DBA Africa Management Review
2012, Vol 2 No 2, Pp 1-13

Consumers' attitude towards Fairtrade coffee in the UK

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The rapid worldwide expansion of Fair Trade coffee sales was highly reported to be accelerated by the involvement of large retailers (LRs). The purpose of this research was to understand factors influencing consumers' Fairtrade coffee purchase intention in the UK. Factor analysis was conducted with sample of 219 coffee consumers with the aid of SPSS 17. The general findings of the study indicates that credence processing attributes defined as 'ethical', 'production techniques' and 'fair trade products' are the major factors that influence consumers intention in purchasing of coffee in the UK. However, credence process content attributes such as 'quality' and 'decaffeinated coffee' also emerged as the most significant factors in influencing consumers' attitudes towards coffee.

Key Words: Consumers, attitude, fairtrade, coffee, UK

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Introduction

Fair Trade refers to the whole concept governing the activities of the ethical business model, which is embedded on the improvement of human being living standards through trade by reconnecting producers in the South with the buyers in the North. Fairtrade is contrary to above defined word *'fair trade'*, this is a 'trademark' used for marketing of goods under the fair trade scheme in the United Kingdom. Other Fair Trade labels are Max Havelaar (used in Netherland) and TransFair (used USA).The first Fairtrade label was introduced in 1988, by the Dutch Development agency; Solidaridad on the Mexican coffee. According to Tallontire (2007) the movement at the beginning was based on political will of solidarity and not commercial movement. The label is known as 'Max Havelaar' for a Netherland NGO spearheaded the idea of labelling products under Fair Trade (Hiscox, 2007) by introducing a certified label which made it easy for consumers to identify the products under the scheme.

The difference between the Fair Trade model of doing business with other forms of international ethical label is that, the latter focused on punishing bad behaviour, whereas Fair Trade labelling offers a way to make good behaviour more profitable (Hiscox, 2007).

The Fairtrade Labelling International Organisation (FLO) recently reported that, global sales of Fair Trade (FT) products were estimated to reach Euros 1.3 billion in 2009. Certified FT coffee is the leading commodity and estimated to be 0.01 percent of the international coffee, with the North remain the major market. The United Kingdom is among the major market of the Fair Trade (FT) products with annual growth sales of 33 percent and sales estimated to reach more than £700 million in 2009, while coffee sales were stand at £ 157 million and Mintel (2010), estimated it to be 20% of the country coffee business.

The increase in demand for ethical foods in Western countries makes the issue of credence factors to be stronger factors other than price. For instance the Fair Trade coffee consumers volunteer to purchase at higher price due to the credence process attributes attached to it. Factors such as payment of fair price; lack of child labour; use of organic production techniques; Carbon dioxide (CO_2) emission through the value chain; commitment of store to Fair Trade principles; country of origin; social responsibility activities of the retailers and issues of credence content attributes such as brand, quality and taste also reported to have influences.

The Fairtrade market is currently growing at 33% per year and the total number of certified producers reached 463 by 2008. According to the Fairtrade Foundation (2008) 64 % of consumers in UK understand that the Fairtrade label stands for a better deal for producers in the developing countries.

The UK is the second most important Fair Trade market, by size, after the US. The estimated sales of Fairtrade mark products in the UK market will be £ 2 billion in 2012 (Fairtrade Foundation, 2008). In 2009 the actual sales are more than £ 700 million. Recently Fair Trade products sales have grown rapidly, especially for commodities such as coffee, cocoa, tea and fresh fruits like banana. Much of the growth in the Fair Trade products over the last decade is a result of supermarket retailing of independent Fairtrade brands and supermarket ‘own brand’ goods (Smith, 2008). For example, a survey of Fairtrade sales in 25 Europe countries found that 56,700 of the 78,900 ‘point of sale’ were in supermarkets. In the UK, the large retailers such as Sainsbury, Tesco, ASDA and Starbucks now stock and sell Fairtrade mark product. However the competition is strong and only those who are creative can survive and reap the profits from the opportunity. To survive in this market needs a full understanding of consumer needs

Research Problem

Fair Trade is based on credence attributes that cannot easily be identified physically by a consumer. The concept includes the promise or guarantee of a fair price to the primary producer and protection of environment during production. The business model success depends much on the experience and knowledge consumers developed to the alternatives trade organisations (ATOs).

The selling of Fairtrade mark coffee in the UK started with alternative trading organisations (ATOs) after the price crisis of the mid of 1980s. The Cafédirect, is the leading ATO which claimed to own 34% of the Fairtrade coffee market share (Mintel, 2010) with sales of £3 million in 2009. Mintel’s (2010), coffee report suggested that the increase in consumptions of coffee in the country was due to the health scientific facts that drinking of coffee would help in fighting Type 1 and Type 2 diabetes.

Since 1994, large retailers started to stock Fair Trade products. As Fair Trade enters mainstream, however, the system established by the ATOs are no longer really ‘alternative’ (Nicholls and Opal, 2007).The governing of systems also become more complex and very complicated, the Fairtrade mark needs large retailers to reach mass market, on the other hand the system led to emerge some distance between institutions and producers. 31 billion cups of coffee were drunk in the UK every year (Jones, 2006). According to International Coffee Report (2009) coffee capita consumption in the UK has increased to 3.1kg from 2.78kg in 2008. In spite of the fact that the amount of merchandise sold labelled as Fair Trade is increasing, very little is known about the consumers’ attitude towards Faitrade as an ethical label or brand (Lotale and Loureiro, 2005). This study will explore consumers’ attitudes towards Fairtrade coffee in the UK.

Literature Review

Kanuk and Schiffman (2009) and Assael, (2006) define attitude as a learned predisposition to behave in a consistence favourable or unfavourable was with respect to a given object. As a learned process attitudes means is the result of a long time life experience that consumer develop. There are various factors that influence consumer attitudes towards an object. However, brand and price are referred to be the strongest determinant in marketing. In the study of consumers’ behaviour various factors can be used to test consumers’ attitudes towards products. When consumers buy a product they rely on both extrinsic and intrinsic cues. A cue is the informational stimuli available to consumer before consumption.

Extrinsic cues are those attributes that can be seen physically such as price, brand and packaging, while intrinsic cues are those features which cannot identified physically until the product has been used such as taste, quality and organic production techniques. In general intrinsic cues depends much on the trust consumer has on the retailers. The demand for coffee rests upon a complex set of attributes, some of which are related to physical properties such as quality, strength and price some of which are latent ones. Also coffee associated with social meaning; while people can drink coffee, serves as means of sociability, hospitality, friendliness and equality (Reynolds and Well, 1977)

The emergence of ethical foods in western countries made the issue of extrinsic factors other than price to be strong. For the case of fair trade coffee consumers volunteer to purchase at higher price due to the extrinsic attributes attached to it. These factors vary such as payment of fair price; lack of child labour; use of organic production techniques; CO_2 emission through the value chain; commitment of store to fair trade principles and social responsibility activities of the retailers. Also issues of intrinsic such as brand, quality, country of origin and taste, Renard (2005) although at the beginning quality was not taken as the most important in fair trade until beginning of mainstreaming.

The fact that FT is growing rapidly in the UK is associated with consumer attitude towards ethical consumptions (Jones, 2006). de Ferran and Grunert (2007) on their study on purchasing fair trade coffee in France, found that consumers attach importance on attributes such as 'fair trade', 'organic', 'taste', 'respect for the environment' and 'equality between humans'. The country of origin (COO) also emerged as the important attribute in the buying of foods among consumers. In the empirical study of Ahmed *et al* (2004) done in Singapore by using the case of Colombian coffee found that when COO is used in the food in international marketing it can help developing country to overcome negative image of the consumers in the North. According to Hoffman, 2000 and Percher and Tregrear, 2000, recommendation COO can be used by consumers as the symbol of quality of food.

However, the influence of COO on attitudes of consumer behaviour depends on whether the product is regarded by the consumers as low-involvement or high-involvement. Involvement refers to the amount of time and efforts a buyer invests in the search, evaluation and decisions process in consumer behaviour (Hair *et al* 1992). Various factors determine the low involvement of consumer either to be high or low, such as social class of customer; economic level; brand image and product categories. Perhaps the issue of ethical foods and food labelling make the food which was once regarded as low involvement to be considered as the high involvement.

The research conducted in Singapore by Ahmed *et al* (2004) found that consumers were not attached on COO as the attributes for purchase of coffee. This suggested that coffee was regarded as the low-involvement products. The empirical research conducted by Sundqvist and Tarkiainen (2009) in Finland found that coffee was regarded as high-involvement products. Furthermore the study indentified that consumers were influenced to buy organic coffee and have positive attitudes derived from environment and health related values. This finding support the study conducted in Belgium by Verbeke and Vermier (2006) who found that consumers with high involvement will have positive attitude and are more willing to purchase ethical foods.

Romberger and Wolf (2010) in their study found out that flavour, taste, quality, price and value for money are the major factors that influence consumer to purchase Fairtrade coffee. Further in their analysis found out that consumers perceive fair trade coffee to be inferior when compared with other ethical label. This is contrary to the studies of De Pelsmacker *et al* (2005) in Belgium, who found out that fair trade is most preferred labels among the ethical food label and Lotade and Loureiro (2005) in the US, concluded that consumers are willing to pay more US$ cents 21.64 for the fair trade labelled coffee, cents 20.02 for shade grown and cents 16.25 for organics. The study done in Italy by Maieta (2003) showed that consumers are willing to pay 25% more than normal coffee price. Nevertheless, in practice, organic coffee ranks higher in the market than FT label products.

In the study conducted in Canada by using conjoint analysis, Cranfield *et al* (2010) observed that consumers preferred buying fair trade coffee due to important attributes like price, nature of fair trade claim, country of origin, roast of the coffee beans and form of coffee. This was contrary to the study of Sundqvist and Tarkienan (2005) who found out that consumer in Finland perceive price of the ethical foods is not affecting their intention to buy food. In the UK, Galarraga and Markandya (2004) suggested consumers are willing to more than commercial market for ethical coffee for 11%. Perhaps this finding suggests that consumers are more willing to pay for premium price for the ethical products and probably consumers in Finland and the UK are more aware than those in Canada.

Quality is among the important attributes in the food marketing. Although in most cases quality is a result of post-purchase, the customer perceives quality of products through various extrinsic features such as brand; packaging; price and the retail store. Taste which is the sensory quality is a crucial element of quality (Grunnert, 2006). In regard of the issue of fair trade coffee in particular customer perception of quality is based on various features such as the brand and the trust customer has on the NGOs to deliver organic products and dish out the premium price to the producer in the South.

Methodology

The research employed convenience sample of 219 people who drink coffee and have knowledge about fair trade products. Respondents were recruited in the high street of Northumberland, Haymarket, Grey and Justice Tower where largest mall of Eldon Square is located in the city of Newcastle upon Tyne. Screening questions were used to identify ind ividuals who drink coffee and have basic understanding on fair trade. These questions identified respondents who were in a position to answer and participate well in the study.

The theme of attitudes towards fair trade coffee was drawn from the empirical study done in Italy on fair trade coffee by Cicia *et al* 2010) and relied a lot of literature from the study done on fair trade by De Pelsmacker *et al* (2003); Hilcox, (2007), Comfort *et al* (2005), Smith (2007), for development of the questionnaire. Five itemised Likert scale, on the scale of 1 - 5, where by 1=not at all important to, and 5=extremely important was used for part 1 of the questionnaire, for measuring consumers' attitude towards coffee.

The items were modified to suit the language and understanding of consumers in Newcastle in the UK. Three attributes used in the original study of Cicia *et al (*2010) were not used.These were creaminess; blend and packaging. This was to allow respondents to concentrate with only one idea of recyclable packaging. The idea of caffeinate percentage was expanded to mean decaffeinated and caffeinated. The idea of reducing CO_2 emission was reshaped in order to use simple language to suit the respondents. The issue of distance (food miles) was introduced.

Scale response categories were altered as respondents felt more comfortable with five scales than original seven-point employed by Cicia *et al* (2010). The final version of the questionnaire was evaluated in terms of instructions, ease of use, reading level, clarity, item wording and response format and was judged to possess face and context validity (De Vellis, 2003).The final version reflects the time and hardness of recruiting people in the high street in order not to take much of their time. Data were subsequently downloaded to an SPSS data file.

Scale reliability for attitudes of consumers when buying coffee was evaluated by using Cronbach's alpha (α) coefficient, which is measure of how well a set of manifest indicators measure of the scale (De Vellis, 2003). There is no universal convention with respect to the minimum acceptable threshold value. Bush *et al* (2006) suggested Cronbach's alpha valued less than 0.6 is unsatisfactory (2006). Nunnally (1978) suggests a threshold level of equal to or greater than 0.50 for exploratory research work. This research used Cronbach's alpha threshold of 0.6. The overall reliability of the scale is α 0.743. This is above the suggested level and is respected in social science.

The factor analysis was conducted for 18 variables to identify consumers' attitudes towards coffee. Data was analysed by using SPSS 17.0. To identify number of factors Eigen value used to reach on the conclusion on the number required.

Results

Characteristics of the sample

The study recruited 219 respondents through face to face administered questionnaire conducted in the high streets of Northumberland, Haymarket, Grey and Justice Tower where largest mall of Eldon Square is located and the supermarkets like Tesco, Mark and Spencer, Fenwick and Debenhams are found, also famous fast food like Starbuck, Burger King, Pret-A-Mager, Greggs and Milligans sellers of ready to drink (RTD) coffee are located in the city of Newcastle upon Tyne.

The City population estimated to reach 1,093,500 (ONS, 2008), female 51% and male 49%. A high proportion of the respondents study was male (58%). Female were not well presented according of the actual data of the region in the study. The targeted sample comprised of ranges of ages from 17 - more than 71 years of ages. The younger ages from 17 - 30 comprised a higher proportional of the 59.8%. This age group in the city population comprised 41% (www.tyne-wear.co.uk), however their percentage age range from 16 - 44 ages. In general the studies population used for young ages are those from 17 - 40. The younger were well represented in the study.

Respondents level of formal education, first degree which is 55% of the respondents were the leading followed by those attending at the college. The area has approximated to have 10% of the population to have first degree (www.sunderland.gov.uk). Nevertheless the city attracts many students from oversees or other regions Britain.

Communality

The communality (h^2) is the sum of the squares of the loadings. If communality is too low, means the test is unreliable for the particular variable. The minimum communality was set at 0.5 (Anderson *et al*, 2006). Result shows acceptable communality except for three variables that load below 0.5, price (0.425), recyclable packaging (0.480) and retailers own label (0.395), but when rounded only recyclable packaging reached 0.5. However, recyclable packaging retained because loaded significantly on at least one factor. Further factor analysis was conducted based on 16 variables loaded more than five range of communality.

Factor correlation

Subsequent analysis was conducted on 16 measures. The confirmation test variables were intercorrelated; was indicated by a KMO index of 0.773, categorised by Kaiser (1974) as 'meritorious' when rounded off , while Bartlett' Test of Sphericity resulted in the rejection of null hypothesis *that* variables are not correlated at 5% significance level (X^2 $^{(120)}$)=1058.419, P<0.05. Table 4.2 shows that sixty four percent of the total variance was explained by five factors.

In this study factors with Eigen values greater than 1 is used and those below that dropped. Because this criterion is generally accepted as the basis for excluding or including factors (Kaiser, 1960 and Anderson *et al*., 1998)

Attitudes to fair trade coffee

This study adopted a more conservative approach. In this research the decision rule that has been applied to select variables requires loadings to be at least ± 0.5, and that is respected in the social science. Table 1 indicates the loading of the variables after variables have been rotated. Factor 1 the following variables were significant according to the threshold decided, no use of child labour (chillab, 0.769), social responsibility activities of the retailer (scratv, 0.760); recyclable packaging (recypack, 0.530), store or shop commitment to fair trade principles (ftpri, 0.768) and retailers pay Fairtrade price to coffee growers (payftpr, 0.846). Factor 2 significant variables are aroma *(*aroma, 0.826*)* and strength *(*strength, 0.791*)*. Two attributes were identified to be significant for factor 3, use of organic production technique (orgaprod, 0.749*)* and the distance *(*distance, 0.799*)*. The country of origin *(*coo, 0.638), decaffeinated coffee *(*decaf, 0.741*)* caffeinated coffee *(*caff, 0.693*)* and variety of beans used *(*varbean, 0.501*)* loaded for factor 4. Factor 5, the following attributes loaded significantly; taste (taste, 0.762), generic brand *(*genbrand, 0.719*)* and fair trade products *(*ftprod 0.812*)*. The five factors are defined, respectively as, factor 1 'ethical', factor 2 'quality', factor 3'production techniques', factor 4 'decaffeinated coffee' and factor 5 'fair trade products'.

Table 1. Rotated component matrix: consumer attitude to coffee shopping

Attitude to coffee	Factor number					h^2
	1	2	3	4	5	
Coo	0.171	0.326	0.263	**0.648**	0.139	0.664
Varbean	0.153	0.486	0.244	**0.501**	0.169	0.600
Decaf	0.020	0.012	-0.015	**0.741**	-0.170	0.578
Ftprod	0.593	0.202	0.182	0.228	**-0.812**	0.511
Taste	0.190	0.251	-0.081	-0.135	**0.762**	0.705
Genbra	-0.283	-0.169	0.211	0.088	**0.719**	0.678
Caffcoff	-0.121	0.397	0.196	**-0.693**	-0.010	0.691
Aroma	0.123	**0.826**	-0.061	0.011	0.080	0.707
Strength	0.092	**0.791**	0.101	-0.006	-0.048	0.646
Recypac	**0.530**	0.061	0.438	0.118	-0.041	0.492
Orgaprod	0.235	0.036	**0.749**	-0.011	0.138	0.637
Nochillab	**0.769**	0.056	-0.043	-0.016	0.178	0.628
Distance	0.117	0.056	**0.799**	0.027	-0.023	0.657
Ftprinc	**0.768**	0.139	0.286	0.088	-0.087	0.705
Sractv	**0.760**	0.075	0.286	0.076	-0.105	0.682
Payftpr	**0.846**	0.011	-0.005	0.048	0.060	0.722
Eigenvalues	4.395	1.765	1.606	1.369	1.147	
Variance	27.47	11.03	10.04	8.56	7.17	
Cumulative variance	27.47	38.50	48.54	57.10	64.27	

Discussions and conclusions

In general research shows consumers are more influenced by the 'process credence attributes' in buying coffee. The result of factor analysis reveals five dimensions related to the consumers attitude to coffee.

The dimensions have been labelled ‘ethical’ ,’quality’, ‘production techniques’, ‘decaffeinated’ and ‘fair trade product’. The findings reveal that the issue of ‘ethical food’ is more powerful in the UK and consumers are ready to question how products produced and the benefit farmers obtained. However, the findings show that purchaser of coffee is not only determined by fair trade features, but also the quality and the attribute like taste and strength, that in order to give the consumer satisfaction during consumption. Furthermore result shows consumers did not keep more importance on price as the extrinsic cue. Due to change in lifestyle and awareness of the importance of the Fairtrade as the business model to the producers in the South; price used to be perceived as less relevant factors (Cicia, 2010). The rejection of price as the most influencing features during this time of economic downturn is very interesting phenomenon. Grunert (2006) identified three factors behind the phenomenal, first consumer are aware of the general price, second consumers concluded price are reasonable and third is the trust on the retailer’s price setting (pp. 170). Perhaps this situation happened on the fair trade coffee, and the findings suggested that consumers are aware of the price and general purpose of the fair trade movement.

Factor 1 defined as ‘ethical’ with five attributes loaded more significant; retailers pay premium price; no use of child labour, recyclable packaging, retailers commitment of fair trade principles, and social responsibility activities of the retailers towards coffee purchase intention. It is clear from this analysis that ‘ethical activities’ by the actors in fair trade business model has a very significance effects on attitudes towards coffee purchasing intention. For factor 1 is more regarded as the ‘process credence attribute’ which referred as the attribute that do not affect final product content but refers to the characteristics of the production for instance fair trade products and no use of child labour. This attribute cannot be identified physically by the consumer during the purchase of coffee, but through knowledge consumer has develop positive attitude towards products to be associated with the features. This findings support the argument of Grunnert (2007), that attention in the agri-food has been shifted from traditional intrinsic cues to the extrinsic and credence attributes of the products.

Factor 2 labelled ‘quality’; clearly analysis shows that aroma and strength are very significance attribute for purchasing of coffee. Today the UK is the destination point of many food types from different geographical position of the world. Since the occurrence of food threat in the EU, the issue of food security and safety became very critical from the perspective of customer and government and pressure groups (Renard, 2003, Renard, 2005). Although the LRs are facing with much pressure from domestic consumers and pressure groups on the need of supporting local farmers, coffee is not among of the effected commodity. However, the market prospect of coffee in the EU market has not to be taken as the sacrifice of the taste which associated with quality of the coffee produced.

Dimension of quality can be categorised into three: Search, experience and credence (Darby and Karni, 1973 as cited in Bech *et al*., 2001). Search dimension is where quality identified during the purchase, experience dimension occurred after the purchase and credence is where one has to rely on the judgment of others. Food products are mainly characterised as the experience and credence (Bech *et al*., 2001). Major two attributes of quality identified by this research are aroma and strength. These two variables are intrinsic attributes; that motivate customers' purchase of FT coffee. Although these values are revealed after purchase, success of any manufacturers and prosperity of the products depends on the repurchase. Generally consumers make decision on quality based on experience (ibid).

Factor 3 defined as the production techniques and the variables loading most significantly are distance and the use of organic production techniques. The method of coffee production has high significance on the customers' attitude on the purchasing. Also customers keep most important on the 'distance' of the value chain. Although coffee is not produced in the UK; the great challenge is on reduction of CO_2 emission within the supply chain. This indicates the need of producers; roasters and retailers to evaluate their supply chain and its impact to environment. Some coffee roasters in the UK started to use this as part of their achievement in their corporate announcement on how they reduced CO_2 emission. The issue of 'organic production techniques' emerged to be most significant. This indicates that customers are more concern with environmental issues and protection of their health; due to the use of hazardous pesticides in growing of coffee.

Factor 4; labelled 'decaffeinated coffee' indicates the importance of the feature towards customers' attitude. Factors loaded more significantly are 'country of origin'; 'decaffeinated coffee' and 'caffeinated coffee'. Based on the EU legislation, decaffeinated coffee is a coffee with caffeine content 0.1% of caffeine of dry weight.

Decaffeinated coffee is available because customers wants to enjoy the 'taste' and 'aroma' of coffee without experiencing the mild stimulant effects provided by caffeine (ICO, undated). Also the increase in demand for decaffeinated coffee was due to awareness of the heath problem associated with caffeine.

Research identified that customers use; country of origin (COO) in selection of coffee. Many roasters, retailers and fast food are using the techniques to differentiate from the competitors. For example, Cafédirect has coffee named as 'Kilimanjaro' coffee brand, Sidamo brand used by Starbuck. The interesting thing is customers used to relate COO with amount of caffeine and the quality of coffee. Roaster used COO as the hallo effects of their coffee products. For example Café direct the leading fair trade coffee ATO in the UK with annual sales of £ 3 million, used region branding as the technique and signature of the producers associations members to influence consumers knowledge and belief on the fair trade coffee and products in general.

Factor 5 named 'fairtrade products' and the variables loaded most high are fair trade products, taste and generic brand. The issue of 'fair trade products' emerged as the most important significance in influencing attitude toward coffee. Taste; although it is intrinsic feature but once bad taste, it is hard to influence customers repurchases the products. At the beginning of fair trade business model consumers were encouraged to purchase FT coffee based on the solidarity and supporting well being of the producers in the South.

According to Murray et al (2006) since the mainstreaming of fair trade coffee the issue of quality was introduced by the SMs and creates dilemmas too many famers in the South. This creates challenges because LRs was just licensee and was not supporting famers to meet the standards as the FT business model principles regard.

The result of the study shows that taste is very important for decision on the choice of coffee. The finding support the empirical study of (Shepherd, 2001), identified taste to be very important motivating factor in consumer food purchasing decisions for different food although by no means the only influences. These findings suggest producers of the coffee have to take into consideration the importance of taste for the market prosperity of coffee.

The findings support that consumers are more ethical and are delightful to protect environment. The growing of 'green consumers' pave the way of the 'fair trade organic coffee'. The niche market currently fetch higher price than normal fair trade coffee. It is an 'active' consumption from the view point of its consequences on the environment.

Future studies might also focus on the influence of 'producer appeal' branding on purchasing of FT coffee in the UK. According to Deliza and MacFie (2001) the use of pictures on branding of food has no impact on consumer decision making. This is contrary to the practice governing the marketing and packaging by ATOs of fair trade products. The interesting issue is to see the reality of the theory and empirical evidence, study can be based on understating of the two concepts especially for FT products.

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