



# Psychological and Behavioural Science

**Winning the Hearts (and Wallets) of Ethical Consumers**

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# Background

Founded in 1988, the FairTrade Foundation (FTF) is a not-for-profit that lifts small scale farmers and workers out of poverty through trade. In regulating the sustainability of prices, working conditions, agricultural practices, and terms of exchange, the organisation has raised the standards of living for over 1.66 million farmers and workers within 1,411 FairTrade (FT) certified producer organisations in 73 countries worldwide. These workers cultivate products such as coffee (38% of all producer organizations), cocoa (13%), bananas (10%), tea (8%), and sugar (7%) (FairTrade Foundation, 2018b).

The interventions pursued by FTF operate within an economic climate that leaves those at the bottom of the supply chain vulnerable. Globalisation coupled with neoliberalism (an economic school of thought associated with the deregulation of markets, free trade, and private sector support), have led to tremendous economic growth and development. However, these benefits have been unevenly spread. In particular, power imbalances within global supply chains have deepened, leaving small producers in developing countries excluded from the benefits of international exchange. These workers lack the necessary skills, resources, information, institutions, market access, and bargaining power to secure a decent return for their labour. As aptly put by FTF, “poverty has become both a cause and a consequence of the marginalisation of farmers and workers in developing countries” (FairTrade Foundation, 2018b).

To correct for these power imbalances, FTF works primarily in low-income and lower-middle-income countries, as defined by the World Bank (Deepa, 2002), to support small producers and workers. With 29 countries represented in Africa and the Middle East, 20 countries in Asia and the Pacific, 20 countries in Latin America and 24 countries in the Caribbean represented, the impact of the program is global (FairTrade International, 2015).

Within these regions, FTF collaborates with international development agencies and other not-for-profits to strengthen industry organisations democratically, improving their efficiency and accountability. These organisations, in turn, build reliable business partners within the supply chain and protect the workers' rights to negotiate wages and working conditions. Other important functions of these partnerships include Enhancing gender equality, eliminating discrimination and prohibiting child labour. As outlined in Appendix A, these interventions collectively address Sustainable Development Goals (SDGs) 1, 2, 4, 5, 8, 10, and 17 (FairTrade International, 2015).

To better finance quality of life among small farmers and producers, FTF regulates a “**FairTrade Minimum Price**” for its certified goods, which bridges the gap between actual pay and living wage within the worker's region. A portion of this price is designated as a “**FairTrade Premium**,” or an amount that is paid to small scale farmer and worker organisations based on product sales, which enables these groups to invest in their communities. Community projects include improving local farming practices, investing in local cooperatives or infrastructure, and improving healthcare and education access.

To cultivate market opportunity for its beneficiaries, FTF develops networks and alliances between producer organisations, and business and citizen consumers. In particular, it enforces standards and certifications for supply chain businesses that ensure transparent communication and trust among all stakeholders involved in production and consumption. A **FairTrade Mark** indicates compliance with these standards, enabling the consumer to quickly identify ethical goods, and signalling to business and policy makers the demand for FT products.

However, existing interventions have failed to fully leverage the consumer in increasing FT consumption. The consumer is able to “vote” with their dollar and express their preferences for ethical products within the private sector which influences its growth (Gardner & Stern, 2002). Critically, the consumer is the turnkey stakeholder, as the feasibility and success of FTF's on-the-ground interventions are dependent on their demand.

Today, products certified with a FT Mark are widely available. FT goods, ranging from bananas to cotton and cut flowers (Smithers, 2014), can be understood as a subset of ethical consumerism - a market segment driven by consumers that are increasingly concerned about the way their purchases influence the sustainability of the capitalist system along moral dimensions. Among these consumers, FT values are cited as the most important issue of ethical concern (Shaw & Clarke, 1999).

Since its launch, the commercial development of FT can be organised into three periods: 1) the solidarity era of FT, focused on raising awareness of social issues (~1970-1990) 2) the niche market era of FT, evident by the consolidation of labelling initiatives, expansion and distribution (~1990-2000) and 3) the mass market era of FT (~2000 and onwards) (Pousa & Nuñez, 2014; Table 1). The shift from *mainstream commerciality* (Pousa & Nuñez, 2014; Table 1) to an *institutionalized era of FT* has not yet been achieved. In this hypothetical and visionary era, FT and the conventional market place converge together. Taking food and beverage products as an example, the total market share of FT alternatives represent only 1.3% of the total UK market, highlighting the necessity of an intervention to “institutionalize” FT products (Brown, Rumsey, Worth, Lee & Scaife, 2017; Denyer, 2017).

## 1. Introduction

FTF assumes that its proponents actively choose FT products and support the businesses that go furthest to deliver the values of FT. Moreover, consumers are expected to put pressure on businesses with unfair trading practices to change. However, in practice, consumers' desire for FT interacts with important situational and psychological barriers that slow or inhibit the practice of ethical consumption.

Research indicates that consumers increasingly “express concerns about the ethicality and impact of their consumption choices upon the environment, animals, and/or society” (Carrington, Neville, & Whitwell, 2014), a finding that is mirrored by public perceptions of FT in the United Kingdom. In 2018, FTF found that public support for FT was at an all-time high

with 93% of people aware of FT and 83% of people trusting the FT label (FairTrade Foundation, 2018a). Within FTF's theory of change, consumers are the turnkey stakeholder, because they "vote" with their dollar and express preferences for ethical products which influences their growth (Gardner & Stern, 2002). In this way, consumer demand enables all other solutions advocated for by FTF.

However, the growing emphasis on ethical consumption has failed to consistently translate into purchasing behaviour (Auger & Devinney, 2007; Belk, Devinney, & Eckhardt, 2005; Szmigin, Carrigan, & Mceachern, 2009). While 89% of UK consumers report a concern for ethical issues (Lazzarini & de Mello, 2001), only 30% translate these concerns into purchasing intentions, and a mere 3% purchase ethical products (Cowe & Williams, 2000). This dissonance is called the **intention-behaviour gap**.

FT sales in the UK contributed to 23.5% of global sales (FairTrade International, 2018), positioning FT in the UK as a high-impact unit of analysis. Moreover, in 2017 independent sales figures revealed that retail sales grew by 7%, leading to a 2% rise in revenue (£1.64 billion) (Coresight Research, 2017; FairTrade Foundation, 2018b). This growth is moderate, but following a five-year slump in revenue it indicates that ethically minded consumers continue to engage with FT products (Appendix B).

The renewed growth in the FT market, coupled with consumers' growing ethical concern, suggest an important opportunity to cultivate more ethical and sustainable markets. Thus, this paper addresses the following question:

***How can the intention-behaviour gap be narrowed in the context of FairTrade consumption?***

The ethically conscious consumer is the dominant unit of analysis throughout the paper. A stakeholder overview is provided to outline the motives and influences of all other parties relevant to FTF's theory of change. The prevailing situational barriers, and psychological

motivations and barriers are also analysed. Integrating these elements, the authors propose an intervention that could not only help shrink the intention-behaviour gap, but also catalyse the shift from the *mass-market era of FT* to the *institutionalized era of FT*.

## 2. Stakeholder Overview

FTF's theory of change depends heavily upon consumer demand. Without it, retailers are not incentivised to stock FT goods, nor are manufacturers motivated to cultivate FT product lines, which prevents FT farmers and workers from accessing meaningful market opportunity. Therefore, the authors focus primarily on citizen consumers and the retailers that supply them, as highlighted below in green. Other stakeholders may well be integrated in future iterations of the solution; however, such partnerships are outside of the scope of this paper.

Stakeholder	Required Action	Main Motivation	Constraints
<b>Small scale farmers and producers</b>	Ally with FT as well as the industry organisations that FT supports	Negotiate living wage standards, as well as fair working terms and conditions; achieve a higher quality of life	Limited market access and bargaining power
<b>Local industry associations</b>	Represent the interests of small-scale farmers and producers with the support of FT International	Strengthen trade within the market	Limited influence on consumer purchasing decisions
<b>Civil Society organisations</b>	Deliver on the ground interventions tackling child labour, low productivity, and poor infrastructure	Leverage funding from FT “premium” to effect change	Limited resources
<b>Business Consumer</b>	Source materials from FT small scale farmers and workers; Comply with FT standards and certification processes	Work with reliable supply chain partners; improve brand image	Higher cost of raw materials
<b>Competing manufactures</b>	Minimise costs of production	Win over the consumer with rock bottom prices	Minimum wage restrictions
<b>Retailers</b>	Meet consumer demands; Supply customer with FT	Increase customer retention, loyalty, and	Incomplete understanding

	goods	value	of the 'ethical consumer' profile
<b>Citizen Consumer</b>	Concern for the ethical production of goods; purchase FT goods over non-FT goods	Expect value and quality for money spent; desire safe and reliable products that align with ethical values	Perceived situational barriers; psychological barriers
<b>FairTrade Foundation</b>	Drive consumer demand for FT products and educate consumers on certification benefits	Enable small-scale farmers and producers to build resilient businesses; realise the <i>institutionalization</i> of FT	Stagnated ethical purchasing behaviour
<b>Academic community</b>	Research best practices in influencing consumer behaviour towards FT	Give psychological research relevance in the international development field	Limited funding
<b>Government</b>	Identify and enact policies and interventions that support FTF mission statement	Address related SDGs	Non-FT Industry lobby
<b>Media</b>	Promote FT standards and products	Appeal to an ethically-minded readership	Competing demands within a rapid news cycle

## 2.1 Citizen Consumers

The consumers targeted by the intervention are those who are ethically minded, but who do not consistently action their values when shopping. Consumer research finds that ethical consumers are primarily female, politically active, higher educated, upper middle class, and concerned with ethical issues (Cowe & Williams, 2000; Dunn, 2013; Hancock, 2017). Within this group, FT businesses see their target demographic as the 31-44-year age group, a segment that has the highest affinity for FT products (De Pelsmacker, Driesen, & Rayp, 2005). Recent reports suggest that younger generations, aged 18-24, are also increasingly ethically concerned (Hancock, 2017). The wide age range among individuals attracted to ethical consumerism has led the authors to not narrow in on a specific age cohort.

## 2.2 Retailers

The ethical products and services market in the UK is worth £81.3bn and has almost doubled since 2008 (Hancock, 2017; Appendix B). This growth is maintained even during periods of



economic downturn (Smithers, 2014). While conventional foods struggled, the ethical food and drink market grew by 9.7%, and FT accounted for 2.3% this growth (Denyer, 2017). Given further growth potential, capturing the ethical consumer is not only a valuable market opportunity, but a necessity in today's highly competitive retail environment.

## 2.3 FairTrade Foundation

Previously, FTF has pursued interventions at the level of the small-scale farmer and worker, as well as at the policy level by training local grassroots activists and lobbyists. However, FTF has not targeted the consumer directly to disseminate products bearing the FT Mark. If FTF can increase the consumption of FT products, then the foundation can provide more value to its partnering farmers and producers. Throughout this analysis, FTF is treated as an implementer of the proposed solution.

# 3. Barriers to Consumption

Research indicates that the costs of purchasing socially responsible goods are often higher than the benefits. "When informants commit to long-term ethical consumption routines, this decision often involves sacrificing purchasing power (higher cost), convenience, social acceptance and/or perceived quality. This sacrifice often is negotiated with the self and others, posing both functional and psychological barriers to be overcome" (Carrington et al, 2014). In the following section these functional, or perceived situational barriers, and the mindset, or psychological motivations and barriers, will be discussed.

## 3.1 (Mis)Perceived Situational Barriers

Within the dimension of situational barriers, Nicholls & Lee (2006), Bray, Johns, & Kilburn (2011), and Carrington et al. (2014) have identified lack of availability, higher price and improper communication inhibiting ethical consumption. It is crucial to acknowledge that the perceived situational barriers outlined below apply to the consumption of ethical products as a whole. Regarding FT products specifically, many of these barriers are misperceptions rather than realities.

### 3.1.1 Lack of Availability

Lack of availability is understood as the lack of widespread distribution of ethical and FT products in supermarkets and among retail stores where consumers typically shop (Nicholls & Lee, 2006). However, according to the FTF (2018c), there are over 4,500 FT Mark labelled products that are widely available in both traditional brick and mortar outlets, such as “supermarkets, independent shops, cafes, restaurants, through catering suppliers and wholesalers”, as well as through online channels, via the FT brand website or the retailer websites. Still, we cannot be certain of the geographic distribution of these products. For example, FT products may be concentrated in large, urban areas, and not readily accessible to consumers residing in more rural areas. FT products can be found among fourteen food product categories including coffee, tea, chocolate and sugar, and vegetables and fruits, and eight non-food product categories, including beauty products and flowers (FairTrade Foundation, 2018b). Various UK retailers, such as Sainsbury’s, Waitrose, Tesco, Aldi and Lidl, have partnered with FT to integrate its criteria into their flagship brands, further increasing availability (FairTrade Foundation, 2018a).

### 3.1.2 Higher Price

Within the context of FT products, the price and the FT label bear the most on the purchasing decision, where price has a negative effect on willingness to pay (Cranfield, Henson, Northey, & Masakure, 2010; Basu & Hicks, 2008). However, “participants buying FT coffee are less price sensitive than those buying conventional coffee” (Arnot, Boxall, & Cash, 2006). It is also important to acknowledge that since these studies have been conducted, economies of scale given the renewed growth in the FT market (2.3%), have enabled a 14% price reduction of FT products in 2016, making these products available to a larger customer base (Denyer, 2017). Very often FT products are not priced higher than conventional products. Still, FT products are unlikely to be the least expensive option in store because FT products guarantee fair compensation for the farmer’s labour, regardless of the volatility in commodity markets. Thus, currently FT products do remain inaccessible to those in a lower income bracket.

### 3.1.3 Lack of Communication

Insufficient in-store and mass-media communication leaves shoppers unaware of the availability of ethical products, what their features are, and their environmental/ societal benefit compared to conventional products (Barbarossa & Pastore, 2015). Moreover, consumers often perceive ethical claims as a marketing tactic that justifies higher prices by exploiting customer goodwill (Bray et al, 2011). This inevitably leads to a lack of trust and consumer scepticism regarding ethical labels (Nicholls & Lee, 2006). However, such negative perceptions may not extend to FT products to the same degree given the high recognition and trust of the FT label among UK citizens.

## 3.2 Psychological Motivation and Barriers

A large genre of literature explores the psychological processes that give rise to the intention-behaviour gap. The most commonly identified psychological barriers are Perceived Consumer Effectiveness (PCE), differing consumer motivations, and the stickiness of habit. The authors recognise that further psychological barriers may characterise the intention-behaviour gap; however, a comprehensive analysis of every barrier is beyond the scope of this report.

### 3.2.1 Perceived Consumer Effectiveness

McDevitt, Giapponi, & Tromley (2007) have identified that individuals' inability to ascertain the ethical consequences of their purchasing decisions is one of the main barriers to ethical consumption. This is in part enabled by commodity fetishism, which assumes that "under commodity capitalism, the social, environmental, and historical relations that go into the production of a commodity are hidden" (Hudson, Hudson, & Fridell, 2003). Therefore, PCE or the extent to which one believes that he/she can make a difference, impacts cooperation and ethical behaviour (Gleim, Smith, Andrews, & Cronin 2013) and predicts ethical consumption (Roberts, 1996). Specifically, consumers doubt that a small purchase can make a big difference and are therefore demotivated from consuming those goods over others that might better satisfy competing motives (Roberts, 1998). Feelings of guilt and pride, which are triggered by a sole consumption episode, can evoke ethical consumption by affecting consumers' PCE (Antonetti

& Maklan, 2014). Guilt and pride activate psychological processes that increase individuals' sense of agency (Antonetti & Maklan, 2014), leading "consumers to perceive themselves as the cause of the event appraised" (Tracy & Robins, 2004). Achieving this effect requires feedback after every consumption occasion (Antonetti & Maklan, 2014), a regularity which has previously been unfeasible.

"Neutralization explains how consumers act in ways that contradict their pro-social beliefs and still preserve a positive self-image" (Antonetti & Maklan, 2014). Sykes and Matza (1957) have identified five 'neutralisation techniques' which characterise various rationalisations individuals apply to their norm-violating behaviour (Table 2). Denial of responsibility, denial of injury and appealing to higher loyalties are the most commonly applied techniques in the context of FT consumption (Chatzidakis, Hibbert, & Smith, 2007). Individuals "denied responsibility on the grounds that they were uninformed, that distribution and promotion of FT products is inadequate, or FT goods are too costly" (Chatzidakis et al, 2007). Enhancing individuals' PCE can limit individuals' ability to neutralise their feeling of personal responsibility (Antonetti & Maklan, 2014).

### 3.2.2 Differing Consumer Motivations

Research suggests that ethical consumption choices are driven by intrinsic motivations and concerns of social approval (Griskevicius, Tybur, & Van den Bergh, 2010). For example, individuals may inherently care about the welfare of the planet and its citizens and see the consumption of ethical products 'simply as the right thing to do' (Griskevicius et al, 2010). However, from "a rational economic perspective, altruism is a theoretical 'anomaly'" (Dawes & Thaler, 1988). By definition, altruism solely benefits others, while depleting the givers' resources (Barrett, Dunbar, & Lycett, 2002). Thus, there is no such thing as *pure altruism* (Andreoni, 1990). Instead, "social pressure, guilt, sympathy or simply a desire for a *warm-glow* play important roles" in decision making and influencing *impure altruism* (Andreoni, 1990). *Impure altruism* may even be more sustainable than *pure altruism*, because the *warm-glow* effect is both personal and internalised (Andreoni, 1990). However, current appeals made by the FTF rely on *pure altruism*, limiting their efficacy.

Research suggests that pro-social behaviour could be driven by intrinsic self-oriented concerns, such as social status, self-respect or self-identity (Bénabou & Tirole, 2006; Griskevicius et al, 2010). *Cost signalling theory* (Grafen, 1990) suggests that individuals may engage in costly prosocial behaviours to attain status (Griskevicius et al, 2010). The consumption of FT products enables consumers to “present the morality of their lifestyle” (Shaw & Newholm, 2002), reassure their self-image as morally upright and express an essential aspect of their personality (Varul, 2009; Varul, 2010). Friedrichsen & Engelmann (2018) conclude that the public exposure of individual purchasing decisions increases not only the FT premium but also the expected revenue for FT products.

Alternatively, extrinsic motivations, such as making ethical products “cheaper, more efficient, and providing financial incentives” are also proven effective (Vugt, Meertens, & Lange, 1995). While these extrinsic motivations may be effective in evoking short-term behaviour changes, and providing leeway to repetitive purchasing, leveraging intrinsic motivations is necessary to evoke durable long-term changes to behaviour (Griskevicius et al, 2010).

### 3.2.3 Stickiness of Habit

People are reluctant to change their habits because ethical consumption behaviours necessitate sacrifices, specifically when consumers have existing brand loyalties (Dietz, Ostrom, & Stern, 2003; Griskevicius et al, 2010). Bray et al. (2011) have found that participants' commitment to specific brands make them less prone to choose ethical alternatives. This is shown through the sporadic and temporary loyalty to FT coffee by FT consumers (Cailleba & Casteran, 2010). Approximately 45% of human behaviour is habitual, reoccurring almost daily and in predominantly the same context (Quinn & Wood, 2005). This notion is evident in the context of purchasing decisions. Consumers tend “to buy the same brands of products” in various occasions (Seetharaman, 2004). These habits are formed through repetition, which is most likely to occur when the action is contextually cued and consistently yields rewarding and valuable outcomes (Wood & Neal, 2009). However, when behaviour is solely incentivized through instant and proportional rewards, long-term habits are unlikely to be formed (Wood & Neal,

2009). Thus, a combination of immediate and proportional, as well as random and interval rewards is necessary for forming long-term habits (Wood & Neal, 2009).

## 4. Pathway towards a solution

Since enabling repeat purchases can increase a brand's "market share, customer lifetime value, and share of wallet" (Ehrenberg & Goodhardt, 2002). Influencing the habits of the ethical consumer is the ultimate pathway to driving consumption of FT products. The authors propose a loyalty scheme that builds upon existing brand affinity to ensure that ethical intentions translate to purchasing decisions. The following section explains the mechanics of the *Frequent FairTrader* program and the ways it addresses the (mis)perceived situational and psychological barriers and motivations.

### 4.1 FairTrade as a Candidate to Loyalty Programs

Loyalty programs have been a favoured mechanism to increase product and brand devotion among private sector organizations. Evidence suggests that loyalty programs increase consumer spending, decrease price sensitivity, reduce servicing costs, and increase the flow of recommendations to other consumers, driving brand loyalty (Dowling & Uncles, 1997; Yi & Jeon, 2003). In particular, research supports decreased price sensitivity and increased consumer spending, both of which can be manipulated by the structure of the loyalty scheme (Dowlings & Uncles, 1997; Yi & Jeon, 2003).

FT is a valued label that would pose as the ideal candidate for hosting a loyalty program. The most successful loyalty programs include niche brands and those which fall under categories rather than specific brands (Uncles, Dowling, & Hammond, 2003). FT can be considered a category as it is not brand specific and encompasses a large variety of products with multiple brands. Moreover, products suggested as successful for loyalty programs include innovative brands, monopolies, and fashions (Uncles & Dowling, 1997). FT is the only label of its kind, making it an innovative monopoly.

As loyalty becomes to resemble habit, an increased brand affinity is often built through repeated exposure, rather than strongly held attitudes towards brands (Uncles et al, 2003). Additionally, the key driver of loyalty is the perceived brand value and perceived experience with the loyalty programs (Uncles & Dowling, 1997; Uncles et al, 2003; Yi & Jeon, 2003). Existing brand affinity therefore positions the *Frequent FairTrader* loyalty program to successfully increase consumption of FT products. Thus, since brand value is already perceived as high, *Frequently FairTrader* intends to effectively translate immediate and explicit rewards into customer loyalty (Uncles & Dowling, 1997; Yi & Jeon, 2003).

## 4.2 The *Frequent FairTrader* Program

The program is targeted at ethically conscious consumers to increase the frequency and consistency of their consumption of FT products. The proposed *Frequent FairTrader* program is organised in three tiers: *a free tier*, *a community tier*, and an *advocate tier*. The *free tier* is accessible to everyone upon enrolment, whereas the *community tier* is reached after a certain level of purchasing. The *advocate tier* benefits can be unlocked at any time, through a quarterly subscription fee of £25. A tiered system was chosen for the solution, because it is a form of gamification that implements badges and leaderboards to influence reputation and social norms (Antin & Churchill, 2011; Richter, Raban, & Rafaeli, 2015). These tiers are designed to meet the consumers at their current levels of engagement, address the outlined psychological barriers, and encourage upward movement.

While shopping at a partner retailer, the consumer would be presented the opportunity to enrol in the *Frequent FairTrader* program after making a FT purchase. The loyalty program is complemented by a mobile application, managed by FTF. *Frequent FairTrader* participants accumulate points by purchasing FT products (1 product = 1 point) and engaging with the FT brand. Social media posts about FT products would also contribute towards point accumulation because engaging with FT through product reviews, visual storytelling, and other forms of digital content leverages consumers as brand ambassadors and widens the FT audience further. Points are tallied within the *Frequent FairTrader* application, where they can be exchanged for coupon batches or games.

As users move up tiers, they are able to engage with their purchasing behaviour in different ways. For instance, at the *free tier* users can track their shopping and point accumulation, access coupons, and retrieve their monthly impact receipt. Once the *community tier* is unlocked, participants are ranked based on their purchasing habits, stirring competition for FT related prizes. Within this community, participants engage with like-minded ethical consumers and are encouraged to share FT lifestyle content with one another. Finally, at the *advocate tier*, consumers are delivered e-books, podcasts, workshop and conference invitations to further inform and educate consumers as brand advocates. Each subsequent tier includes all functionality of the previous tier.

<b><i>Frequent FairTrader Program</i></b>			
	<b>Misperceived Situational Barriers</b>	<b>Perceived Consumer Effectiveness</b>	<b>Consumer Motivations</b>
<b>Free Tier</b>	Coupons (redeemed after earning 10 points)	Monthly impact receipts	FT branded tote bag as a welcome gift
<b>Community Tier</b> (unlocked after 30 points)	Coupons (now redeemed after earning 5 points)	Monthly Impact Receipts, Access to educational games on mobile application	Access to online community and option to share impact receipts, Gamification of purchasing benchmarks (prize to win a visit to a stakeholder farm)
<b>Advocate Tier</b> (unlocked by paying £25 / a quarter)	Coupons (redeemed after earning 5 points)	Monthly Impact Receipts, access to educational games on mobile application, kindle downloads, access to podcast, workshops, conference of members that equip them to be a better advocate for FT	Access to online community; option to share impact receipts, Gamification of purchasing benchmarks (prize to win a visit to a stakeholder farm)

#### 4.2.1 (Mis)perceived Situational Barriers

*Frequent FairTrader* is designed to address misperceptions of FT's cost, availability and purpose. The coupons provided by partner retailers for FT goods address price sensitivity by making the products more affordable for participants. At the *free tier*, users will be notified



once ten points have been accumulated through shopping or social media promotion, prompting them to exchange points for a coupon package. Once the *community tier* is unlocked by the participant, new coupon packets will be made available after the accumulation of five points rather than ten points, accelerating access further.

Analysing the user's location, the *Frequent FairTrader* mobile location will also highlight participating retailers with FT products in stock that might be of interest to the user. By motivating customers with coupons, a mapping function, and membership to a community of like-minded ethical consumers, the *Frequent FairTrader* program makes the availability of FT goods more salient. This increased salience decreases consumers' leverage to deny responsibility.

The *Frequent FairTrader* program provides a direct channel between the FTF and the consumer. This enables direct communication around the legitimacy and purpose of FT goods. The *impact receipts*, detailed in the following section, increase transparency around the benefits of FT consumption and combat the perception of ethical claims as a marketing ploy.

#### 4.2.2 Perceived Consumer Effectiveness (PCE)

Increased PCE is a vital construct in overcoming the psychological barriers currently hindering FT consumption. Across each tier of the proposed loyalty scheme, members will receive a monthly *impact receipt* which will outline how their FT purchases have benefited the small-scale farmers and workers. This *impact receipt* will be based on the member's highest consumption category. For example, if the member has predominantly purchased FT chocolate during the given month, the *impact receipt* will highlight the benefit the FT premium has provided cocoa farmers. The *impact receipts* play an important role in de-fetishizing the product, or lifting the "mystical veil" (Marx, 1887) of commodity production.

Additionally, these *impact receipts* directly leverage the feelings of guilt and pride. The *impact receipts* will not only notify the member of the amount of points they have earned in the given month, but will also indicate how these points compare to the average points earned by the *Frequent FairTrader* community. Carlsson, Garcia, & Löfgren (2010) have found that female

participants' willingness to pay for FT coffee is positively swayed by the purchasing decisions of others. Moreover, when a member receives a high *impact receipts* it will fulfil the recipient with a sense of pride that will positively reinforce further FT purchases. Conversely, when a recipient receives a low *impact receipt*, it may trigger feelings of guilt, negatively reinforcing the purchasing of FT products.

At the *advocate tier* level, members will have access to educational games on the mobile application, Kindle downloads, podcasts, workshops and member conferences, all of which are themed to fit FT practices. These resources better educate consumers, which not only increases their PCE, but also enables them to become better advocates for FT. The educational facet of the *advocate tier* is fundamental in order to evoke long-term behaviour changes.

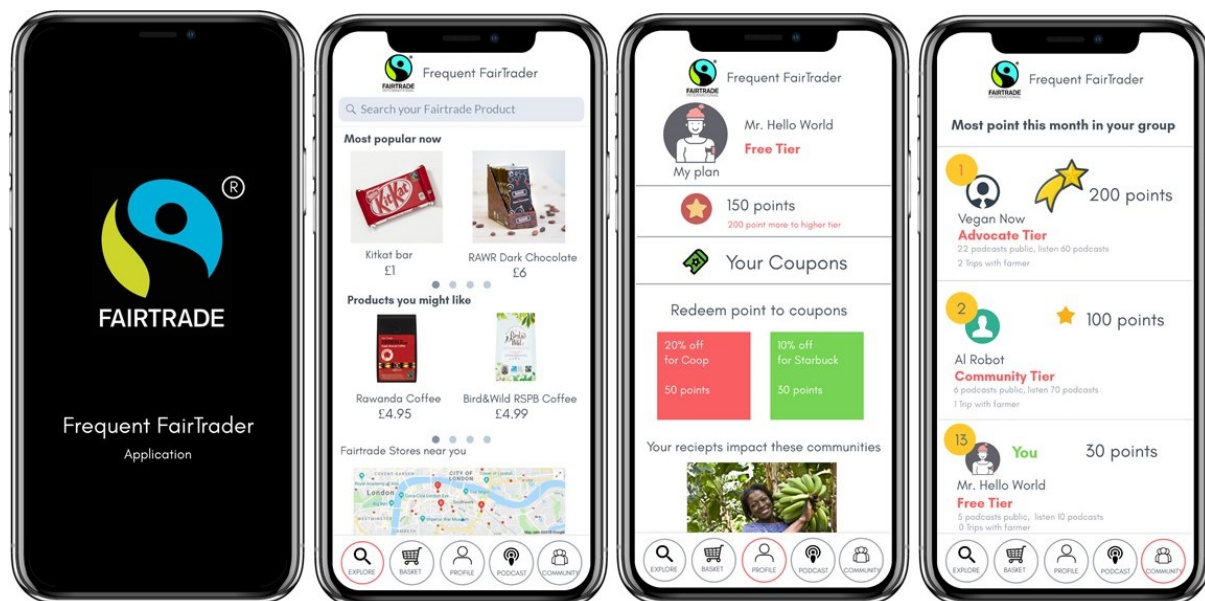
#### 4.2.3 Differing Consumer Motivations

Intrinsic motivations, such as social reputation and social status, could motivate prosocial behaviours and are crucial to evoke long-term changes in behaviour. The branded tote bag allows program members to signal both in-group membership with other *Frequent FairTraders* and ethically self-identity towards non-members. The tote bag is not sold separately, in order to increase perceptions of value through scarcity (Worchel, Lee, & Adewole, 1975). Moreover, the tote bag creates brand awareness when *Frequent FairTraders* use it in everyday life. The *impact receipts* can also be integrated into members' social media feeds to further display their ethical status towards others.

Within the *community* and *advocate tier*, users are ranked by their point accumulation and engagement with FT. This element of gamification is incorporated to improve user engagement with the application and to reinforce ethical behaviour. Gamification is defined as using “game elements in non-game context to improve user experience”, loyalty, and enjoyment (Deterding, Sicart, Nacke, O'Hara, & Dixon, 2011). Game elements such as points, badges, and leaderboards will be implemented within the *community tier* to highlight user's achievements and status within the community (Hamari, 2017; Richter et al, 2015), as aligned with *cost*

*signalling theory*. These also reinforce social norms by illustrating what types of activities and exchanges are valued by the community (Antin & Churchill, 2011).

According to Wood and Neal (2009), a combination of direct and random or interval rewards are most effective in forming long-term habits. Thus, small random prizes are used to incentive members, in addition to the grand prize of visiting a FT small scale farmer or producer to encourage long term engagement. As participants rise in the ranks relative to their fellow ethical consumers, their chances at winning prizes increases.



Access the full prototype application here: <https://marvelapp.com/fi499be/screen/51386250>

## 4.2.4 Stakeholder Benefits

The following section summarizes the involvement of relevant stakeholders and specifically how these stakeholders are motivated to participate in the proposed solution. A detailed table can be found in Table 3.

### 4.2.4.1 Producers

Ultimately, the key beneficiaries of increased FT consumption are small-scale farmers and workers who reside in regions where the not-for-profit is present. Ethical consumption increases their wages, ensures the stability of their livelihood, and provides leverage in negotiating the conditions of their labour (FairTrade International, 2015). Business consumers, or the processing entities that produce goods bearing the FT Mark, are motivated to certify their goods

to access reliable supply chain partners (the small-scale farmers and workers are trained by FTF and affiliated civil society organisations), as well as improve their own image as socially responsible businesses.

#### 4.2.4.2 Consumers

From an extrinsic rewards perspective, consumers would be attracted to the *Frequent FairTrader* program because it enables them to access certain products at more accessible prices. Additionally, the *Frequent FairTrader* program provides program participants with intrinsic rewards. The *impact receipts* cultivate *warm-glow* among participants and strengthen their self-concept as ethical consumers, which reduces cognitive dissonance aroused by the intention-behaviour gap. Various components of the *Frequent FairTrader* program allow the consumer to signal their moral leadership towards others, and thus increase their social status.

#### 4.2.4.3 Retailers

In the proposed loyalty scheme, participants' rewards and rankings are calculated based on the number of FT purchases made at partner retailers, who would share this transaction data with FTF. The *Frequent FairTrader* platform offers lucrative insight into the profile of the “ethical consumer” and offers an exclusive advertising opportunity to target the segment. Under the General Data Protection Regulation (GDPR), private sector entities are not allowed to store data on consumers unless they “opt-in” to a loyalty scheme (European Commission, 2018). While loyalty schemes do drive in store purchases, retailers derive the most value from using and selling data collected on consumer purchasing patterns. In pooling data across industry partners, the *Frequently FairTrader* program allows these organisations to better tailor their marketing and product selection to the ethical consumer.

#### 4.2.4.4 FairTrade Foundation

FTF's vision aligns with that of the World Fair Trade Organization, which envisions a “world in which trade structures and practices have been transformed to work in favour of the poor and promote sustainable development and justice” (World Fair Trade Organisation, 2018). This is made possible by a shift from the *mass market era of FT* to the *institutionalized era of FT*,

in which ethical consumption converges with the conventional market practice (Table 1). A drastic increase in consumer demand for FT goods is needed to accomplish this feat, and the *Frequent FairTrader* program enables this within the UK market.

## 5. Conclusion

The work of FTF dynamically addresses the Sustainable Development Goals to make trade work for the poor, and not just for the growth of trade itself. While the authors are not able to evaluate the efficacy of these projects and partnerships within this scope of this paper, they acknowledge that the community driven work of FTF is the foundation of its theory of change. The feasibility and success of FTF's on-the-ground interventions are dependent on consumer demand. Consequently, the *Frequent FairTrader* intervention targets those consumers whose values are aligned with FT practices, but who fail to translate these preferences to purchasing behaviour. Given their critical influence, it is concerning that the growth of the FT market is not rising proportionally to the growing ethical concern cited among consumers. As the intention-behaviour gap persists, it impedes the shift towards an *institutionalized era of FT*, in which FT products and ethical consumption are the social norm.

The *Frequent FairTrader* program is designed to influence consumer behaviour both in the short term, and over the long term. The free tier, with its coupons and impact receipts, reshapes the user's perceptions of the availability and usefulness of FT products, laying the groundwork for habit formation. The community tier then adds a social layer which encourages users to maintain their ethical consumption relative to their peers, leveraging gamification to drive long term habit formation and satisfying various intrinsic motivations. Finally, the advocate tier equips users with an educational resource, reconstructing perceived norms of how trade should function as a whole. Ultimately, the *Frequent FairTrader* program helps narrow the ethical intention-behaviour gap, one FT purchase at a time.

While the proposed solution addresses the identified situational and psychological barriers, there is tremendous possibility for further collaboration with other stakeholders, as well as for further research into best practices for disseminating FT products among ethical consumers. Shifting the attitude of consumers not already engaged with FT, expanding FT into new sectors,

and exploring brick and mortar interventions among retailers are a few examples of areas where further research is needed.

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## 7. Tables

Table 1: FT organisational axes and commercial periods of development

Table 1. Fair trade (FT) organizational axes and commercial periods of development

Fair trade eras	(a) Solidarity era of FT (~1970-1990) <i>A campaign period raising awareness on social issues</i>	(b) Niche market era of FT (~1990-2000) <i>A trade period marked by the consolidation of labelling initiatives, expansion and distribution</i>	(c) Mass market era of FT (~2000-onwards) <i>A shift towards commerciality (mainstream) with great market orientation</i>	(d) Institutionalized era of FT (hypothetical) <i>A phase leading to the convergence of FT and conventional market practice</i>
<b>1. Actors</b>	Alternative Trade Organizations (ATOs). Social actors	ATOs, authorities, companies, early adopters	ATOs, authorities, companies, adopters, branders, corporations	Authorities, companies, adopters, branders, governments, service sector, conscious consumers
<b>2. Focus</b>	Non profit oriented , process oriented Demonstrating solidarity with producers	Focus on the product Focus on the commercial growth but limited by ideological issues Price is not yet the major issue to traders	Focus on the place Focus on the quality Product standardisation and price become important issues	Sustainability focus Universal reach but developing proximity fair trade (north-north and south-south) More a demand than a supply driven initiative

<b>3. Products</b>	<i>Ethical products</i> Crafted items Coffee ranges	<i>Ethical-quality products</i> Wider availability of crafted items Commodity product line emerged : coffee, tea, cocoa, sugar, fruits	<i>Larger variety of ethical-quality products</i> Long list of crafted items (WFTO certified) Long list of commodities certified) A range of over 4 500 FT products	<i>Ethical-quality-novelty products, that are socially accepted</i> Any range of commodities and manufactured products made and distributed under sustainability standards
<b>4. Quality</b>	Poor, inconsistent	Standards for commodity products, certifications and labels	Quality as a competitive factor FT embedded in quality economics Increased level of “grading” of products	Return to a wide range of qualities and consistencies Quality can be attained through a range of certifiers : global bodies, national standards, intra-company labelling and branding
<b>5. Organizational strategy</b>	Mainly ideological Raise awareness on issues of the developing world	Appeal to groups of ethical or conscious consumers	Procurement of raw materials, price control, supplier control, image enhancement	FT is a part of the overall CSR strategy of the corporation, as the global standard of ethical consumption, as an inspiration for sustainable procurement FT enhances consumer and employee attractiveness
<b>6. Marketing strategy</b>	Dissemination of information about poverty and the crippling nature of market prices Solidarity focused Campaign leaflet presentations Marketplace established at local fairs and churches	Aiming to create a profit from a core group of ethical consumers Consumer focused From solidarity to consciousness Limited media relations, promotion and advertising FT products reach supermarkets	Brands added to the equation seeking to become the leading brand Quality focused Own intra-company branding Intensive media relations Celebrity endorsement Increased market segmentation	Sustainability focused. Responsible consumption Self accreditation and in-house labelling Multi-brand and multi-product marketing Marketing for vast events like sports feats (i.e. Olympic Games) and for specific geographical regions (i.e. FT cities)
<b>7. Means of consumption</b>	<i>Radical consumption</i> through solidarity channels Developing solidarity relationships between producers, retailers and consumers	<i>Pragmatic consumption</i> While consumer still bears in mind the solidarity aspects of the social movement he becomes an economic voter at the store	<i>Individualistic consumption</i> The consumer disassociates from the social movement, he shows lack of collective focus and he seeks epistemic value (novelty) in its purchase	<i>Post-pragmatic or passive consumption</i> Consumer has no longer the alternative: omnipresence of brands, major brand conversion and own-supermarket labels fade away consumer control Confluence of all types of consumer activity
<b>8. Consumption values</b>	<i>Emotional value</i> Consumer as a political agent FT products arousing solidarity feelings or affective states on the individual	<i>Functional value</i> Consumer is both a political and an economic actor The alternative form of consumption acquires functional value through the quality attributes brought by labels	<i>Epistemic value</i> Consumer depoliticizes from FT and becomes a mere economic agent searching for novelty The novelty of fair trade products and its vast availability appeals to a broader range of consumers in multiple segments	<i>Ethical value (with relativism)</i> Consumer becomes a more responsible buyer but faces multiple concerns (economic, environmental and social imperatives) Ethical consumers operating in heterogeneous groups Consumer decision making is both emotive and reflective rather than just rational

Sources: Davies (2007); Doherty et al. (2012); Özçağlar-Toulouse et al. (2006).

(Pousa & Nuñez, 2014)

Table 2: Neutralisation Techniques

Neutralisation Technique	Definition	Example
Denial of Responsibility	“One is not personally accountable for norm-violating behaviour because factors beyond one’s control are operating”	“I don’t think that supermarkets or shops in general actively promote these things...”
Denial of Injury	“Contention that personal misconduct is not really serious because no party directly suffered as a result of it”	“The problem is too big to be dealt with at the level of the consumer... it seems to me that the minority of people that care about FT aren’t going to overcome the bigger problem...which is about all those organisations and subsidies, signing agreements”
Denial of Victim	“Blame for personal actions countered by arguing the violated party deserved whatever happened”	“It’s their fault; if they had been fair with me, I would not have done it”
Condemning the condemners	“Deflection of accusations of misconduct by pointing out that those who condemn engage in similarly disapproved activities”	“I think that the issue of FT puts a lot of burden of fairness to the consumer...”

Appeal to higher loyalties	“Norm-violating behaviour is the result of an attempt to actualise some higher order ideal or value”	<p>“FT might be a consideration, but in general. When I go shopping in Sainsbury’s I look for the cheapest and nearest thing to me”</p> <p>“I’ve thought sometimes that I should be more ethical in what I buy...but part of me is quite lazy actually”</p>
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(Chatzidakis et al, 2007)

Table 3: Stakeholder Benefits

Stakeholder	Required Action	Benefit
<b>Citizen Consumer</b>	Enroll in <i>Frequent FairTrader</i> program; buy FT products	Access discounted ethical products, membership to a community of like-minded individuals; opportunity to strengthen ethical self-concept and signal social status to others
<b>Retailers</b>	Supply customer with FT goods; Deliver customer transaction data to the FT Foundation to be pooled in <i>Frequent FairTrader</i> application; offer discounts to participants on FT products	Access to “ethical consumer insights” across the industry that allows them to better target the segment, as well as access to an exclusive advertising platform
<b>Fairtrade Foundation</b>	Manage <i>Frequent FairTrader</i> program and application	Drive consumer demand for FT products, and educate consumers on certification benefits, both of which are prerequisite to fulfilling the organisation’s vision

## 8. Appendices

### Appendix A: FairTrade's Theory of Change and the Sustainable Development Goals



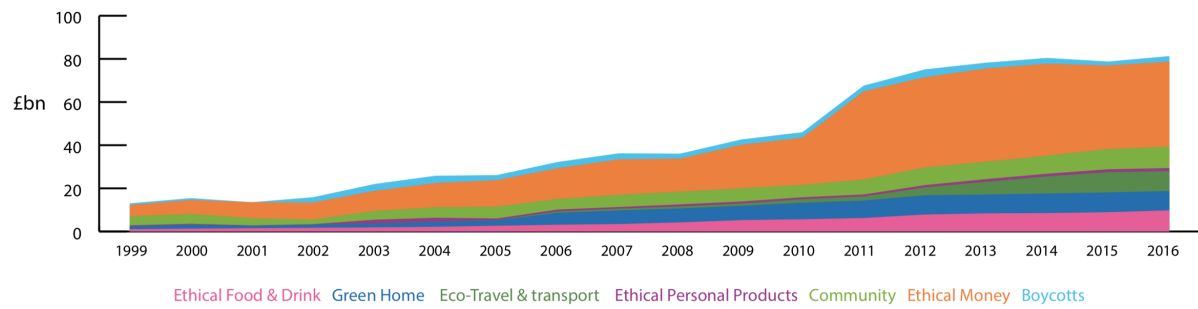
Figure 1: Draft SDGs mapped onto the six key themes identified in the UN Secretary-General's Synthesis Report on the Post-2015 agenda<sup>2</sup> (selection of goals against themes by the Fairtrade Foundation).

(FairTrade Foundation, 2018b)



## Appendix B: Ethical spending in the UK (1999-2015)

Ethical spending in the UK, 1999-2015



(Denyer, 2017)