

# The Challenges of Marketing Fair Trade

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## **Executive Summary**

According to Global Issues, almost one half of humanity struggles to survive on less than \$2 a day. Fair Trade makes us rethink how global trade can create opportunities for millions of families by empowering producers and consumers. Fair Trade, an alternative trade model, helps the disenfranchised lift themselves out of poverty. Fair Trade is a story of how a transparent, traceable supply chain, with set minimum prices, transparent long term trade agreements, direct purchasing from producers and community investments can make trade fair.

Purchasing Fair Trade Certified™ products is a consumer's choice. This choice is a vote for a more ethically, socially responsible, and environmentally friendly way of doing business. Fair Trade started in the mid 1900's and has developed into a global movement. According to TransFair USA (Press release for worldwide sales), the independent certifier of Fair Trade products in the U.S., consumers worldwide spent over \$2 billion on Fair Trade products in 2006, a 41% increase over 2005.

Retailers face numerous challenges in marketing Fair Trade products. Three broad areas of these challenges are 1) confusion 2) awareness, availability, accessibility and 3) controversies. Confusion results from misunderstanding the various terms related to Fair Trade from Fairtrade to fairly traded. No single organization sets the rules for using or defining this terminology, although TransFair USA controls the exclusive rights to the phrase Fair Trade Certified™. The Fair Trade Certified™ logo is one of over a hundred different logos found on products. Currently a single fair trade certified logo has been adopted by most countries except the U.S. Fair Trade branding involves Fair Trade products, companies committed to Fair Trade and the Fair Trade movement. This

branding must be universal, yet there is no central Fair Trade marketing department or marketing budget. The Fair Trade logo is a visual symbol of the branding and gives the consumers the confidence to trust that the Fair Trade principles have been respected.

Awareness levels increase as a result of education and exposure to Fair Trade. Availability of Fair Trade products depends on the efficiency and speed of the certification process, and on new product development. Each product category must have rigorous standards established, audit trails developed, and importers and traders licensed to purchase the products. Accessibility depends on the visibility of Fair Trade products for purchase. If consumers cannot easily find the products, they are less likely to purchase Fair Trade products.

Controversies include mainstreaming, selling out, anti-free trade, the halo effect, domestic fair trade and the fairness question. Mainstreaming Fair Trade products has dramatically increased sales but also raises concerns of TransFair USA's strategies and questions of motivation of the multinational corporations selling Fair Trade products. Selling out is a criticism of TFUSA for its preferential treatment of large corporations over smaller more fully committed Fair Trade companies. Accusations of the Fair Trade movement being anti-free trade fail to recognize that Fair Trade functions within the free trade system and works to make the free trade system more fair and just for all stakeholders. Large companies that carry only a small number of Fair Trade products often use those products to look good, referred to as the halo effect. Local farmers want trade to be fair for them and have started a campaign for domestic fair trade, which the Fair Trade movement generally supports but worries that the terminology may confuse

consumers. Since Fair Trade is often branded as a fair price to farmers, critics question how fair Fair Trade really is when they hear stories of farmers not receiving fair prices.

Retailers need help from many directions to address these challenges. Education can play a large part. Effective promotional material is essential. Easy access to current factual information is important. Generic marketing is needed. More product categories promote repeat customers and interest for new customers. Controversies need to be openly and honestly debated. Companies need to demonstrate commitment to Fair Trade through increasing purchases and changes in corporate policies. TFUSA needs to be more proactive in supporting small retailers and importers, rewarding those who make a 100% commitment to Fair Trade.

New ideas should be considered and tried. A global online Fair Trade library would help educate everyone from producers to consumers. Educational materials designed specifically to increase retailers' knowledge would result in more educated consumers. A series of regional public debates would offer an opportunity to reach out to various stakeholders, giving them an opportunity to be heard, and providing a format for building a broad grass roots base in the U.S. Marketing and promotional campaigns need adequate funding and resources to be effective. Consumers and producers need to be connected so that consumers will make choices that speak volumes to the larger global world, voting for fairness and justice. Fair Trade links consumers and producers with values of fairness and solidarity rather than with exploitation and profits. Making trade fair must include advocacy for changes in trade policies and corporate behavior.

## Table of Contents

Executive Summary	Page
CHAPTER 1: Overview	1
A) Brief Description and History	1
1) What is Fair Trade?	1
2) The History of Fair Trade	2
B) Fair Trade Today	4
C) Review of Recent Publications and Other Resources	6
D) Research Methodology	9
CHAPTER 2: Identifying Fair Trade Marketing Challenges	11
A) Identifying Confusion	12
1) Terminology	12
2) Product Labels	14
3) Brand Positioning	15
B) Identifying Awareness, Availability and Accessibility	18
1) Awareness	18
2) Availability	20
3) Accessibility	21
C) Identifying Controversies	22
1) Mainstreaming	22
2) Selling Out	24
3) Anti-Free trade	26
4) Halo Effect or Fairwashing	28

5) Domestic Fair Trade	30
6) Is Fair Trade really fair?	32
CHAPTER 3: Addressing Fair Trade Marketing Challenges	35
A) Addressing Confusion	35
1) Terminology and Multiple Labels	35
2) Brand Positioning	37
B) Addressing Awareness, Availability and Accessibility	38
1) Awareness	38
2) Availability	41
3) Accessibility	44
C) Addressing Controversies	44
1) Mainstreaming	44
2) Selling Out	46
3) Anti-Free trade	48
4) Halo Effect or Fairwashing	49
5) Domestic Fair Trade	50
6) Is Fair Trade really fair?	50
CHAPTER 4: Conclusions and Recommendations	52
CHAPTER 5: Future Research Areas	60
REFERENCES	61
PERSONAL INTERVIEWS/CONVERSATIONS	68
APPENDIX A: Acronyms	69
APPENDIX B: Logos	72

APPENDIX C: Traditional v Fair Trade Pricing Chain	75
APPENDIX D: U.S. Fair Trade Marketing Material	76
APPENDIX E: UK Fair Trade Marketing Material	77
APPENDIX F: Product Marketing Examples	78
APPENDIX G: FTC Flower Display for Retailers	79
APPENDIX H: Mailing List for Retailers' Survey	80
APPENDIX I: Cover Letter for Retailers' Survey	82
APPENDIX J: Retailers' Survey Questions and Responses	83
APPENDIX K: TransFair USA Notes to Financial Statements	87

## **CHAPTER 1: Overview**

### **A) Brief Description and History**

#### **1) What is Fair Trade?**

Nearly three billion people, half of humanity, live on \$2 a day or less, according to Global Issues. “Fair Trade is a response to the failure of conventional trade to deliver a better deal” to the poor (Fairtrade Foundation, Tipping the balance). Fair Trade is an alternative trade model developed to help disadvantaged producers in developing countries by improving their quality of life through trading partnerships. These partnerships address trade inequities in the global marketplace. Trade inequities include lack of access to: markets, market information, technology, knowledge of best business and environmental practices, and credit resources. Fair Trade empowers the marginalized producers by investing in them, their communities and their environment through sustainable development so that they can lift themselves out of poverty.

Fair Trade is “an innovative supply chain model which distributes its economic benefits more fairly among all stakeholders” (Nicholls & Opal, 2005, p.6). This innovative approach is based on the following principles:

- Fair and stable prices covering production costs plus a livable wage
- Transparent and long-term trade agreements
- Fair Trade premiums for investments in the communities
- Provisions for credit access and market information
- Prohibition of labor abuses
- Respect for the environment
- Direct trade with producers, minimizing supply chain length

- Producers/farmers democratically organized

Fair Trade builds a supply chain starting with the producers' needs and considering the social, development and environmental impacts affecting those producers. Conventional trade models start with consumer demand, often for low priced goods, with the potential of exploitation of workers and their environment. Fair Trade makes the consumers connect the dots between their purchases and the consequences of the supply chain.

The mission of the Fair Trade movement is to reduce poverty and encourage sustainable development, but also to influence the behavior of private and public entities involved in trading markets. The European Parliament recognized the importance of Fair Trade's goals in a resolution passed in 2006 stating that Fair Trade

has two inseparable objectives: to provide opportunities for development for small-scale producers and workers in developing countries and to influence the international trading system and private companies towards becoming more just and conducive to sustainable development (European Parliamentary Report, 2006, G).

Fair Trade challenges conventional trade models, trade policies, and corporate behavior to be more transparent and more accountable in the global marketplace.

## **2) The History of Fair Trade**

The Fair Trade movement has its roots in the 1940's when Christian church groups began selling handicrafts made by the poor in Southern countries directly to Northern markets. By the 1950's, Alternative Trade Organizations (ATOs) such as Ten Thousand Villages and SERRV International were selling handicrafts in the U.S. and

Oxfam UK was doing the same in Europe, securing fair prices for the producers. In the 1960's and 1970's, additional ATOs, Non-Governmental Organizations (NGOs), and individuals got involved in this alternative trade concept, recognizing the need to assist disadvantaged producers by cutting out the middlemen in the marketplace. In the 1960's, United Nations Conference on Trade and Development (UNCTAD) drew attention to the movement with the "Trade Not Aid" motto that came out of that conference (Fridell, 2007, p.30).

While handicrafts were the initial focus for the Fair Trade movement, in the 1980's Franz Vander Hoff, a Dutch priest working in Mexico, formed a group in Holland to purchase Mexican coffee beans at a fair price. In 1988 that group, the Max Havelaar Foundation, was the first to use a logo to identify a fairly traded product. In 1986 Equal Exchange was formed and started importing fairly traded coffee into the U.S. market. As the second largest commodity traded worldwide, coffee has become the flagship product in the Fair Trade movement.

By the late 1990's, the Fairtrade Labeling Organization International (FLO), was created as an umbrella organization for the numerous National Initiatives working in individual countries. FLO sets the Fair Trade prices and standards for product categories, producers, and traders. In 2004 FLO created an independent entity, FLO- CERT, to verify that producer groups are in compliance with FLO's standards. FLO-CERT is responsible for the certification process and annual monitoring inspections of each producer group. FLO members consist of four groups: traders, producers, experts and National Initiatives (NIs), also referred to as Labeling Initiatives.

Currently FLO has 20 National Initiatives (NIs), independent third party certifiers

of Fair Trade products for their respective countries, located in Europe, Japan, North America, Mexico, Australia and New Zealand. The NI in the United Kingdom (UK), the Fairtrade Foundation, was established in the 1990's by several large grassroots organizations: Catholic Agency for Overseas Development, Christian Aid, New Consumer, Oxfam, Traidcraft, World Development Movement and the Women's Institute, Britain's largest women's organization. The NI in the U.S., TransFair USA., was started by Paul Rice, with the support of the Institute for Agriculture and Trade Policy, in 1998 (Conroy, 2007, p.107). TransFair USA (TFUSA) monitors the Fair Trade importers, referred to as licensees, for compliance with Fair Trade principles. TFUSA grants the licensees the right to use the designated Fair Trade certified logo, also referred to as a mark or label, on products as those products enter the U.S. and pass through distribution channels to retailers. Today most NIs, except for TFUSA, have committed to adopting the Fair Trade certified logo created by FLO (Appendix B).

Meanwhile, the International Fair Trade Association (IFAT) was established to monitor and network with for-profit and non-profit organizations committed to Fair Trade. In 2004 the IFAT logo was created for its members to display to demonstrate their commitment to Fair Trade principles (Appendix B). Many companies who support Fair Trade principles, but whose products are not certified or certifiable, use the IFAT logo to identify themselves and their products as part of the Fair Trade movement.

## **B) Fair Trade Today**

Although the Fair Trade movement started with handicrafts, Fair Trade certification criteria currently does not apply to handicrafts; it applies mainly to agricultural related products. Fair Trade encompasses over a million small producers

organized into hundreds of organizations and cooperatives in over 50 developing countries. Fair Trade certified (FTC) products are found throughout the developed world in thousands of World-shops or Fair Trade shops, supermarkets and health food stores, convenience stores, restaurants and fast food outlets, small and large retail outlets, and numerous online stores. While most FTC products are sold in developed countries (the North), sales outlets in developing countries (the South) are starting to grow. The largest Fair Trade markets in the North are the U.S. and the European Union.

In the U.S., Fair Trade Certified™ products include: coffee, tea, honey, rice, sugar, herbs, cocoa and chocolate, bananas, mangoes, grapes, pineapples, spices, vanilla and flowers. In addition to these products, the European list includes: sports balls, wine and beer, nuts and snacks, fruit juices and cotton, yogurt and numerous fruits.

Although Fair Trade's share of the global marketplace is considered small, FLO reports that consumers worldwide spent approximately \$2.2 billion on FTC products in 2006, a 41 percent increase over the previous year, benefiting millions of people in developing countries (Downie, 2007). The U.S. has experienced a similar impressive growth pattern, with Fair Trade Certified™ sales increasing on average 55% annually since 2000 (TransFair USA 2006 Annual Report, p.15). U.S. 2006 Fair Trade Certified™ sales were \$750 million (TransFair USA, 2006 Annual Report, p.4). In the U.S. over 600 companies are licensed to sell certified products and can be found in over 45,000 U.S. retail outlets (TransFair USA 2006 Annual Report, p.19). Coinciding with the growth in Fair Trade Certified™ product sales in the U.S. is the increased level of consumer awareness. In 2006, 27 percent of Americans said they were aware of Fair Trade certification, up from 12 percent in 2004 (Downie, 2007).

Although FTC coffee accounts for under 1% of the global coffee market (Daviron & Ponte, 2005, p.176), coffee is the dominant certified product in the U.S. with over 66 million pounds imported in 2007 (TransFair USA Almanac 2007, p.1). Along with small local Fair Trade companies like VT Artisan Coffee & Tea Company and Vermont Coffee Company, larger corporations are playing an ever more important role in the growth of Fair Trade coffee. Green Mountain Coffee Roasters (GMCR) states that Fair Trade Certified™ and organic coffees represent 29% of the total company coffee volume (GMCR 2007 1<sup>st</sup> Quarter Financial Report). Dunkin Donuts Espresso coffee is now 100% Fair Trade Certified™, and McDonald's coffee in the Northeast, supplied by GMCR, is certified. Starbucks purchased 18 million pounds of Fair Trade Certified™ coffee in 2006, a 50% increase over its 2005 purchases (TransFair USA: Starbucks Purchases). Starbucks' FTC purchases represent 14% of global FTC coffee and almost 30% of all Fair Trade Certified™ coffee imported into the U.S. (TransFair USA: Starbucks Purchases). Even Wal-Mart now sells a Fair Trade Certified™ coffee.

2007 was an outstanding year for Fair Trade in the U.S. Along with impressive sales growth figures, public attention is growing. Former President Bill Clinton appeared on the Martha Stewart television show talking about Fair Trade coffee products. Brattleboro VT became the second U.S. Fair Trade Town after Media PA (Appendix A). Self Magazine listed Fair Trade Certified™ as one of the most trusted logos, and the Today Show had a segment on Fair Trade coffee. Google Earth started a layer to identify Fair Trade farms in Latin America, Africa and Asia. All this attention has helped drive the steady growth of Fair Trade products.

### **C) Review of Recent Publications and Other Resources**

In the past few years a handful of books have been published directly related to Fair Trade. Some are consumer guides explaining the basics of Fair Trade, such as *Fair Trade: Beginners Guides* (DeCarlo, 2007), *No-nonsense guide to Fair Trade* (Ransom, 2001), *Business Unusual: Successes and challenges of Fair Trade* (Osterhaus, 2006) and *50 Reasons to buy Fair Trade* (Litvinoff & Madeley, 2007). Others are the result of academic research and study. These include *Fair Trade: Market-driven ethical consumption* (Nicholls & Opal, 2005), *Fair Trade coffee: The prospects and pitfalls of market-driven social justice* (Fridell, 2007), *Fair Trade: The challenges of transforming globalization* (Raynolds, Murray, Wilkinson, 2007), and *Brewing Justice: Fair Trade coffee, sustainability, and survival* (Jaffee, 2007). Another recent book *Branded: How the 'certification revolution' is transforming global corporations* (Conroy, 2007) has a section on Fair Trade as well. Each of these books takes a look at the research and data information, and examines the increasing relevance of Fair Trade in today's global marketplace. Another recent book, *The handbook of organic and Fair Trade food marketing* (Wright & McCrea, 2007), addresses marketing issues from the retailer's perspective through case studies, although the bulk of the studies are focused on organic retailers rather than Fair Trade retailers, and on the European market rather than on the U.S. market.

Two recent books by the 2001 Nobel Prize winner in economics, Joseph E. Stiglitz, *Making globalization work* (2007) and *Fair trade for all: How trade can promote development* (2005), describe how trade can and should be fair, as well as free from barriers and subsidies. His focus is on international trade agreements and trade barriers rather than on creating a system that addresses inequities in the supply chain.

Another book, *The fair trade fraud* (Bovard, 1991) also examines the trade barriers to free and fair trade, but does so in a historical context, illustrating the outrageous approaches the U.S. Congress has adopted in its trade policies over the years.

The majority of the above mentioned books were published outside the U.S., suggesting U.S. publishers don't see a sufficient market interest for Fair Trade related books. This lack of interest is also apparent in the widely used textbooks for courses in the Masters of Science Program at Saint Michael's College. The textbooks on international business (Griffin & Pustay), marketing (Armstrong & Kotler), economics (Mankiw) and ethics (Velasques) have no listing of Fair Trade as a topic in their respective indexes. Griffin and Pustay do include fair trade in their subject index, but they are referring to government intervention or managed trade, not the Fair Trade alternative trade model.

Two U.S. universities that have become known for their scholarly interest in Fair Trade are Colorado State University with its Center for Fair and Alternative Trade Studies, and the University of California at Santa Cruz with its Community Agroecology Network (CAN). Researchers from these two institutions have written numerous papers (Murray et al., 2003 and Méndez et al., 2005) and at least two books (Raynolds et al., 2007 and Bacon et al. 2008) on Fair Trade issues. One research paper (Méndez et al., 2005) for Oxfam America analyzes the impact of Fair Trade on the individual coffee farmer, rather than on the coffee cooperative, through numerous direct interviews with the farmers, with some interesting results. Other researchers (Daniels, S., Petchers, S., 2005 and Oxfam America Report 2002) for Oxfam America also focused on the coffee farmers and their plight. Many authors of academic papers found through internet

database searches were associated with schools outside the U.S., such as John Wilkinson (2006) at the Rural Federal University in Brazil.

The most in-depth information related to Fair Trade retailers and the challenges of marketing Fair Trade comes from two sources: 1) websites of ATOs, NGOs and Fair Trade companies and 2) industry and trade publications such as *International TradeForum* (Hulm, 2006 and Kasterine, 2006), *New Statesman* (Mainwaring, 2007), *Supermarket News* (Sung, 2007), *Progressive Grocer* (2007) and *Specialty Coffee Retailer* (Owen, 2005). Additional resources included the *Journal of Strategic Marketing* (Low & Davenport, 2006), and the *New Internationalist* (Ransom, D., 2005). These publications offer insightful information on the everyday challenges of Fair Trade retailers. One publication, *Specialty Coffee Retailer* (Owen, 2005), describes interviews with various coffee shop owners in the U.S. and Canada about their experiences with Fair Trade. Some of the answers are highly critical while others are totally committed to Fair Trade. Along with trade journals, articles related to ethical and Fair Trade products are showing up in magazines such as *Inc.* (Tiku, 2008), *Fortune* (Gunther, 2006) and *The Economist* (“Good Food?”, December 7, 2006), as well as newspapers such as the *NY Times* (Alsever, 2006) and the *Boston Globe* (Dicum, 2006).

#### **D) Research Methodology**

Qualitative research involved conversations and surveys. The author enjoyed many conversations with people from literally around the globe that have a connection with Fair Trade. When speaking with one, the author would learn of another contact, creating a network of Fair Trade resources. Some individuals communicated via email while others were able to spend time conversing in person or on the phone. The author

did not have a set format of questions although she did have at least one specific question for each contact. This question would often lead into discussion areas that would form a new segment of information for further research.

For the retailers' survey, the author relied on TransFair USA's website list of Vermont licensed Fair Trade retailers, roasters and importers. There were 32 listed and all were sent the same survey. Two surveys were returned due to incorrect addresses. Eighteen responded, giving the survey a 60% response rate. There were 26 questions and the answers were compiled and incorporated into information gathered through readings and conversations (Appendices H-J).

Reading material included virtually all Fair Trade related books published in 2007, as well as a few earlier ones that were listed on amazon.com. In addition, the author relied on the internet for searches of articles and academic papers and online newspapers and periodicals, The *Economist*, *BBC News* and the *New York Times*.

## **CHAPTER 2: Identifying Fair Trade Marketing Challenges**

The Fair Trade model has only been formally established within the past 10 years with the creation of international standards, requirements and official organizations for certification, monitoring and auditing. While early growth rates are encouraging, identifying and addressing Fair Trade marketing challenges are essential to sustain that growth. “The sternest challenge facing Fair Trade groups today is how to market their products to a wider audience beyond the naturally sympathetic segment of ‘ethically aware’ consumers and gain mainstream acceptance.” (Nicholls & Opal, 2005, p.153) Retailers play an integral part in the Fair Trade movement shifting from a niche to mainstream. They are at the front line in these issues, often dealing directly with suppliers, importers, manufacturers, TFUSA, and consumers. The retailers facing these marketing challenges, for the purpose of this thesis, will refer to local, regional and national retailers, rather than multinationals.

Fair Trade marketing “aims to articulate the social and economic interconnectedness between producer and consumer in a commercially viable way.” (Nicholls & Opal, 2005, p.153) This marketing strategy conveys that interconnectedness through stories of the producers, their families and communities. Those stories create a direct relationship between producers and consumers. Fair Trade empowers consumers by using stories to demonstrate the positive impact consumer choices have on improving the producer’s quality of life. This empowerment motivates consumers to demand more products with socially responsible, transparent supply chains, resulting in more demand for Fair Trade.

Fair Trade marketing is unlike conventional marketing. Fair Trade is not a

company yet it involves many businesses. There is no marketing department to define and control the Fair Trade brand. There is no marketing budget for advertising or sales people. Fair Trade relies on an organic process of NGOs, ATOs and for profit companies developing marketing strategies that cooperatively promote the Fair Trade movement, companies and products. That process initially started with supplier driven growth, with ATOs and NGOs working to find buyers for existing product supplies (Nicholls & Opal, 2005). Fair Trade has now moved to a demand driven growth, with consumers demanding more Fair Trade products and product lines or categories (Nicholls & Opal, 2005).

Through personal observations, readings, interviews and a survey of VT Fair Trade retailers and licensees, the author has identified three broad areas of challenges retailers confront in marketing Fair Trade: Confusion, Lack of Awareness, Availability and Accessibility, and Controversies.

## **A) Identifying Confusion**

### **1) Terminology**

The confusion starts with terminology and how it is used. The numerous terms and phrases have varied definitions and may depend on which side of the Atlantic Ocean you are on. Here are some brief explanations:

**Fairtrade:** Refers (in Europe) to the international Fairtrade certification system and to organizations associated with that system such as Fairtrade Foundation.

European certified products are referred to as Fairtrade products. This term is generally not used in the U.S. (Fairtrade Foundation, Buying into Fairtrade, 2007).

**Fair Trade:** Refers to the broader European movement and to network organizations such as the European Fair Trade Association. In the U.S. Fair Trade refers to the broader movement, the certification system and to products (Fairtrade Foundation, Buying into Fairtrade, 2007).

**Fair Trade Certified™:** TFUSA retains the exclusive rights to license the use of this phrase, referring to products certified by TFUSA.

**fair trade:** Refers to “trade between nations that takes place under active government intervention” designed to benefit industries of individual countries (Griffin & Pustay 2007,p.615). This definition does not apply to the Fair Trade movement. Note that others use ‘fair trade’ and ‘Fair Trade’ interchangeably to reference the alternative trade model.

**fairly traded:** Refers to products that are not certified or certifiable but whose producers support Fair Trade principles. Some companies use this phrase in marketing their certified products, like Equal Exchange.

**Local Fair Trade and Domestic Fair Trade:** Refer to programs within developed countries (the North) that want to “achieve a food system the sustainability of which is predicated on both social justice and ecological integrity” (Jaffee, Kloppenburg, Monroy, 2004). At the same time, the NI in Mexico, Comercio Justo, is referenced as creating a domestic Fair Trade marketplace (Raynolds et al., 2007,p.144).

An industry periodical, Supermarket News (Correction, December 10,2007), corrected a story on certified ethically grown flowers, initially referring to the VeriFlora certification as “Fair Trade”. The correction explained that “Fair Trade” capitalized refers

specifically to products certified by TFUSA”. Unfortunately that correction statement is wrong; the term “Fair Trade Certified™” refers to products certified by TFUSA. The Fair Trade terminology is obviously confusing.

Adding to the confusion, companies are creating new terminology to market their Fair Trade products to create new market segments. Green Mountain Coffee Roasters (GMCR) has a new coffee product labeled Single Origin Colombian Fair Trade Select. This coffee is FTC, comes from a single area of Colombia, and is not a blend. Whole Food Markets has their “Whole Trade Guarantee” program with a logo to identify products meeting their standards for quality, respect the environment and ethically traded. Retailers need an understanding of Fair Trade terminology to determine marketing strategies for promoting, displaying, and selling Fair Trade products, as well as for addressing consumer and employee questions.

## **2) Product Labels**

Along with terminology, retailers need to keep updated on the various symbols associated with Fair Trade products. These symbols, referred to as logos, labels or marks, communicate product attributes, benefits and values, membership in organizations or certification by an organization or governmental agency. The profusion of symbols poses the danger of “label fatigue” (Nicholls & Opal 2005, p.128). Examples of some of the estimated 137 food labels and messages for socially conscious consumers include: Fair Trade, fairly traded, bird friendly, shade grown, all natural, green, eco-friendly, free range and locally sourced (Alsever, 2006). Below are seven logos at the bottom of Dean’s Beans website homepage, a 100% Fair Trade coffee company, demonstrating the variety of messages one company promotes (Appendix B). Each one tells the consumer

something different, from products that are Fair Trade Certified™ to membership in organizations.



With all the labels and messages competing for the consumer’s attention, the Fair Trade logo must be so highly valued that consumers will search for it. The Fair Trade logo’s success, and thus the success of the Fair Trade model, must be worthy of the consumer’s trust. This trust develops from confidence in the certification process and the guarantee of an independent third party, which are at the heart of the Fair Trade model. The Fair Trade logo must clearly and effectively convey the brand positioning of Fair Trade. The challenge is to motivate the consumer to purchase Fair Trade Certified™ products, as well as fairly traded ones which, by association, help to stimulate interest in the certified products.

### **3) Brand Positioning**

While conventional marketing strategies persuade consumers to purchase products from only one company, Fair Trade’s marketing evolves from a different paradigm. This paradigm includes: (1) an international movement, (2) for profit companies and ATOs supporting Fair Trade, and (3) FTC products. The branding must be applicable and beneficial to all three components. The paradigm relies on cooperation and collaboration among the stakeholders in a transparent supply chain. As Fair Trade moves into the mainstream, the competition is all the companies and products not reflecting Fair Trade principles, as well as other certification programs. Fair Trade

Certified™ coffee, for example, must compete with the coffee certification programs Rainforest Alliance, Utz Kapeh and Bird Friendly. In addition, companies like Starbucks have their own in house certification program, Coffee and Farmer Equity (C.A.F.E.), even though they also carry Fair Trade coffee.

To effectively compete with established name brands, Fair Trade brand positioning must be consistent. The tag line on the Fairtrade Foundation logo is “Guarantees a better deal for third world producers” (Appendix B). This message does not appear on the logo for TFUSA, yet both logos represent the same product branding, Fair Trade certification. Both logos work to communicate to the consumer the same message that the benefits of trade will be more equitably shared. That guaranty is the heart of the Fair Trade brand.

Along with assuring consumers that producers receive fair prices, the logo branding assures consumers that the transparency of the supply chain has been verified by an independent third party and that Fair Trade principles have been followed. This supply chain relationship reflects a value chain that “is the most powerful weapon in the marketing arsenal” (Kitchin, ,2005). This value chain “is real, testable and valuable to end-users” (Kitchin, 2005) and offers a unique marketing opportunity for Fair Trade retailers.

In addition, the Fair Trade branding conveys benefits to the consumer, giving the consumer a reason to purchase Fair Trade products. Consumers are empowered by using their dollars to help improve the lives of others. Consumers get a product that is healthy and of high quality. Fair Trade certified products do not compete with low priced goods. Consumers feel good when they purchase FTC products. The Fair Trade brand

communicates a complex message of social, economic and environmental benefits. The brand must also be able to move across national and cultural boundaries with the same message; it must be universal.

The brand positioning needs to identify product attributes that can apply to all FTC products and motivate consumers to switch brands or try new products. Products that excel in quality, taste, style, or appearance, will compete better in the mainstream marketplace. Quality is paramount. It is the “key for all fair trade producers” (*Grocer*, 2007). Quality, along with ethical considerations, gives the consumer a reason to choose Fair Trade products over others, even if there is a price differential. Although many Fair Trade producers have high quality tasting products, it is important to note that the high Fair Trade quality standards relate to how the product is produced. There are no set standards related to sensory attributes such as taste or smell since those standards are subjective ones that individual companies create. Lake Champlain Chocolates, a Vermont company, carries only two Fair Trade Certified™ products, hot chocolate and cocoa, while other companies have found suppliers and producers that provide chocolate that meets most or all of their requirements for numerous products. These companies include: Divine Chocolate, Equal Exchange, Dagoba, Alter Eco, Ithaca Fine Chocolates and Theo Chocolates.

Fair Trade pricing is the retailer’s decision, based on desired profit margins. While Fair Trade does not dictate product prices, the Fair Trade costs may, but not always, translate into higher retail prices for some companies, but also higher profits (Appendix C). Some retailers may take advantage of Fair Trade by substantially increasing the retail price. Most retailers surveyed (Appendix H) did not experience a

profit margin differential between conventional and Fair Trade Certified™ products. Large companies have the advantage of spreading costs over a larger basis to keep the retail prices lower. Wal-Mart can afford to sell a Fair Trade coffee for under \$5 a pound (Gunther, 2006) while a small retailer may need to sell one for \$10 to \$13 a pound.

Along with ethical messages and quality attributes, healthy is a brand positioning. Fair Trade principles require production that respects the environment which, for coffee, often results in “certified organic” as an added value. Of the Fair Trade Certified™ coffee sold in the U.S., 85% is certified organic according to the Organic Trade Association. While marketing often highlights the more familiar value of organic over the Fair Trade certification, Fair Trade benefits by association.

McDonald’s, Coca Cola, and Nike view their specific brand positions as their most valuable asset, far greater than their physical assets (Kotler, 2005, p.214). For the conventional corporate world, “a brand is the company’s promise to deliver a specific set of features, benefits, services and experiences consistently to the buyers” (Kotler, 2005, p.242) that gives one company the competitive edge over another. The challenge of Fair Trade branding is not about promoting a particular product or company; it is about benefits and values that many products from many companies share, along with a single logo. That logo, and all it represents, is Fair Trade’s most valuable asset.

## **B) Identifying Awareness, Availability and Accessibility**

### **1) Awareness**

The awareness level of Fair Trade continues to increase. As of 2006, 27% of Americans can identify the certification logo (Downie, 2007). While that percentage is encouraging, it lags behind the UK with an awareness level of 57%, according to the

Fairtrade Foundation. Awareness is influenced by education and consumer exposure. Sources of information and exposure may come from seeing products in retail outlets, workplaces, schools or places of worship, in books or periodicals, on web sites, or talking with others. Consumer exposure to Fair Trade may come from seeing posters and brochures, learning about campaigns like “For Now, Chocolate is Bitter Sweet”, watching media events or reading a product’s packaging. The fact remains, though, that only about 1 in 4 Americans recognize the Fair Trade logo. Consumers are not readily getting exposed to and informed of Fair Trade. Traditional business books rarely seem to mention Fair Trade. If mentioned at all, the reference is to governmental protectionism. The same was true for textbooks in the author’s Master’s program. Professor Matthew Warning at the University of Puget Sound, a researcher and advocate of Fair Trade, indicated he experiences a similar pattern of textbooks ignoring Fair Trade. From my interviews and survey results (Appendix D), it is apparent to the author that consumers and retailers want information and appreciate learning about Fair Trade when given the opportunity to do so.

On February 13, 2008, the author visited several local Dunkin Donut and McDonald locations in Chittenden County, VT. At Dunkin Donuts, when the author asked for a cup of Fair Trade Certified™ coffee, most store employees did not know what Fair Trade was. They were unaware that Dunkin Donuts carries a Fair Trade Certified™ coffee, specifically their Espresso, although one employee thought all Dunkin Donuts coffee products were Fair Trade. At the McDonald’s locations, where all the coffee is Fair Trade Certified™ from GMCR (in the Northeast stores), the author

experienced similar results. Employees were not Fair Trade educated and stores lacked Fair Trade promotional posters or brochures for consumers.

When consumers are aware of Fair Trade, studies show that over half will go on to make a Fair Trade purchase. When consumers are aware, they ask for Fair Trade. Retailers will listen; they are in the business of serving the demands of consumers. Without sufficient levels of awareness, retailers must start at square one. “Awareness is a prerequisite for action” (Zink, 2006).

## **2) Availability**

According to TFUSA (Press Release), there are over 600 licensed companies selling Fair Trade Certified™ products in the U.S. throughout 45,000 retail stores. While those are encouraging facts, TFUSA only certifies a limited number of product categories, mainly commodities such as coffee, tea and sugar. The European list is definitely longer. The limited availability of certified products in the U.S. stems from certification and new product development issues. As consumers get familiar with current product offerings, they look for a broader range of Fair Trade products. To encourage new product development, TFUSA allows some composite products, such as ice cream, products made with FTC ingredients. Following strict guidelines for percentages of Fair Trade ingredients, these composite products carry the certified logo with a tag line “ingredients” (Appendix B). While this move is needed, there is frustration toward TFUSA’s slow response to market demands. In TFUSA’s defense, that slowness is due to limited capacity and a deliberate cautious process to develop detailed audit systems for each product and balance the costs and benefits. While retailers look for speed and efficiency to meet market demand, TFUSA must protect the integrity of the logo.

A few years ago FLO changed its policy and now requires producers rather than importers to pay for certification. This cost can add up to \$10,000 or more (Weber, 2007) and can be a challenge to meet. Producers must work with organizations to help them with the costs and complexity of getting certified by FLO. Meanwhile retailers and consumers are looking for more products.

FLO sets the product standards that are used by FLO-CERT in their inspections of the producers and traders. This process requires input from member organizations, producer organizations, traders and external experts for assurance that standards are appropriate and traceable for the Fair Trade certification. This slow costly process protects the integrity of the FTC logo but, as demand grows, the Fair Trade movement may need to find more efficient procedures used by FLO and NIs like TFUSA.

### **3) Accessibility**

With awareness and availability in place, the final step is accessibility. Surveys suggest that a key barrier to increased Fair Trade Certified™ sales is lack of in store visibility. More consumers would purchase Fair Trade products if they could easily locate them. In store visibility drives accessibility. Some stores segment their offerings into conventional and organic. Other retailers have a “natural foods” section. The challenge for consumers is to figure out if the Fair Trade sugar is in the baking section, the natural foods section or the organic section. Knowing where to find the product is critical to moving Fair Trade inventory and creating and keeping loyal customers.

For retailers, the in store placement of Fair Trade Certified™ products raises concerns of how those products may affect conventional, non certified products. What statement is being made? If certified products are about making the world a better place,

does that mean all the other products are doing the opposite? For Fair Trade activists, that is the question every consumer should be asking.

Some company brands are found in more than one place such as GMCR coffee. The Hannaford supermarkets in the Chittenden County (VT) area locate Green Mountain non certified coffee in the conventional coffee section but display the Green Mountain Fair Trade Certified™ coffee in the natural foods section. The trick for the consumer is to remember the location of these products in each retail store. This is a barrier when making purchasing decisions, especially if time is limited when shopping.

### **C) Identifying Controversies**

#### **1) Mainstreaming**

Initially Fair Trade products were sold in a niche market of stores fully committed to Fair Trade. Many of these retail outlets were developed by ATOs and NGOs in the Fair Trade movement. This niche market was and is a core component of the Fair Trade movement, involving thousands of volunteers, dedicated supporters and millions of dollars invested in education and awareness campaigns. In the UK alone, ATOs annually spend over \$22 million on Fair Trade public relations and awareness raising (Raynolds et al. 2007, p.59).

As Fair Trade Certified™ products move into larger retail operations, concerns are being raised about the consequences of mainstreaming Fair Trade. For some, mainstream retailers like Starbucks and Nestlé's are taking advantage of the many years of arduous work and financial investments by ATOs, 100% Fair Trade committed companies and NGOs in developing the "social capital of Fair Trade" (Raynolds et al., 2007, p.59). Although MNCs did not support or share in these investments in Fair Trade,

they are enjoying the benefits of those investments. Retailers who are 100% Fair Trade committed often want to be distinguished from other retailers who carry one or two certified products, arguing that anything short of a full commitment is hypocritical. "TFUSA is paying a lot of attention to large companies with meager commitments to fair trade," says Dean's Beans founder Dean Cycon, "and not paying a lot of attention to the dedicated people who are 80 to 100 percent fair trade" (Dicum, 2006).

The pressure to fill the demand for more products and new product lines generated by MNCs may cause FLO to include plantations and factories. This paradigm shift is a serious concern for small scale farmers. A handful of MNCs control the bulk of the global market for various commodities. Five MNCs, Kraft, Sara Lee, Nestle, Proctor & Gamble, Tchibo, control almost half of the entire world's coffee market (Fridell, 2007, p.117). Three MNCs, Chiquita, Del Monte and Dole, dominate the world's banana market, controlling the entire supply chain, from ownership of the plantations through processing, shipping, distribution and marketing (Raynolds et al., 2007, p.67). FLO requires small scale coffee farmers to organize as cooperatives (Nicholls & Opal 2005). Along with cooperatives being challenged by the possible inclusion of plantations and factories, the rapid growth of Fair Trade may put strains on the entire Fair Trade system, challenging its ability to certify and monitor the supply chain (Raynolds et al., 2007).

While mainstreaming has raised concerns, Fair Trade's entry into the mainstream marketplace is a key to Fair Trade's impressive growth. With Fair Trade Certified™ coffee imports going from less than 1 million pounds in 1998 to almost 70 million in 2006 (Conroy, 2007, p.108), it is hard to ignore the impact that MNCs like Starbucks have had on Fair Trade growth. Starbucks imported 18 million pounds of certified coffee

in 2006 according to its website. The flip side is, according to Dean's Beans, that Starbucks carries only one certified coffee out of their 40+ coffee products and to date has refused to add any more to their product offerings. Although Starbucks' 2006 Annual Report states that Fair Trade Certified™ coffee imports is 6% of their total imports, the majority of the certified coffee Starbucks imports is not for Starbucks, but "related to the requirements of other companies for whom they roast and package private-label coffee" (Conroy, 2007, p.119). In comparison, GMCR, while not 100% Fair Trade, has made a strong commitment to continue increasing its Fair Trade Certified™ coffee products. As of 2007 almost 30% of GMCR's coffee is Fair Trade Certified™ (GMCR Report 1<sup>st</sup> Quarter 2007).

While mainstreaming has increased Fair Trade products sales in the U.S., campaigns and TFUSA's business oriented model are also given credit for that increase (Conroy, 2007). Successful campaigns, organized by NGOs, ATOs and other activist groups, have used "buycotting" campaigns rather than boycotting ones (Fridell, 2007, p.72). Boycotting campaigns pressure corporations to be more socially responsible when consumers refuse to purchase goods. Buycotting campaigns offer a positive alternative by pressuring corporations and public institutions to offer Fair Trade goods. An example of a successful buycotting campaign was Global Exchange's campaign to pressure Starbucks to carry Fair Trade Certified™ coffee. As for TFUSA's business model, the approach has been to focus on increasing certified sales and leave the activist role to other NGOs and ATOs. This strategy may prevent friction between TFUSA and the MNCs currently licensed or considered to be potential licensees.

## **2) Selling Out**

No one can argue that Fair Trade imports, especially coffee, are experiencing strong growth with the introduction of large scale players. There is opposition, though, to “TFUSA’s market-led approach and the increasing role of plantations and dominant corporations in Fair Trade” (Raynolds et al. 2007, p.64). The Fair Trade movement, from the beginning, has focused on helping the small scale farmers, not plantations. The definition of small scale references farms with no hired help, only family members. The inclusion of plantations, for some, means TFUSA is selling out the Fair Trade movement.

While increasing sales for Fair Trade certified products is an objective of the Fair Trade movement, it is not the only objective. Other objectives include influencing corporate practices to be more socially responsible and pressuring international trade policies to distribute benefits more equitably to the poor in the developing world. Rather than offering an alternative to what Karl Marx referred to as “the commodity fetishism of commercial retail” by exposing the supply chain of commodities, TFUSA’s concentration of collaboration with MNCs may dilute the other long term goals of the Fair Trade movement (Low 2006 and Fridell 2007 p.4). This emphasis on sales at the expense of an advocacy role is also selling out for some activists.

Although TFUSA has created a business model to dramatically increase sales with the entry in mainstream channels, there is little evidence to show that TFUSA’s model is changing corporate practices or influencing trade policies. Wal-Mart now sells a Fair Trade coffee but is still about low cost goods. Starbucks sells Fair Trade coffee but only one, and that happened only with strong public pressure. Starbucks does not promote or advertise its only Fair Trade Certified™ coffee, Café Estima Blend. While both Dunkin Donuts (nationwide) and McDonald’s (in the Northeast) sell a Fair Trade

Certified™ coffee, the author was unable to find any promotional material in their respective stores in the Greater Burlington Vermont area to inform customers of their Fair Trade coffees. Several Dunkin Donuts store did display one small 3” x 4” card in the entry door with the logo, but the card was easy to miss and gave no information. The author could not find any information on the McDonald’s web site related to its Fair Trade coffee, and the Dunkin Donuts site revealed some minimal Fair Trade espresso information only after some searching of the site (Dunkin Donuts, 2008, McDonalds, 2008).

Some critics contend that TFUSA promotes “Fair Trade to companies based on the capacity of certification to reduce activist pressure and enhance a corporation’s image” (Raynolds et al., 2007 p.65). The actions of TFUSA suggest that growth of certified products justifies working with MNCs, even if there is no corporate change in business practices. For others, it is not enough to increase sales; advocacy for change in corporate practices and trade structures and policies is equally important to reduce global poverty.

### **3) Anti-Free Trade**

Free trade advocates insist that the “unfettered movement” of goods and services between countries offers the most efficient model of international business (Nicholls & Opal, 2005, p.17). In this model, some will benefit and others who are inefficient will fail, all for the general good. Trade liberalization has seen much success, but it has also resulted in gross inequalities. “By the late 1990s the poorest 20% of the global population generated only 1 per cent of the global Gross Domestic Product, whilst the richest 20 per cent generated 86 per cent” (Nicholls & Opal, 2005, p.18). Free trade alone has not been

able to solve the global poverty crisis. “Despite evidence that the Fair Trade model works, poverty remains a grim reality in many developing regions” (Ericson, 2006).

Until trade is really free, meaning free of all subsidies and trade barriers, and fair, meaning just and equitable for all, Fair Trade offers an alternative model for those at the bottom of the global economic ladder. The Fair Trade model exists within the free trade system, working to level the playing field for all stakeholders, requiring direct trade with producers to cut out the middlemen and floor prices to cover the cost of production, the cost of living, and the cost of complying with certification standards. Producers in developing countries lack market information, access to markets and credit, strong legal systems and the ability to readily change production methods and products. The developed countries and the MNCs have all of these capabilities at their disposal (Nicholls & Opal, 2005).

Critics such as *The Economist* suggest Fair Trade “is not in the best interest of (small) growers” (Jacques, 2007). The Adam Smith Institute published a document claiming that Fair Trade is not fair and may do more harm than good (Sidwell, 2008). This critique makes numerous unsubstantiated claims such as: Fair Trade producers benefit at the expense of other producers; Fair Trade helps relatively prosperous countries and ignores poor ones; Fair Trade keeps people trapped in poverty. A rebuttal by the Fairtrade Foundation explains that Fair Trade cooperatives pressure other traders to offer competitive prices, helping all producers. Mexico, the relatively prosperous country mentioned in the Adam Smith Institute document, has one of the poorest coffee growing regions in Latin America, Chiapas. Fair Trade works in Mexico as well as in numerous other poor areas. Fair Trade’s ability to provide stability and financial security to poor

farmers enables them to consider the risk of diversification, often held up as a key to getting out of poverty, according to the Fairtrade Foundation. Without stability and security, poor farmers cannot afford the risk of diversification.

Global poverty, even with free trade, is still a global crisis. As Joseph Stiglitz points out, worldwide population growth is winning out over economic growth. “Outside of China, poverty in the developing world has increased over the past two decades” (Stiglitz, 2007 p.11). What is needed is more fairness (Stiglitz, 2007, p73). Fair Trade offers an alternative trade model that, while still young, has already demonstrated success in improving the lives of disadvantaged producers. The emphasis on education, higher incomes, better business skills, community investments, democratic organizations, and empowering women are all components of Fair Trade’s success. Fair Trade also puts pressure on free trade to be fair and genuinely free.

#### **4) Halo Effect or Fairwashing**

Some companies carry a Fair Trade Certified™ product to look good, as opposed to a genuine desire to make structural changes in corporate practices. This is referred to as the halo effect, “the tendency for the good feelings around one product to reflect well on the entire brand” (Holt-Gimenez, Bailey, Sampson, 2007). Some activists also call this fairwashing, “a play on the term greenwashing defined as misinformation disseminated by a corporation so as to present an environmentally friendly public image” (Nicholls & Opal, 2005, p.138). While the growing involvement of Fair Trade with MNCs can be viewed as an important component of expanding the Fair Trade market, others see it differently. For some, corporate involvement in Fair Trade is motivated by a desire to protect “their public image for the sake of profitability” (Fridell, 2007, p.73). For these

corporations, Fair Trade products are not viewed as helping the poor but as a way to influence consumers to buy their products by “shifting attention” and making “relatively minor commitments to Fair Trade” (Fridell, 2007, p.73-74). The irony is that what is minor for MNCs is often major for Fair Trade. Starbucks is a case in point. Only about 6% of their total coffee imported is Fair Trade Certified™, but that 6% equates to almost 30% of all Fair Trade coffee imported into the U.S.(Starbucks: CSR Annual Report 2006).

For some activists, the involvement of the MNCs proves that Fair Trade “has arrived” while for others it means Fair Trade has lost its way. When Dean Cycon, owner of Dean’s Beans, removed his company from TFUSA’s list of licensees, he explained that "Fair trade is supposed to be a movement about social change, but it is turning into a marketing exercise" (Dicum, 2006). He was frustrated with companies wearing the halo and not being fully committed to the Fair Trade movement. Starbucks is an example of a company that appears to have the halo effect. The author spoke with a former Starbucks employee working her way through college who was sure that all Starbucks coffee was 100% Fair Trade. While Starbucks does have one Fair Trade coffee, it has its own self certifying internal system which is substantially different from Fair Trade. There is no independent third party for verification, or a guaranteed floor price or required long term commitments. What about Dunkin Donuts, McDonald’s, Wal-Mart and Costco? What is their motivation in retailing a Fair Trade coffee? For many the answer is the halo effect.

Most companies today have a corporate social responsibility (CSR) component in their mission statements. The CSR goal is to “promote a humane and just society” and to be “mindful of the triple bottom line” of social, economic and environmental impacts

(Griffin & Pustay, 2007, p.127). Sometimes Fair Trade is viewed as a way to demonstrate satisfying the CSR goals. For example, Nestlé's CEO stated that its CSR is an inherent part of the Nestlé business strategy and *Nestlé Business Principles*, which guide the way we operate. As stewards of large amounts of shareholders' capital, it is my firm belief that, in order for a business to create value of its shareholders over the long term, it must also bring value to society . . . we believe that the true test of a business is whether it creates value for society over the long term. This is particularly true in developing countries,...

(Mitchell, 2006, p10)

While Nestle has over 8500 products and is the world's largest coffee producer, they have only one Fair Trade Certified™ coffee, Nescafe Partners' Blend (Holt-Gimenez et al., 2007). As Global Exchange points out, Nestlé's Fair Trade coffee does not truly fulfill its CSR obligations. "The launch of a Nestle Fairtrade coffee is more likely to be an attempt to cash in a growing market... than represent the beginning of a fundamental shift in Nestlé's business model" (Global Exchange, 2005).

### **5) Domestic Fair Trade**

Domestic or local fair trade is relatively new to the public. Campaigns like Brattleboro VT's "Buy Fair Buy Local" support buying Fair Trade products as well as locally produced ones, yet the domestic fair trade movement wants to go further by providing assurance that producers of local products here in the U.S., as well as in other developed countries, receive similar benefits that Fair Trade offers – fair prices, fair labor conditions, and opportunities to more fairly compete with MNCs.

While those in the Fair Trade movement generally support the concept of domestic fair trade, the terminology of “Fair Trade” as applied to producers in developed countries runs the risk of confusing consumers and diluting the founding mission of the Fair Trade movement to help the poor at the bottom of the global economic ladder. Unlike those disadvantaged producers, farmers in the U.S. have access to market information, credit resources, education for their children, organizations, infrastructure, as well as safe water and sanitation.

Domestic or local fair trade and Fair Trade are not in conflict or in competition with each other. Both groups want to make trade fair and just. Most Fair Trade certified agricultural products such as bananas, tea, coffee, and chocolate are grown in developing countries, although there are a few exceptions like coffee from Hawaii. The Local Fair Trade Network (LFTN) promotes both local and Fair Trade products and wants to make the connection among consumers that the entire food system should reflect the Fair Trade principles.

Equal Exchange has collaborated with other companies and organizations in launching the Domestic Fair Trade campaign in the U.S. to support small scale farmers and cooperatives that follow Fair Trade principles. This campaign is not identified by a particular label at this point in time. The concern is that there are already too many food related labels to compete with, relying instead on the phrase ‘domestic fair trade’ on packaging to educate consumers and retailers. It is important to remember that there is no independent third party such as TFUSA that verifies domestic fair trade products in the North.

There is one NI in the South that is viewed as a certifier of Domestic Fair Trade. Mexico has recently started its own National Initiative, Comercio Justo. This NI is referred to as domestic Fair Trade by at least one Northern author, Laura Reynolds (Reynolds et al., 2007 p. 144). Comercio Justo is the first NI in a developing country and activists in Mexico view their NI as a certifier of their own domestic Fair Trade. Thus the term domestic Fair Trade may reference Fair Trade activities in the North but also in the South.

#### **6) Is Fair Trade really fair?**

According to results from a survey the author sent out (Appendix J), a dominant concern retailers have is the question: Is Fair Trade really fair? How does the reality of Fair Trade match up to the promises that Fair Trade promotes? TFUSA's CEO, Paul Rice, explains "Our claim is quite simple. When you see our label on a bag of coffee, no matter where you find it - whether it's your local natural food store or a Costco or a Sam's Club or a McDonald's - you are guaranteed that those farmers got a fair price and that they're living a better life" (Dicum, 2006). Reports by Ernesto Méndez (2005), Daniel Jaffee (2007) and Laura Reynolds (2007) show that farmers do receive benefits, although fair prices may not always be among those benefits.

Benefits in Fair Trade communities include the environment being respected, producers learning skills in organizing, business, and trade negotiations, more children attending schools, more households having savings, women being empowered, and investments being made in local communities. Reports indicate, though, that there may be a serious problem in some communities with food security, the farmer's ability to put

adequate food on the table for his/her family. This problem challenges the consumer's perception that the farmer, not just the cooperative, receives a fair price.

Cooperatives do receive fair prices for their products as defined by FLO. These prices are designed to cover production costs, costs related to complying with certification standards, and the cost of living. Producers are paid after expenses are covered; what is left over is divided among the farmers. Social premiums can only be used for community projects. Unfortunately "the full benefits of higher prices do not always trickle down to small-scale farmers" (Daniels & Petchers, 2005, p.26). Given what some studies point out, concerns of food security suggest that the prices are not as fair as they should be. "Certifications are not likely influencing the level of food security of coffee households" (Mendez et al., 2005, p.30), but it is important to remember that individual farmers in different cooperatives experience varying degrees receiving a greater portion of the net profits from their respective cooperatives. Testimonies on Fair Trade NGO websites often demonstrate how Fair Trade has made a big difference in the lives of producers. While those differences are important, the realities may not always match up with promotional material.

Along with the question of how fair the price is, some critics challenge the fairness of FLO's methods of operation. The notion that, as of 2004, the producers must pay for their certification and annual inspections when their lives are a constant struggle to survive may be seen as inherently unfair. The initial certification can run into thousands of dollars.

In addition to the burden of certification and inspection fees, another aspect of the fairness issue relates to exclusivity. When commodity prices are low, the demand for

producers getting Fair Trade certified grows yet FLO's practices often result in restricting the number of producer groups when they are most needed. Meanwhile, coffee farms that include hired help yet believe in and practice the essence of the Fair Trade principles do not qualify for Fair Trade certification. Thus the workers on large coffee plantations are excluded from the Fair Trade benefits. FLO justifies this "unfairness" with its goal to help "build economic independence and empowerment for Fairtrade certified small farm organizations" (<http://www.fairtrade.net/introduction.html>).

## **CHAPTER 3: Addressing Fair Trade Marketing Challenges**

Addressing challenges in marketing Fair Trade involves local, national and international stakeholders. Retailers can address some challenges, but most challenges will require a collaboration of efforts by retailers, NGOs, ATOs, Fair Trade companies and other interested parties. In determining effective solutions to the challenges identified in Section II of this thesis, the direction of the broad debate of what Fair Trade should achieve may be the pivotal point in choosing options. Is Fair Trade about increasing sales of producers in developing countries, changing international trade rules, removing unfair subsidies and trade barriers, changing trade models, changing corporate behavior, or is it all of these? While there is active debate about what Fair Trade should be, there is little debate that it is about changing consumer behavior.

### **A) Addressing Confusion**

#### **1) Terminology and Multiple Labels**

In March 2008 Jamie Guzzi of TFUSA asked the author to encourage several local Vermont retailers to carry Fair Trade Certified™ flowers. One retailer said he already had Fair Trade flowers, pointing to the store's flower display with a sign reading "Fair Trade Certified" and "by VeriFlora". The retailer was unaware that VeriFlora does not certify Fair Trade products and that the term "Fair Trade Certified™" is a trademark protected phrase controlled exclusively by TFUSA. The author's survey confirmed some confusion is typical among retailers (Appendix J). When retailers are confused, they risk misinforming consumers. More education directly targeted to retailers should be a top priority for TFUSA, whose vision statement identifies the need to "educate, inspire and mobilize" people to support Fair Trade principles (TFUSA. Vision Statement ).

The abundance of product labels and terminology containing the words “fair” and “trade” add to the confusion for both consumers and retailers, according to feedback from my survey, readings and observations. While numerous labels have the potential to increase added value to products, those labels also present strong competition for the certification logo. For the logo to stand out, it must first be in use and placed on the front of packaging. TFUSA should identify those companies that are licensed to use the logo but do not put it on their products, such as VT Artisan Coffee & Tea Co. TFUSA needs to understand why some companies don’t use the logo and encourage its use. Companies that do use the logo but do not display it on the front of the packaging should be identified and encouraged to display the logo more visibly. For example, Equal Exchange, a 100% Fair Trade company, puts the logo on the back of the packaging for its decaffeinated organic coffee. Alter Eco’s product Red Tea Rooibos only has the logo on the individual tea bag wrappers, not the box containing the tea bags.

If importers, roasters and retailers do not feel the Fair Trade Certified™ logo adds value to their products, TFUSA needs to learn what is happening among those companies. The objective is not to criticize but to listen to, learn from, and address the needs of retailers. Is more generic marketing the key to generating more awareness, demand and added value for certified products? Is more education the answer? Is a closer working partnership with small licensees the answer? The author’s conclusion is yes to all of these questions.

At some point in time, TFUSA is going to be the only NI not using the universal Fair trade certified logo. While there is little doubt that switching over will create some initial confusion and expense to the licensees, TFUSA is only postponing the inevitable.

They should develop a strategy and set a time frame in which to make the switch. By adopting the universal logo, TFUSA will signal its desire to join forces with the global movement rather than going it alone. The long term benefits for the broader movement justify this move. Connecting with the energy, marketing, and acceptance of the universal logo offers the opportunity to increase awareness, decrease confusion, and build a broad grass roots base.

## **2) Brand Positioning**

Fair Trade marketing is about communicating a story of what happens in the supply chain and how the product on the shelf is a tangible result of that story. Fair Trade marketing is about empowering consumers to make choices based on factual, verifiable information rather than on hype. While conventional marketers use images creating allusions with actors, Fair Trade marketers use images of real people in real settings. Product packaging utilizes stories of individual producers and their communities to connect consumers with the other end of the supply chain. These stories are an effective educational and marketing tool, reducing a complex trading model into human terms and focusing on numerous benefits rather than just one.

Product packaging is the number one marketing strategy for addressing the branding challenges, according to survey results (Appendix J). The Fair Trade product packaging often contains photos of producers, quotes from producers and details on what Fair Trade means and how it works. Some companies use a phrase to encompass the essence of Fair Trade branding. Green Mountain Coffee's tag line is "The Taste of a Better World". Divine Chocolate uses "Heavenly Chocolate with a Heart". These efforts move beyond the simplistic branding of Fair Trade as only a fair price. Fair Trade has

many benefits which are essential to communicate to consumers. While receiving a better price for products is one of the Fair Trade objectives for producers, pricing is more complex than just a fair price. Farmer cooperatives or other organizations are paid for the products, not the farmers directly, and then those cooperatives decide how much farmers receive.

The logo represents the Fair Trade brand. TFUSA controls the use of this logo and has strict requirements about its use. Given the value placed on this logo, it is unfortunate that not all companies carrying FTC products use the logo, or use it correctly. For consumers, the logo is the guaranty that products are genuinely Fair Trade Certified™, reflecting the Fair Trade principles.

Along with packaging, the survey (Appendix J) shows the second most used tool for marketing Fair Trade and communicating the branding is talking with customers, which relies on the expertise of the retailers. This brings the discussion back to the need for more educational programs directed specifically at retailers. Retailers rely on websites and suppliers as their two main sources of information (Appendix J). The dependence on websites highlights the need for TFUSA to take an objective look at its current site, compare it to Fairtrade Foundation's site and have a focus group do an objective comparison. For the author, the TFUSA site has several problems: small font size, lack of excitement and color, too much information on management, not enough information on the activists, advocacy, producers and products. This site lacks the ability to search it, a critical tool for retailers looking for specific information.

## **B) Addressing Awareness, Availability and Accessibility**

### **1) Awareness**

Increasing levels of consumer awareness of Fair Trade is essential to increase retail sales. The level of awareness in the U.S. has improved over time but still lags behind the UK. Looking at successful programs and campaigns in the UK is a worthwhile strategy to help increase awareness levels in the U.S. Some of these campaigns, or some variation thereof, are already being tried in the U.S., while others are not. This is unfortunate as it seems a waste of resources when the UK has already developed some impressive programs and campaigns. Granted some may need a slight adjustment to adapt to the American culture, but the UK campaigns, with all their excitement and energy, are worthy of being copied here in the U.S. One example is the UK Young Cooperatives, a program that works with students and schools to create Fair Trade stores within the schools.

The Fair Trade Towns Initiative (FTT) is one campaign that started in the UK and recently has taken hold in the U.S. FTT is an excellent step in community educational outreach, encouraging towns to meet basic criteria such as having a minimum number of retailers carrying Fair Trade products and passage of a resolution supporting Fair Trade by a local governing body. The Fair Trade Towns Initiative can point to some initial success with five towns, including Brattleboro VT, as an official Fair Trade Town as of March 2008. To date the UK has about 300 Fair Trade Towns, giving the U.S. a high bar to reach for (Fair Trade Towns).

Fortnight, World Fair Trade Day (WFTD) and Fair Trade month are also campaigns to increase awareness. Fair Trade Fortnight is an established successful campaign in the UK, promoting Fair Trade products, retailers and producers. This campaign runs for two weeks in March with attention grabbing activities throughout the

country. In May 2008 the Fair Trade Resource Network is introducing America's first Fair Trade Fortnight Campaign to coincide with the international celebration of World Fair Trade Day, May 10, rather than coinciding with the UK Fortnight campaign in late March. WFTD is a separate event, always on the second Saturday in May and sponsored by the Fair Trade Resource Network with support from Fair Trade companies. This day is an opportunity for all groups in Fair Trade to connect with the international movement. It may make more marketing sense to separate the timing of the American Fortnight and WFTD celebrations rather than overlap them, which may dilute attention from the uniqueness and international focus of WFTD. Fair Trade Month is a U.S. campaign, designating October as a time to promote Fair Trade and to offer exposure for retailers carrying Fair Trade products. All of these campaigns gearing up in the U.S. may require more financial and human resources or existing resources to be better allocated to assure success.

A U.S. campaign that targets students is United Students for Fair Trade (USFT), pushing for Fair Trade products on campuses around the country. Success stories include Dartmouth, Brandeis, and the Universities of Florida, Arizona, and Washington. USFT is independent of TFUSA, who also promotes Fair Trade consumption on campuses. Along with campuses, TFUSA targets faith groups with its Interfaith Fair Trade Initiative, asking congregations to serve Fair Trade products.

While the focus has been on communities, schools and faith groups, a huge untapped potential for increasing awareness is procurement policies of U.S. governmental agencies and businesses. The UK, as well as other countries and the European Parliament, has demonstrated a strong commitment with its inclusion of Fair Trade in

procurement policies of its governmental agencies and within the business sector. These policies encourage or require purchases from suppliers of local products and Fair Trade products. Some U.S. municipalities have encouraged the use of FT products but to date there is no formal campaign to incorporate Fair Trade into procurement policies.

Along with campaigns to increase awareness, retail stores need attention getting, attractive in store posters, point of sale brochures, and other effective Fair Trade marketing material. Fairtrade Foundation in the UK offers a variety of attractive materials (Appendix E). Individual companies recognize the need to attract attention with bright colorful packaging (Appendix F). TFUSA should consider revamping its promotional material for retailers and follow the successful examples of Fairtrade Foundation.

In 2004 TFUSA started a generic marketing fund (Nicholls & Opal, 2005, p.129) that suppliers and retailers would contribute to. In return, TFUSA would run generic promotions in specific regions when requested by those suppliers and retailers. That fund is currently not operational. Given the upbeat growth in sales and interest in increasing awareness, this fund should be restarted.

## **2) Availability**

The limited availability of Fair Trade products is of concern to retailers. Estimates are that one half of American consumers who recognize the Fair Trade Certified™ label say they buy Fair Trade products, but they also say “lack of availability limits their purchases”. (Raynolds et al., 2007, p66) While Europe enjoys a wide variety of certified products and product ranges, such as snack bars, wines, fruit juices, and soccer balls, the U.S. market has a more limited number of agricultural related products and, as of April 2008, no non-agricultural products. TFUSA should consider reallocating resources to

increase capacity for launching more than one or two new products a year. In addition, FTUSA should work more actively with Fair Trade companies, especially 100% FT companies, to develop composite products. Composite products contain Fair Trade Certified™ ingredients and reflect a growing demand for convenience snacks and meals and offers. These composite products are an opportunity to increase sales of products like sugar, cocoa or fruit. Europe's snack bar Geobar offers an example of a successful composite product developed through a collaborative effort.

Private labels have become another source of new products. Large retailers have developed their own private Fair Trade Certified™ coffee label, like Costco's Kirkland and Sam's Club's Members' Mark. National and regional supermarket chains such as Price Chopper and Hannaford's, who already have their own private labels on milk, cereals and other agricultural food related products, should be encouraged to create private Fair Trade labeled products.

Along with product development, the certification process determines the availability of certified products. This process has been accused of being slow, inefficient, and unfairly restricting new participants in the Fair Trade market. Groups like the Community Agroecology Network (CAN) (Appendix A) have reached out to coffee producing communities to assist them with obtaining funds for the cost of certification, as well as assisting farmers in working through the complexities of the process. FLO offers some financial funding, but this, in turn, creates another layer of complexity to work through. CAN offers its farmers direct access to U.S. consumers through its website. CAN is a model that could be considered by groups looking to develop a long term

relationship with a community that enables researchers and students to study related areas in the field while making a concrete impact on communities they study.

FLO and its NI members need more direct feedback from farmers to better understand how the issues related to certification impact the marketplace. In 2007, FLO invited producer groups to become members and finally agreed to increase the Fair Trade Premium for coffee farmers from five cents to ten cents, and the Organic Differential from fifteen cents to twenty cents. The Fair Trade Premium, also called the social premium, is an amount paid to the cooperatives above the Fair Trade Minimum Price for reinvestments in the community. The Organic Differential rewards farmers for meeting organic standards. These increases were long overdue and suggest that some members of FLO lack an understanding of the actual financial realities farmers face.

TFUSA's lack of capacity to bring more than one or two new certified products to market, even though it now takes in more than \$4.5 million in licensing fees according to TFUSA's 2006 Annual Report, is being challenged by NGOs like *interrupcion\**. *interrupcion\** works to develop sustainable transparent supply chains by partnering with the Institute for Market-ecology (IMO), a Fair Trade and Organic certifier, and *Asociación Civil Interrupcion\**, a non-profit development organization. My conversations with people from small local coffee companies, suppliers and health food markets in Vermont reflect a prevailing frustration and disappointment in TFUSA. The overriding sense is that small retailers are less important to TFUSA than the MNCs like Starbucks. This shortsightedness of TFUSA to underestimate the importance of grass roots support is a serious risk to the future of Fair Trade in the U.S. If TFUSA continues to be seen as a "problem" rather than as a partner, retailers may be cautious about carrying Fair Trade

Certified™ products.

### **3) Accessibility**

Accessibility is often cited as a key factor in a consumer's decision to buy Fair Trade products. First consumers must be able to easily and quickly locate these products. Retailers need to know what patterns successfully encourage more purchases. If Fair Trade sugar is in one aisle while other sugars are in another, the consumer needs to easily identify the location. Some retailers display Fair Trade products in separate areas, perhaps out of concern that the Fair Trade product suggests that there is something wrong with the similar non Fair Trade products, which in fact may be the case, at least for Fair Trade activists. If consumers can't quickly find Fair Trade products, sales are lost. Perhaps a study or survey of different strategies for Fair Trade product locations and displays would benefit retailers. To encourage studies in marketing, TFUSA should develop a list of "needs" and publish this list on their website to promote academic studies by students and faculties.

Along with departments within the stores, location involves shelf placement, with eye level the prized location. In store displays quickly grab consumer attention. Some Fair Trade companies have developed their own stand alone displays while others depend on the individual retail stores. TFUSA's Fair Trade Certified™ flower promotion includes offering retailers a stand alone display to draw attention to the latest certified product (Appendix G). Retailers could use more creative ways of increasing visibility for Fair Trade products. TFUSA's display for flowers is a small step in the right direction.

## **C) Addressing Controversies**

### **1) Mainstreaming**

Mainstreaming Fair Trade has been credited with dramatically increasing sales, especially coffee. “In 2000 the U.S. Fair Trade market saw \$50 million in sales; by 2005 it had ballooned to \$500 million” (Holt-Giménez et al., 2007). TFUSA’s strategic decision to mainstream Fair Trade paid off. While there is little question of the short-term positive impact on sales figures, the motives and long-term consequences of MNCs involvement in Fair Trade are less clear. MNCs, for the most part, have not voluntarily offered to carry Fair Trade Certified™ products. Their involvement is often related to public pressure or to satisfy shareholder’s concern for fulfilling their CSR, which in turn may help to derail activists’ criticisms of corporate behavior. Yet, ironically, it is this behavior that Fair Trade hopes to influence and change.

Some MNCs like Starbucks have tried to justify their limited commitment to purchasing more Fair Trade by claiming that there isn’t enough supply or demand and or that the quality is not to their standards (Jaffee, 2007,p.201-202). The truth is that, for Fair Trade’s flagship product, coffee, FLO estimates that the majority of Fair trade certified coffee from some cooperatives ends up being sold as conventional coffee due to a lack of buyers. MNC concerns related to the coffee supply are not valid. As for demand, the growth figures demonstrate consumer interest continues to grow as more products come on line and are more readily available. Retail supermarkets in Vermont continue to expand their natural food sections, reflecting this demand. As for quality, 85% of Fair Trade coffee is organic and companies like GMCR and VT Artisan, roasters and retailers of quality specialty coffees, recognize that Fair Trade and quality can and do go hand in hand (Organic Trade Association, 2008).

Other products like chocolate have similar stories. Chocolate Fair Trade

companies like Divine Chocolate and Equal Exchange have demonstrated that Fair Trade and quality are a winning combination. Some activists fear that MNCs may want only enough involvement to control the Fair Trade market, with small farmers dependent on one contract with a MNC, to keep Fair Trade as a niche market so that the MNCs can continue business as usual. Another reason for limited involvement may be to simply satisfy shareholders' concern for meeting corporate social responsibilities. When companies like Starbucks sign contracts for Fair Trade Certified™ coffee, that purchase represents a small portion of their total purchases, yet for local farmers the sales are huge. The fear is that over time a few MNCs could dominate the Fair Trade market and put the small scale farmers at the mercy of the MNCs as smaller importers get pushed aside.

To address the concerns of mainstreaming, TFUSA and other NIs need to coordinate basic standards and requirements that apply to all MNCs. Rather than lowering the bar, raise the bar. Small companies that are 100% FTC should be recognized and rewarded by reducing their required fees, perhaps on a sliding scale dependent on a percentage of Fair Trade to overall company sales. This in turn might motivate MNCs to become more committed. TFUSA must work with retailers and consumers to demonstrate that MNCs cannot gain control Fair Trade.

## **2) Selling out**

In conjunction with mainstreaming concerns, selling out has been a criticism of TransFair and FLO for their focus on MNCs involvement without pressuring those corporations to improve their behavior. TFUSA walks a fine line with this move toward licensing MNCs. On the one hand, TFUSA wants to encourage them to participate in Fair Trade, and, on the other hand, NGOs in the Fair Trade movement would like those MNCs

to change their corporate behavior of profits above all else. TFUSA is in an awkward situation being asked to criticize its licensees. Hence, TFUSA has not been aggressive in demanding corporate changes or trade policies. Some of these MNC licensees may even benefit from unfair trade policies. TFUSA has left advocating for changes in corporate behavior and trade policies to other NGOs like Global Exchange and Oxfam, which have sponsored numerous campaigns, including the one that brought Starbucks to the table to work with TFUSA. TFUSA can demonstrate it is not selling out by becoming an active advocate in the Fair Trade goals of improving corporate practices and trade policies.

Selling out also involves TFUSA's treatment of MNCs. When TFUSA signed up Starbucks, they were given preferential treatment, related to requirements to initial purchase quantities and fees that importers pay on a per pound basis (Jaffee, 2007, p.203). After some loud outcries, these inequalities were adjusted. There are questions about why importers, especially MNCs, are not required to have the same transparent books that are required of the producers. Starbucks' imports include coffee beans that are roasted for other companies, making it difficult to ascertain just how much Starbucks is committed to Fair Trade Certified coffee. With only a small percentage of Starbucks coffee imports being Fair Trade, what is happening to all the remaining farmers who sell to Starbucks? At the same time, companies that are 100% Fair Trade complain that they are not rewarded for their efforts to fully commit to FTC products.

Addressing the criticism of selling out may require TFUSA and other NIs to publicly disclose agreements made with MNCs. This disclosure is a real test of these NGOs to a commitment of transparency throughout the Fair Trade supply chain. Along with disclosure, TFUSA needs to go on public record that they expect and demand that

their MNC licensees demonstrate a stronger commitment to Fair Trade principles. This requirement should not be viewed as a criticism of their customers so much as a declaration of contract conditions for doing business with TFUSA. MNCs must be willing to openly document concrete actions that demonstrate their commitment. Signing a TFUSA contract without conditions to increase Fair Trade imports and function transparently is not sufficient.

### **3) Anti-Free trade**

Fair Trade has been accused of being anti-free trade. These criticisms miss the mark. Fair Trade is anti unfair trade. Fair Trade is against the race to the bottom. Joseph Stiglitz, Nobel Prize winner of economics, calls our current trading system both unfair and not free (Stiglitz, 2005). The current free trade system is full of protectionist measures including tariffs and subsidies rewarding those with political clout. At the same time, the North demands that developing countries eliminate their trade barriers. The North bullies the developing countries into signing trade agreements that often are far more beneficial for the North than for the South.

Meanwhile, the North ignores pleas to eliminate its agricultural and textile subsidies. The current agricultural subsidies for the “rich countries” exceed \$300 billion per year (Jaffee, 2007, p.xi) while the United Nations estimates it would take \$40-\$70 billion to reach the Millennium Development Goals by 2015, reducing global poverty in half (Fair Trade Federation, Facts and Figures). In the U.S. alone, agricultural subsidies are \$55 billion in the current 2008 proposed congressional Farm Bill (Political Base). Fair Trade NGOs, including TFUSA, need to stand up to the trade policies causing continued inequities in the marketplace. This is not “anti-free trade” but rather “anti unjust trade”.

Even if Fair Trade was anti-free trade, which it is not, Fair Trade is certainly no threat to globalization. Fair trade is less than “.01 percent of the global market”. (Raynolds 2007, p.8) The fact that free traders like the Adam Smith Institute criticize Fair Trade suggests that perhaps Fair Trade is starting to challenge some of the inherent inequities of the free trade system, which is, after all, what many Fair Traders hope to do.

#### **4) Halo Effect or Fairwashing**

When companies sell one Fair Trade Certified™ product to help their public relations image, the potential for the halo effect is clearly obvious. These companies use a Fair Trade product as a “showpiece” to wash away their negative image or distract consumers from other corporate behavior. While companies such as Dean’s Beans, VT Artisan Coffee & Tea, Planet Beans and Higher Grounds Trading Company have mission statements that reflect a full commitment to Fair Trade principles, others use a single Fair Trade product to satisfy their CSR requirement. It is hard to believe that Nestlé, with over 8500 products, thinks its Fair Trade coffee Partner’s Blend will somehow get consumers to ignore all the well publicized concerns of violations of social and environmental rights.

TFUSA’s decision to license MNC retailers like Nestlé’s, Starbucks and Dunkin Donuts without requiring them to demonstrate any increase in their Fair Trade commitment suggests that TFUSA silently accepts the halos that these MNCs are wearing. Sales without change will ultimately risk consumer suspicion and loss of trust in the Fair Trade logo. While consumers can use their purchasing power to send messages, they are often confused by the halo. Starbucks’ coffee is frequently associated with Fair Trade coffee. Consumers are not going to research the difference between Fair Trade Certified™ and C.A.F.E., Starbucks in house program. TFUSA holds Starbucks up as a

positive example of why sales are so impressive. Starbucks bask in the light of Fair Trade without any fundamental corporate change.

### **5.) Domestic Fair Trade**

Domestic Fair Trade and Fair Trade can and must learn to exist in a cooperative manner. The public has already latched onto the term “domestic fair trade”. Here in Vermont the Vermont Milk Company promotes itself as a Domestic Fair Trade company. In order to gain the political support to involve governments and social organizations, local support of Fair Trade is paramount. Promotions of “Buy Fair Buy Local” go a long way to assuring local farmers that Fair Trade is supportive of their hard efforts.

Educational material will have to address the differences between domestic Fair Trade in the U.S. and Fair Trade in a developing country. Retailers can help by making sure the Fair Trade Certified™ logo is prominently displayed to help make the distinction for consumers. TFUSA should put more effort into encouraging companies that are licensed to carry certified products to actually use the logo on certified products.

### **6) Is Fair Trade Fair?**

The fairness issue is one of the top three concerns Vermont retailers indicate as a challenge in marketing Fair Trade (Appendix J). The question goes to the heart of Fair Trade branding. Is Fair Trade fair? The truth is not always, but there are continued efforts to improve the model so that one day it might truly be fair for all those involved. Unfortunately TFUSA and others have reduced the marketing of Fair Trade to a fair price; the producer is guaranteed a fair deal. While this is often the case, some producers experience a lack of food security with their families going hungry at certain times of the year. Food security is still an elusive goal that Fair Trade stakeholders are actively

working on as this paper is being written. While TFUSA has chosen not to address this issue, at least not publicly, others like GMCR are taking an active role in solving this serious problem. It is far better to acknowledge problems, no matter how much they conflict with perceptions. It is also important to acknowledge other positive impacts that encourage members of Fair Trade communities to stay with their Fair Trade organizations.

The fairness question must be broadened to include the benefits producers now have but did not have before Fair Trade. Fair Trade “certification alone will not bring financial stability or poverty alleviation to most coffee families”, but there are certainly many benefits the families are reaping that would not happen without Fair Trade (Mendez et al., 2005). Those benefits include: new business skills, empowerment of women, a healthier environment, more children in school and access to credit and market information (Méndez et al., 2005). In all of these ways Fair Trade has made life fairer for many farmers and producers. Now the challenge is to make sure that no one goes hungry after a hard day working to meet Fair Trade requirements. The most obvious solution is to raise the Fair Trade floor price to reflect a more realistic cost of living. It took years and much debate for FLO to finally support a five cent increase in the Fair Trade floor price for coffee. The coffee farmers, and other commodity producers, need more. The challenge for retailers is to help convince consumers that the need is real and the cost is minimal.

## **CHAPTER 4: Conclusions and Recommendations**

Confusing terminology and product labels, narrow branding messages, low levels of awareness, limited new products and product categories, and controversies related to mainstreaming, selling out, fairwashing, supporting local producers, being anti-free trade and the fairness of Fair Trade all present marketing challenges for retailers. These challenges are complex and involve debates among stakeholders throughout the supply chain and beyond. The pivotal question in the debate revolves around what the Fair Trade movement's goals should be. "The key challenges facing Fair Trade arise from the inherent contradictions embedded within this initiative between movement and market priorities" (Raynolds et al., 2007,p.223). The market priority of creating demand for Fair Trade products is the overriding objective for some and justifies an exclusive focus on sales. For others, two additional goals are equally important, changing existing trade structures and corporate behavior. The 2006 European Parliament's Report on Fair Trade supports all three objectives: to provide development opportunities for small scale farmers and to "influence the international trading system and private companies towards becoming more just and conducive to sustainable development".

The author agrees that all three objectives are essential for the long term sustainability of Fair Trade. Using mainstreaming to increase sales without advocating for changes in the structure of trade and corporate policies leaves the Fair Trade movement at the potential mercy of companies that dominate those sales. According to the auditor's report, done by Bregante & Company, for TFUSA's 2005 and 2006 financial statements, two companies account for over half of the \$4.5 million collected in licensing fees for 2006 (Appendix K, Note M). TFUSA has not publicly advocated for

changes in trade rules and corporate behavior. Instead, it has put the financial security of its own organization and, by default, the work of the U.S. Fair Trade movement, at risk, should either or both of the two referenced companies stop carrying Fair Trade products.

TFUSA's business strategy of increasing consumer demand for certified products by licensing MNCs has positive and negative consequences. The increase in sales is impressive. On the other hand, this strategy of mainstreaming Fair Trade Certified™ products in the U.S. has not required MNCs to make additional commitments to Fair Trade principles or to increase future purchases. TFUSA states "We celebrate the engagement of large, mainstream businesses in Fair Trade as a sign that we are accomplishing our mission" (Raynolds et al., 2007, p.75). Time will determine if this mainstreaming strategy results in changing corporate behavior.

Given the imbalances of the marketplace, MNCs have little motivation to change without pressure. One has only to look at the global coffee market with its hour glass shape to see the need for change in trade structures and corporate policies (Holt-Gimenez et al., 2007). There are millions of coffee farmers at the bottom and millions of coffee drinkers at the top with a handful of MNCs controlling both ends. Ultimately Fair Trade must be about helping poor producers "grow not just their market, but their market power, not just their business, but their controlling share within the business" (Holt-Gimenez et al., 2007). Giving more power to producers, rather than just increasing sales, has not been a priority for TFUSA or its MNC licensees.

The current challenges for retailers in marketing Fair Trade products in the U.S. suggest that TFUSA and the U.S. Fair Trade movement may be approaching a crossroads, where the two groups may end up heading down different roads. TFUSA

made a unilateral decision to mainstream Fair Trade Certified™ products without first building consensus by assuring the smaller more committed stakeholders that they would be treated as equal customers of TFUSA. Now is the time for TFUSA to reach out to the smaller stakeholders and acknowledge the challenges retailers face in marketing Fair Trade. If small retailers view TFUSA as a barrier and a hindrance to success rather than as a partner and facilitator, those retailers will look in the marketplace for other ways to communicate their commitment to Fair Trade principles. The Fair Trade movement and TFUSA must come together to build bridges among the stakeholders, including retailers, or risk a loss of support for and trust in TFUSA's logo.

This trust is dependent on transparency and impartiality. Transparency is demanded of the producers yet TFUSA's annual reports include only the bare minimum required by the IRS for financial information. TFUSA's role as an unbiased impartial monitor is of concern with accusations of "being too friendly to big corporations...and applying standards unevenly and capriciously, and promoting certain licensees over others" (Jaffee, 2007, p.208). Already on the horizon is at least one NGO, the Institute for Market-Ecology (IMO), interested in competing with TFUSA's role as the sole independent monitor of FLO's standards in the U.S. Jaffee (2007) raises the question of "who will monitor the monitor?" (p. 210). To address this concern, TFUSA should consider a strategy similar to what FLO did when it created a totally separate independent FLO-CERT to assure unbiased impartiality of Fair Trade certification. TFUSA should consider a separate entity that is responsible for licensing and monitoring while TFUSA devotes itself to education, marketing and advocacy.

Fair Trade controversies have attracted attention from various sources. The *Economist* published a short critique in its December 9, 2006 issue suggesting Fair Trade gives an “inflated impression” to consumers about what happens to farmers. In 2008 the Adam Smith Institute in the UK published a document (Sidwell) highly critical of Fair Trade. The Fairtrade Foundation rebutted this document in detail on its web site. The Mercatus Center at George Mason University in Washington DC gave a press release entitled “Fairtrade coffee does little to help coffee farmers in developing countries” (June 25, 2007). Fairtrade Foundation immediately published a strong response to this press release offering factual information that the press release ignored. Unfortunately TFUSA did not do likewise. TFUSA needs to step up to the plate, like Fairtrade Foundation exhibits, to demonstrate a willingness to address criticisms and issues related to the broad Fair Trade movement to protect the integrity of the logo.

In addressing these criticisms, building consensus and a broad based grass roots movement through public debate is an important step. This debate could be a series of regional Fair Trade “town meetings” to engage all stakeholders in an open public forum to hear complaints, address controversies, share what works and what doesn’t, explore new ideas, and reach out in a collaborative process. The Fair Trade Resource Network, partnering with TFUSA and other NGOs, could be a sponsor. This process would include retailers and others involved in fair trade certified and fairly traded products. The discussions could take place in physical meetings and/or online and hopefully would become a regular event. The goal of this forum is to develop consensus and action plans for stakeholders to implement so that one day all Fair Trade is fully integrated into

American culture. Perhaps this model would evolve into a World Fair Trade Organization on an international scale.

Another important step is for TFUSA to do a strategic analysis of itself, a useful tool for several objectives. One is to assist management in reallocating more resources for marketing, education and campaigns to increase levels of awareness. Retailers need more support, educational and effective promotional materials, and informational resources. TFUSA's current offerings are minimal at best. Retailers could use a variety of attractive generic posters of varying and more interesting informational brochures. Perhaps an art contest for designing these posters and brochures would help generate awareness. TFUSA's website, a major resource of information for retailers, lacks the ease and excitement found on Fairtrade Foundation's site. Another contest could be for designing a new website, giving the designers online credit, to generate Fair Trade interest. TFUSA's website, along with promotions and press releases, should focus on products, producers and their communities rather than on personalities at TFUSA.

TFUSA's strategic analysis would hopefully result in a more efficient process for introducing additional Fair Trade Certified™ product categories into the marketplace. Currently TFUSA has a limited capacity to add only one or two products per year. With more resources directed at increasing awareness, consumers will demand more products and more product categories. In addition to new products, more companies need to become certified licensees. With only 20-30% of certified products selling as certified (Fairtrade Foundation Response to Mercatus Center's press release, 2007), the supply and demand are there; the need is for more importers to purchase the supply and for existing licensees to increase their Fair Trade Certified™ product purchases. Annual increases in

purchases should be a requirement for TFUSA's licensure. This would, in turn, help address the halo effect, or fairwashing, that some companies have taken advantage of. It should not be acceptable to carry only one Fair Trade Certified™ product without further commitments. Reducing fees for licensees might be a useful tool to reward 100% Fair Trade committed companies and companies demonstrating substantial increases in purchases of certified products relative to their overall purchases.

Sales of new product categories and existing products rely on customer demand generated by marketing. TFUSA set up a generic marketing fund in 2004 to help move product, but unfortunately this fund no longer functions. One problem may have been its dependency on voluntary contributions of individual companies who could then request generic marketing in a specific geographic region. As part of the licensing process or fee structure, all companies should have to make a contribution to this fund to get it back on track and to keep it functioning. The rationale is that generic marketing helps increase consumer awareness levels, leading to increased sales. All companies, in the long term, would benefit from such a strategy.

Another challenge, addressing narrow branding and confusing terminology, will require a collaborative effort by NIs through their common organization, FLO. These NGOs should agree upon common language for branding, Fair Trade principles, Fair Trade terminology, a single universal FTC logo and Fair Trade goals to reduce confusion and the risk of misleading or disappointing consumers. According to FLO, all the NIs have agreed to a single FTC logo except TFUSA. It is time for TFUSA to join the global community.

To address the challenges of increasing consumer awareness, increasing educational resources and building a broad grass roots base, a feasibility study should be undertaken to consider the development of several ideas: a Fair Trade Journal, a Fair Trade newspaper and an online Fair Trade library. A quarterly Fair Trade Marketing Journal would address marketing issues that are unique to Fair Trade, from branding to certification. This journal, online or hard copy, would serve to support and inform retailers about what works and what doesn't work, new ideas being tried, research, new product development, and other related topics. A Fair Trade newspaper, online or hard copy, would include current events related to Fair Trade, corporate activities, trade policies, press releases and rebuttals, editorials and letters to the editor. An online global library would include books, journals, lectures, academic papers, articles, reports, and any other mechanism that conveys information about Fair Trade. This library could be a partnership of NGOs and academic institutions. This library would be an invaluable source for retailers, consumers, researchers and others. According to FLO's FAQ section, it receives numerous requests from students looking for Fair Trade information yet FLO states there is not sufficient capacity to address these inquiries. The need for a global library is real.

Perhaps the most difficult challenge is addressing the question of fairness. While communicating the benefits to consumers is accomplished with Fair Trade's branding, often the only brand message consumers and retailers alike focus on is "farmers get a fair price". TFUSA, as well as individual companies and other groups, has concentrated attention on that one benefit, to the detriment of other benefits, and risks the loss of trust in their logo. The narrow branding is misleading since farmers in cooperatives do not

directly receive the “fair price”. As has been noted earlier, after expenses are paid, some farmers may not be much better off financially than their conventional counter parts.

Branding statements must be uniform and broader across the Fair Trade movement.

The ultimate goal of making Fair Trade an integral part of American daily lives is not out of reach. The increased levels of awareness and sales offer hope that this goal is attainable in the future. Fair Trade offers hope to everyone, producers and consumers, that we, the people, really do have the ability to make this world more just and fairer for everyone.

## **CHAPTER 5: Future Research Areas**

In pursuit of this ultimate goal, more research in a variety of areas will help the stakeholders find new solutions and improve current practices. A few possible areas for further study include:

1. Has the mainstreaming of Fair Trade influenced corporate behavior? If so what are those influences?
2. Do a feasibility study to see if a single global Fair Trade e-library is worth pursuing and how that library would function and look?
3. How can Fair Trade be integrated into undergraduate and graduate college level studies? Should there be a separate course devoted to Fair Trade? Is there demand? Design a course of study.
5. What marketing strategies are most effective for retailers of Fair Trade Certified Products? How should fairly traded products be treated in this strategy?
6. How is the Fair Trade movement in the U.S. different from the UK and Europe? Do an in-depth comparison study of TransFair USA and Fairtrade Foundation.
7. Do a strategic analysis of TransFair USA.
8. Examine the growth potential of Fair Trade Certified™ products in markets in developing countries. What marketing strategies would be involved?
9. Document the entire process, issues and costs for a start up Fair Trade committed company to sell Fair Trade Certified™ products.
10. Develop an online course for educating employees of companies carrying Fair Trade Certified™ products.

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## PERSONAL INTERVIEWS/CONVERSATIONS

(Note: Some communications were interviews while others were conversations in person, via email or phone. Some were brief while others were ongoing over weeks or months.)

Alves, Holly	VT Artisan Coffee & Tea	Waterbury VT	February 20, 2008
Ayers, Jeffrey	Saint Michael's College	Colchester VT	January 21, 2008
Allison	Lake Champlain Chocolates	Burlington VT	February 14, 2008
Averyt, William	Saint Michael's College	Colchester VT	January 7, 2008
Blanchett, Sylvia	ForesTrade	Brattleboro VT	February 24, 2007
Bouton, Kathy	Peace & Justice Store	Burlington VT	Jan – April 2008
Conroy, Michael	TransFair USA	Oakland CA	March 31, 2008
Funkhouser, David	TransFair USA	Oakland CA	Dec 07 - April 08
Guzzi, James	TransFair USA	Oakland CA	March/April 2008
Landi, Matt	City Market	Burlington VT	April 14, 2008
Macatonia, Steven	Union Hand-Roasted	London UK	December 21, 2007
Méndez, Ernesto	University of VT	Burlington VT	Aug 2007- May 2008
Moser, Michael	University of VT	Burlington VT	January 25, 2008
Petchers, Seth	Oxfam America	Boston MA	March 28, 2008
Peysner, Rick	Green Mountain Coffee	Waterbury VT	February 20, 2008
Robinson, Phyllis	Equal Exchange	Bridgewater MA	April 21, 2008
Saez, Hector	Northwest Research Center	Mt Vernon WA	February 13, 2008
Stender, Sara	Fair Trade Towns Initiative	Asheville NC	Oct 07 – April 08
Sutte, Matthew	Fresh Coffee Now	Burlington VT	April 2 & 18, 2008
Tranchell, Sophi	Divine Chocolate	London, UK	April 25, 2008
Warning, Mathew	University of Puget Sound	Tacoma WA	February 12, 2008

## Appendix A: Acronyms

**ATO: Alternative trade organization**

**CAN: Community Agroecology Network (<http://communityagroecology.net/>)**

CAN is a U.S. based non-profit organization developing a network of rural communities and U.S. consumers to support self-sufficiency and sustainable farming practices. They are affiliated with the University of California at Santa Cruz.

**EFTA: European Fair Trade Association (<http://www.eftafairtrade.org/>)**

EFTA is an association of the eleven largest Fair Trade importers in nine European countries (Austria, Belgium, France, Germany, Italy, The Netherlands, Spain, Switzerland and the United Kingdom). EFTA started in 1987 and gained formal status in 1990. EFTA is based in the Netherlands.

**FLO: Fairtrade Labeling Organizations International (<http://www.fairtrade.net/>)**

FLO was formed in 1997 to set standards for products, producers and traders for Fair Trade certification. FLO currently has 20 National Initiatives and 3 Producer Networks. Headquarters are in Germany.

**FLO-CERT: Independent Certification Company (<http://www.flo-cert.net/flo-cert/main.php?lg=en>)**

**FINE: A group combining FLO, IFAT, NEWS!, and EFTA**

FINE is an informal group combining the above organizations to coordinate criteria, definitions and methods. It was set up in 1988.

**FTC: Fair Trade Certified**

TransFair USA retains the exclusive rights to license the use of this phrase.

**FtF: Fairtrade Foundation (<http://www.fairtrade.org.uk/>)**

FtF, established in 1992, is the UK's National Initiative member of FLO. FtF was established by Catholic Agency For Overseas Development (CAFOD), Christian Aid, New Consumer, Oxfam, Traidcraft, The World Development Movement and the Women's Institute, Britain's largest women's organization.

**FTF: Fair Trade Federation (<http://www.fairtradefederation.org/>)**

FTF is an international association of businesses and non profit organizations committed to Fair Trade. FTF is under the umbrella of Co-op America. In 1994 FTF was formally incorporated as the North American Alternative Trade Organization (NAAT). In 1995 the name was changed to Fair Trade Federation. Headquarters are in Washington D.C.

**FTI: Fair Trade Institute (<http://www.fairtrade-institute.org/>)**

**FTRN: Fair Trade Resource Network (<http://www.fairtraderesource.org/>)**

FTRN is an organization that provides information, leadership, and inspiration, educating consumers and businesses. Located in Philadelphia, PA.

**FTT: Fair Trade Tourism (<http://www.fairtourismsa.org.za/>)**

Starting in the 1990's, the International FTT Network facilitated by the UK-based Tourism Concern wanted to try to apply Fair Trade principles to tourism. No global standards for Fair Trade tourism exist.

**FTT: Fair Trade Towns (<http://www.fairtradetownsusa.org/>)**

A campaign, affiliated with FTRN, to promote Fair Trade in local U.S. communities. Coordinator for this campaign is Sara Stender of Asheville, NC.

**IFAT: International Fair Trade Association (<http://www.ifat.org/>)**

IFAT is a global network of 270 companies and organizations that support Fair Trade principles and advocate for Fair Trade. IFAT controls the FTO Mark (Fair Trade Organizations). IFAT held its first international conference in 1991 to focus on market development, monitoring and advocacy. Headquarters are in the Netherlands.

**IMO: Institute for Market Ecology (<http://www.imo.ch/>)**

IMO is an international agency for inspections and certifications. Their program, Fair For Life, certifies products that meet FLO's Fair Trade standards. Headquarters are in Konstanz, Germany.

**LFTN: Local Fair Trade Network (<http://www.localfairtrade.org/>)**

LFTN is a network created by organic, farm worker and cooperative movements to build a just and healthy food system. Headquarters are in Minneapolis, MN.

**MNC: Multi-national corporation**

This thesis makes no distinction between a MNC and a transnational corporation (TNC).

**NEWS!: Network of European World Shops (<http://www.worldshops.org/>)**

NEWS! is a network, established in 1994, of over 3000 European World shops in 15 countries that offer fairly traded products and advocate for a fairer trading system. The headquarters are located in Germany.

**NGO: Non-governmental organization**

**NI: National Initiative (also referred to as Labeling Initiative or National Labeling Initiative)**

NIs are the 20 national organizations that are independent third party certifiers who oversee the Fair Trade mark for each country. TransFair USA is the U.S. National Initiative and Fairtrade Foundation is the UK National Initiative. (See FLO)

**OTA : Organic Trade Association (<http://www.ota.com/>)**

**TFUSA: TransFair USA (<http://www.transfairusa.org/>)**

This is the U.S. National Initiative, with headquarters in Oakland, CA.

**UNCTAD: United Nations Conference on Trade and Development**  
(<http://www.unctad.org/Templates/StartPage.asp?intItemID=2068>)

**WTO: World Trade Organization** (<http://www.wto.org/>)

**APPENDIX B: Logos  
also called marks or labels  
(May be found on Fair Trade or fairly traded products or related company  
informational material)**



FTO Mark that IFAT issues to member organizations.



TransFair USA's Fair Trade Mark for certified products.



Fairtrade Mark certifying compliance with FLO standards. FLO's goal is to make this the universal Mark.



TransFair USA's Fair Trade Mark to indicate a product contains Fair Trade ingredients.



Fairtrade Foundation Mark. Generally includes the attached guaranty statement.



TransFair USA's Mark to identify a specific Fair Trade product.



Fair Trade Federation Mark for companies. As of 2009, not for use on products.



Domestic Fair Trade Network logo used in Minnesota



Soils Association for Organic Standard



Catholic Relief Services Supports Fair Trade producers.



Royal Society for the Prevention of Cruelty to Animals



U.S. Department of Agriculture's certification mark for products at least 95 percent organic.



Rugmark  
Works to end illegal child labor in the carpet industry



Rainforest Alliance certification mark. The RAC works to conserve biodiversity and ensure sustainable livelihoods..



Vaad Hakashuruth of Springfield certifies Kosher. Guarantees products are in compliance with Kosher standards.



Utz Certified  
Certifies that coffee is grown responsibly and with respect for the growers and their communities



Business Alliance for Local Living Economies. Promotes buying local. Encompasses 15,000 entrepreneurs in the U.S. and Canada.



California Certified Organic Farmers



Quality Assurance International. QAI is an independent, third party certification of organic food systems.



National Wildlife Federation.



Fair for life  
IMO certification mark. Certifies FLO's Fairtrade standards.



Max Havelaar  
Certified Fair Trade products



**Certified Naturally Grown.** A non-profit alternative certification program tailored for small-scale, direct-market organic farmers.



**Whole Trade Guarantee Program** created by Whole Foods Market to guarantee products are quality, respect the environment and are traded ethically.



**CERTIFIED BIODYNAMIC® Demeter Certified Biodynamic.** A systems approach where the farm is viewed as a living whole.



**Mexico's Fair Trade logo** This is a new National Initiative (FLO Affiliate). Comercio Justo is Fair Trade.



**Co-op America** Supports consumers, businesses and the marketplace to create a socially just and environmentally sustainable society.



**VERIFLORA**  
Certified Sustainably Grown  
Meets Draft American National Standard for Thal Use (SCS-001) Sustainable Agriculture  
**VeriFlora Certified**  
Sustainably grown flowers



**Fair Trade Towns** TransFair USA's logo to promote their Fair Trade Towns campaign.



**Specialty Coffee Association of America** Many coffees share both Fair Trade and Specialty Coffee categories.



**Vermont Organic Farmer's (VOF) logo** for products grown or raised in Vermont which meet the organic standards of the USDA.



**Rogers Family logo** Fairly traded coffee company

**APPENDIX C: Traditional vs. Fair Trade Coffee Value Chain  
(in a low-priced coffee market)**

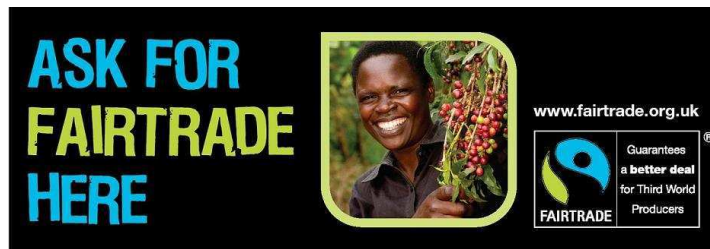
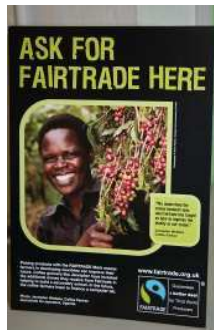
	<b>Traditional</b>		<b>Fair Trade</b>	
\$ 1.41	<b>33%</b>	<b>Retailer</b>	<b>30%</b>	<b>\$ 2.18</b>
\$ .28	<b>7%</b>	<b>Marketing</b>	<b>14%</b>	<b>\$ 1.14</b>
\$ 1.95	<b>45%</b>	<b>Roaster</b>	<b>38%</b>	<b>\$ 2.62</b>
\$ .33	<b>8%</b>	<b>Coyote/Coop</b>	<b>6%</b>	<b>\$ .41</b>
\$ .31	<b>7%</b>	<b>Growers</b>	<b>12%</b>	<b>\$ .85</b>
<b>\$ 4.28</b>	<b>100%</b>	<b>TOTALS</b>	<b>100%</b>	<b>\$ 7.20</b>

(Nicholls,A. 2005, p.83)

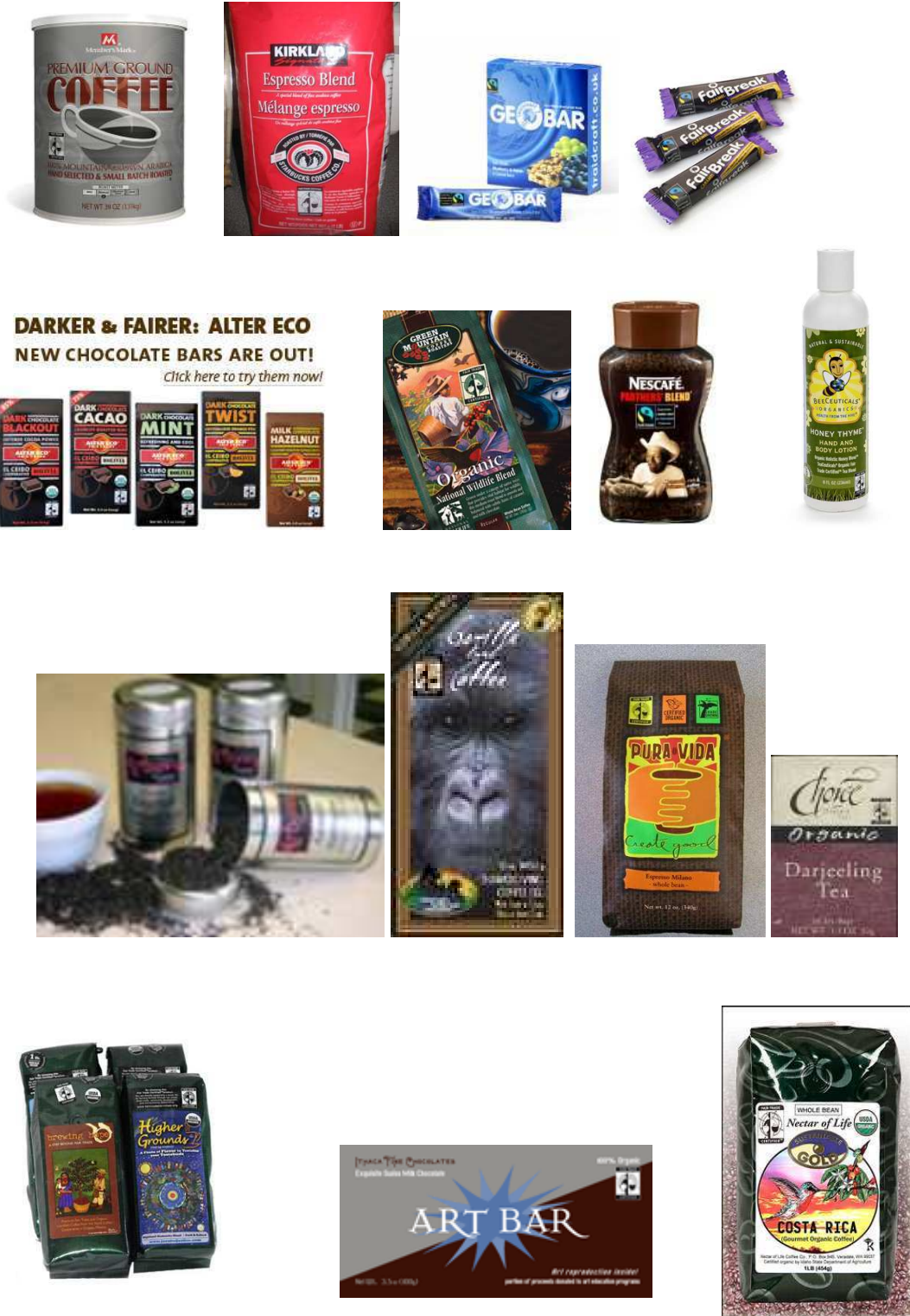
# APPENDIX D: U.S. Fair Trade Marketing Material



# APPENDIX E: UK Fair Trade Marketing Material



## APPENDIX F: Product Marketing Examples



## APPENDIX G: Fair Trade Certified™ Flower Display For Retailers

### FTD Supports Fair Trade Product for Retail



Roses 40 CM 18 stem consumer bunches packed 27.  
Colors are Red, Yellow, Pink, White and Bi-colors mixed in the case.  
FTD will supply the unit.

For more information please contact  
Kazuko Golden, TransFair USA, Floral Account Manager at 510-459-2317

## APPENDIX H: Mailing List For Retailers' Survey

Awake Coffee  
Attn: Manager/Owner  
PO Box 851  
Middlebury, VT 05753  
Phone: 802 758 5016

Brattleboro Food Co-op  
Attn: Stacy Switzer  
2 Main Street  
Brattleboro, VT 5301  
Phone: 802-257-0236

Buffalo Mountain. Co-op  
Attn: Manager  
P.O. Box 336  
North Main Street  
Hardwick, VT 5843  
Phone: 802-472-6020

City Market / Onion River Co-op  
Attn: Nicole Fenton  
82 South Winooski Ave.  
Burlington, VT 05401  
Phone: 802 863 3659

Fat Hen Market  
Attn: Heidi (Owner)  
10 Green St  
Vergennes, VT 05491  
Phone: 802 877 2923

Fresh Coffee Now  
Attn: Manager/Owner  
28 Main Street  
Winooski, VT 05404  
Phone: 802 654 7100

Healthy Living  
Attn: Katy Lesser, Owner  
222 Dorset Street  
South Burlington, VT 5403  
Phone: 802-863-2569

Hope For Women  
Attn: Evan or David  
110 Main Street, Third Floor  
Burlington VT 05401

Hunger Mountain Co-op  
Attn: Manager/Owner  
623 Stone Cutters Way  
Montpelier, VT 05602  
Phone: 802 223 8000

St. Johnsbury Food Coop  
Attn: Michel/Ryan  
490 Portland St.  
St. Johnsbury, VT 05819  
Phone: 802 748 9498

Mehuron's Market  
Attn: Tom Mehuron, Owner  
P.O. Box 59  
Waitsfield, VT 5673  
Phone: 802-496-3700

Middlebury Natural Foods Co-op  
Attn: Glenn  
1 Washington St  
Middlebury, VT 057531  
Phone: 802 388 7276

Mocha Joe's Roasting Company  
Attn: Jackie Billings  
183 Main Street  
Brattleboro, VT 05301  
Phone: 802 257 5637

Natural Provisions  
Attn: Hillary (Manager)  
537 Railroad Street  
St. Johnsbury, VT 5819  
Phone: 802-748-3587

Nature's Closet  
Attn: Manager/Owner  
400 Main Street  
Bennington VT 05201

Newport Natural Foods  
Attn: Madeline  
194 Main Street  
Newport, VT 05855  
Phone: 802 334 2626

Peace & Justice Store  
Attn: Kathy Bouton, Co-Manager  
21 Church Street  
Burlington, VT 05401  
Phone: 802 863 8326 x2

Price Chopper (total of 14 Price Chopper stores listed)  
595 Shelburne Road  
Burlington, VT 05401  
Phone: 802 651 9826  
Corporate headquarters – Public Relations: 518-379-1390  
[annetekowalski@pricechopper.com](mailto:annetekowalski@pricechopper.com)

Putney Consumer Co-op  
Manager  
8 Carol Brown Way  
Putney, VT 05346

Putney Hearth Bakery  
Manager  
Kimball Hill  
Putney, VT 5346  
Phone: 802-387-2708

Radio Bean  
8 N. Winooski Ave.  
Burlington, VT 05401  
Phone: 802 660 9346

Rail City  
Manager  
8 S Main St  
St. Albans, VT 5478  
Phone: 802 524-3769

Rutland Food Co-op  
Attn: Manager  
77 Wales Street  
Rutland, VT 5701  
Phone: 802-773-0737

Shelburne Supermarket  
Attn: Sara (Owner)  
20 Shelburne Shopping Park  
Shelburne, VT 5482  
Phone: 802-985-8520

State Street Market  
Attn: Manager/Owner  
20 State Street  
Montpelier, VT 5602

Spiral Press Cafe  
Attn: Manager/Owner  
15 Bonnet Street  
Manchester Center, VT 05255  
Phone: 802 362 9944

Springfield Food Co-op  
Attn: Manager/Owner  
76 Chester Street  
Springfield, VT 5156

University of Vermont  
Davis Center Student Union  
Henderson's Cafe  
Attn: Manager  
Williston Road  
Burlington, VT 05401  
Phone: 802 656 1204

Upper Valley Food Co-op  
Attn: Manager/Owner  
49 N Main Street  
White River, VT 5001

Vermont Artisan Coffee & Tea  
Attn: Mane and Holly Aves, Owners  
80 Commercial Drive  
Waterbury, VT 05676

White River Co-op  
Attn: Manager/Owner  
24 Pleasant Street  
Randolph, VT 5060

Northshire Bookstore  
Attn: Manager/Owner  
4869 Main St  
Manchester Center VT 05255

## APPENDIX I: Cover Letter For Retailers' Survey

February 15, 2008

Sandy Wynne  
137 Mansfield Ave  
Burlington VT 05401  
Phone: 802-860-6272  
Email: [sandywynne@comcast.net](mailto:sandywynne@comcast.net)

Hello,

I am a graduate student at Saint Michael's College in Colchester VT, studying the marketing challenges of Fair Trade and fairly traded products in the U.S. I have identified your business as one that is involved with those products in some fashion.

While there is now a growing field of research and study related to the producer end of the Fair Trade supply chain, there has been less focus on the challenges at the other end – namely the retailer and others marketing these products to consumers. The challenges of marketing Fair Trade is my Master's thesis topic, and I am hopeful that you are willing to take a few minutes (no more than 5-10 minutes is needed) to complete the enclosed survey.

I do not need nor want your company identified with your answers. All surveys will be private and confidential. Only the compiled results will be public information.

When finished, please return in the enclose self addressed and stamped envelope. If you have any questions, please don't hesitate to contact me.

I appreciate your time and consideration in doing this survey. If you would like to receive the results of this survey, please let me know via my email, phone or address above.

Sincerely,

Sandy Wynne

## APPENDIX J: Retailers' Survey Questions and Responses

*Note: Results are percentages based on total number of responses for each question and are in “ ( )” in bold. 60% of retailers responded. 32 Surveys were sent out. Two surveys were returned as incorrect addresses.*

### **1. What words best describe your business?**

Retail (**17%**) Wholesale (**11%**) Importer (**0**) Exporter (**0**) Café (**22%**) Restaurant (**11%**) Health Food Store (**11%**) Convenience Store (**0**) Supermarket (**11%**) Manufacturer/Producer (**0**)

### **2. How long have you been in business?**

0–5 years (**11%**) 6-10 years (**5%**) 11-15 years (**17%**) 16+ years (**67%**)

*The following questions relate to Fair Trade Certified Products. If some are not applicable, please just skip them. If you do not deal with Fair Trade Certified Products, please go to question # 18 for questions related to fairly traded products. Of course, feel free to respond to any of the questions. Feel free to add comments with any answers. Circle or check appropriate answers. Your expertise is greatly appreciated.*

### **3. Which Fair Trade Certified products are you involved with?**

Coffee (**94%**) Sugar (**55%**) Tea (**77%**) Spices (**44%**) Fruits (**50%**) Chocolate (**77%**) Cocoa (**77%**) Honey (**22%**) Vanilla (**28%**) Flowers (**11%**) Other\_\_\_( **16%** - **Grains, Non-food items, Crafts, Clothing, Gifts**)

### **4. What motivates you to deal with Fair Trade certified products? (Please put a check mark next to those that are applicable and circle the most important one)**

Attracts more customers (**50%**)  
Increases overall sales of all products (**33%**)  
Customers ask for them – market demand (**72%**)  
Personal values (**94%**)  
Demonstrates socially responsible business (**100%**)  
Attractive profit margins (**5%**)  
Trying something new (**5%**)  
Other: \_\_\_ (**22%: Increase awareness to worldly concerns, Current trend, Fulfills store mission statement**)

### **5. What sources do you utilize to obtain information about Fair Trade?**

Suppliers (**94%**)  
Web sites (**72%**)  
Talking with others (**77%**)  
Print media – newspapers, magazines, etc (**83%**)  
Promotional material related to products (packaging, brochures, etc. (**83%**)

Books (44%)  
Network or trade organizations (83%)  
Other: \_\_\_ (5% - Films)

**6. Do you feel you understand the meanings for the following terms: Fair Trade, Fair Trade Certified, fairly traded, domestic fair trade, fair trade, Fairtrade?**

Yes (44%) No (0) Some but not all (56%)

**7. Do your customers express confusion with the various product labels such as organic, Fair Trade, fairly traded, locally grown, bird friendly, specialty coffee, single origin, kosher, all natural, green?**

Yes (5%) No (18%) Sometimes ((72%) Not applicable (5%)

**8. Do your customers ask for explanations of these various product labels?**

Yes (12%) No (0) Sometimes (83%) Not applicable (5%)

**9. Do you educate your employees about Fair Trade?**

Yes (94%) No (6%) Not applicable (0)

**10. Do you ask your suppliers to find Fair Trade Certified products?**

Yes (39%) No (17%) Sometimes (27%) Not applicable (17%)

**11. Do you seek out new suppliers for Fair Trade Certified products?**

Yes (44%) No (6%) Sometimes (44%) Not applicable (6%)

**12. What marketing tools does your business use to sell/promote Fair Trade products? Please check applicable ones.**

Products “sell themselves” (94%)

On line: web site, web blogs, discussion groups, ads (17%)

Print media: newspapers, magazines (11%)

Radio or TV: ads, sponsoring shows (5%)

Posters: in store or display windows (55%)

Brochures at point-of-sale (55%)

Talking with customers (77%)

Free samples (55%)

Trade shows (17%)

Product donations at events (33%)

Catering or sponsoring events (27%)

In store displays (55%)

Encouraging organizations (schools, churches, governmental bodies) to use Fair Trade Products (17%)

Customer surveys (11%)

None (0)

Other: \_\_\_ (27% - Fair Trade shopping guide, Films, Presentations to groups, Newsletter, Clearly stating on packaging)

**13. What marketing challenges do you feel Fair Trade should address? Please check all that you feel are applicable.**

- Consumer confusion: over terminology, over multiple product labels (72%)
- Brand positioning for Fair Trade (what values motivates buyers) (22%)
- Concerns related to: Is Fair Trade really fair? (61%)
- Lack of consumer awareness of Fair Trade (67%)
- Local versus Fair Trade perceived conflicts such as the Domestic Fair Trade campaigns (33%)
- Lack of new products (more Fair Trade teas, coffees, chocolates, etc) (39%)
- Lack of products that meet your criteria/standards (quality, taste, etc) (17%)
- Lack of new product lines (greeting cards, clothing, cosmetics, etc) (22%)
- Concerns related to certification process (50%)
- How to display Fair Trade products (a separate section or with non Fair Trade related similar products, shelf space, stand alone displays) (33%)
- Fairwashing or the “halo affect” – companies with controversial business practices and/or dealing with a small number of Fair Trade products (33%)
- Other ideas/suggestions: \_\_\_ (11% -Providing education, Brochures, Posters, Pricing)

**14. Do you support one universal (used by all countries) Mark for all Fair Trade Certified products?**

Yes (39%) No (22%) Not sure (39%) Not applicable (0)

**15. Do you see retailers treating Fair Trade certified products the same as other products when it comes to mark ups?**

Yes (72%) No (0) Not sure (22%) Not applicable (6%)

**16. If the answer to # 17 is “No”, what is the markup for Fair Trade?**

Less than non Fair Trade products (0) More than non Fair Trade products (0)  
Both less and more (0) Not sure (0)

**17. Does the absence of the Fair Trade logo on some Fair Trade Certified products affect sales of those products? (While they are entitled to use the logo, not all companies do so)**

Yes (28%) No (11%) Not sure (61%)

*The following questions are related to fairly traded products.*

**18. If you deal with fairly traded products, can those products currently be certified for distribution in the United States?**

Yes (33%) No (6%) Not sure (44%) Not applicable (17%)

**19. If you deal with fairly traded products that are not certifiable, have you asked TransFair USA to get them Certified?**

Yes (0) No (50%) Not sure (17%) Not applicable (33%)

**20. Do you belong to the Fair Trade Federation (FTF)?**

Yes (11%) No (78%) Not sure (5%)

**21. Do you use the FTF Mark in marketing your company?**

Yes (11%) No (72%) Sometimes (11%) Not applicable (6%)

**22. Do you currently use the FTF Mark on your products?**

Yes (17%) No (61%) Sometimes (11%) Not applicable (11%)

**23. Do you see similar marketing challenges identified in question # 13 for fairly traded products? If yes, please go to # 13 and identify them.**

Yes (56%) No (11%) Not sure (33%)

**24. What marketing strategies do you use to promote/sell fairly traded products? Please check all that are applicable.**

Products “sell themselves” (78%)

On line: web site, web blogs, discussion groups, ads (17%)

Print media: newspapers, magazines (11%)

Radio or TV: ads, sponsoring shows (11%)

Posters: in store or display windows (50%)

Brochures at point-of-sale (44%)

Talking with customers (72%)

Free samples (33%)

Trade shows (17%)

Product donations at events (11%)

Catering or sponsoring events (11%)

In store displays (22%)

Encouraging organizations (schools, churches, governmental bodies) to use Fair Trade products (17%)

Customer surveys (5%)

None (0)

Other: \_\_\_ (5% - Films)

**25. What types of fairly traded products are you involved with?**

Clothing and clothing accessories (22%)

Household items (22%)

Jewelry and other craft related items (22%)

Food related (94%)

Other: \_\_\_ (11% - Shopping bags, Greeting cards)

**26. Do you support creation of a universal or national Mark to identify fairly traded products (since the FTF Mark was designed for companies to use, but not for putting on products)?**

Yes (61%) No (11%) Not sure (22%) Not applicable (6%)

## Appendix K

### TRANSFAIR USA

#### NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2006 and 2005

#### **NOTE K – Lease obligations (continued)**

In May 2007, the Organization signed a new seven-year facility lease agreement to relocate the home office to 1500 Broadway, Oakland, California effective October 1, 2007. The new lease allows for annual rent increases of 3 percent and adjustments for operating escalations starting in 2009. The Organization has a one-time right to terminate the lease effective the fifth anniversary of the lease term.

Future minimum lease payments under the lease commitments are as follows:

<u>Years Ending December 31,</u>	
2007	\$ 245,612
2008	443,997
2009	522,648
2010	535,516
2011	505,736
Thereafter	<u>1,704,426</u>
	<u>\$ 3,957,935</u>

#### **NOTE L -- Retirement plan**

The Organization maintains a defined contribution 401(k) retirement plan for all employees. Employees are eligible to make elective contributions up to the maximum allowed by the Internal Revenue Code. The Organization does not make contributions to the plan.

#### **NOTE M -- Concentrations**

During the years ended December 31, 2006 and 2005, two customers accounted for approximately 54% and 45% of total license fees, respectively.

See auditors' report.

- 16 -