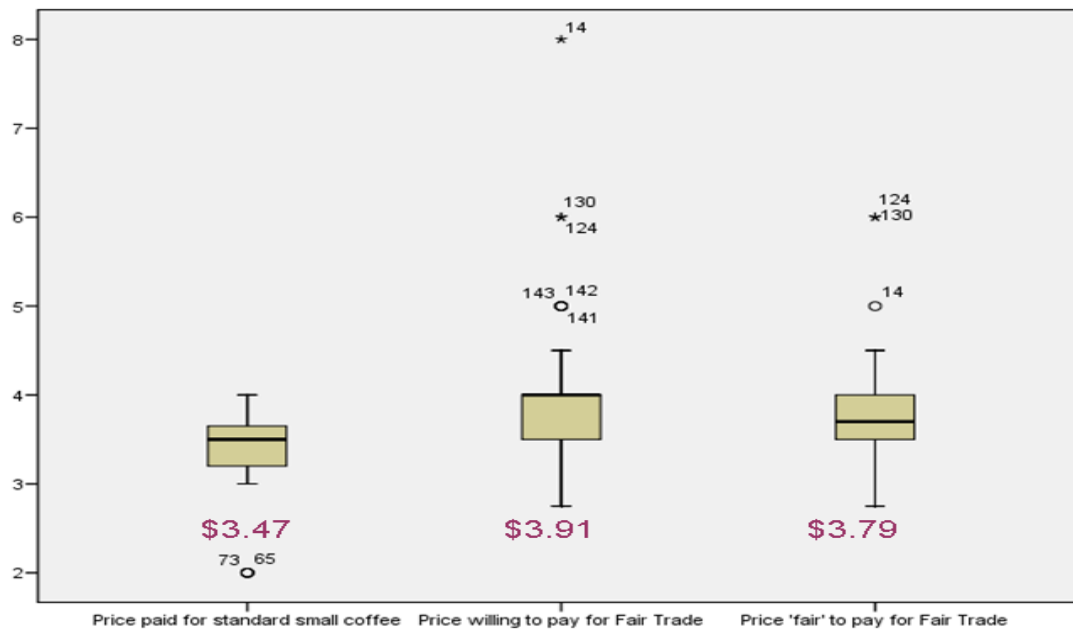
Café / Coffee Attribute	Gender		FT Consumption		Café Sells FT Coffee	
	Male	Female	Sometimes/ Never	Often/ Always	No/ Unsure	Yes
Coffee Taste	6.55	6.52	6.34	6.78	6.56	6.51
Coffee Price	4.55	5.11	4.54	5.27	4.60	5.02
Ambiance/Atmosphere	5.81	6.29	5.98	6.21	5.76	6.27
Accompanying Food	5.27	5.80	5.28	5.92	5.53	5.58
Price of Food	4.69	5.42	4.76	5.51	5.18	5.03
Service Quality	6.11	6.32	6.11	6.37	6.05	6.33
Café Location	5.58	5.76	5.70	5.65	5.65	5.69
Having Fair Trade Coffee	3.75	4.53	3.64	4.87	3.71	4.48
Sample Size	64	79	80	63	74	69

1= Not important; 7= Very important. Bold: significantly higher rating in subsample (t-test, $\alpha=0.05$)

While there is a significant association ($\chi^2=15.1$) between FT consumption and being at a café that sells FT coffee, 20% of customers who often/always buy FT coffee were respondents at a café that probably did not sell it and 48% of customers that only sometimes/never bought it were at a café that did

Customers were asked the price they paid for a ‘standard’ (not fair trade) small coffee, and the price they were willing to pay for an equivalent cup of FT coffee. They were also asked what they thought was a “fair” price to pay for FT, to ascertain if they perceived current markups applied to FT to be unfair. Results were analysed for median price expectations and are depicted through boxplots (Figure 1). These show a 44c increase in the expected median price for fair trade coffee, although respondents thought a 32c increase was fairer. This supports hypothesis H5.

Figure 1: Price perceptions for 'standard' and fair trade coffee



Conclusions

Fair trade comprises a growing proportion of supermarket sales of bagged coffee, and is increasingly being adopted by cafés. How this is promoted in-store and perceived by customers may determine the extent to which it is a successful differentiation strategy. This study of customers at six cafés in Auckland shows that customers have a reasonable subjective knowledge of the objectives of fair trade, although assessed knowledge is lower on average. More knowledgeable consumers placed a greater emphasis on the taste of coffee, having fair trade present in the café, and the atmosphere of the café (to which FT promotional material contributes). This partially supported H1, for assessed (objective) knowledge but not for claimed (subjective) knowledge. H2 was supported, in that customers at cafés selling FT coffee placed a greater emphasis on the atmosphere. H3a investigated café atmosphere for customers who more frequently purchase FT coffee; this was not supported. H3b was partially supported, in that some café quality attributes were given greater importance ratings for regular FT customers (notably coffee and food, with the exception of customer service). Finally, customer price perceptions were measured through an importance question (H4) which was not supported for more knowledgeable customers; and through an absolute price and relative price fairness question (H5). This was supported, in that customers stated they were willing to pay a higher price for FT coffee, although perhaps not as much as is currently the norm.

The promoted presence of fair trade coffee in cafés can therefore “do more”, achieving better bottom line returns for both the café and the coffee bean growers, if customers follow through from mouth (or in this case, pen) to wallet. However, it remains a niche product – for the time being – in both cafés and supermarkets given the higher prices required. The challenge for cafés, fair trade NGOs and committed customers alike is growing this share without losing the principles on which fair trade is based. Greater in-store promotion of the availability of FT coffee, and of its wider social benefits, may reinforce café benefits and reduce the evident lack of certainty, perhaps as part of customer-barista co-creational engagement (Etgar, 2008). A FT product-differentiation strategy thereby flows through to retail/café- and service-differentiation.

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