

Consumers' reactions to involvement of large retailers in selling of fair trade coffee

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**A REASERACH PAPER SUBMITTED IN PARTIAL FULLFILLMENT OF THE
RQUEIREMENT FOR THE DEGREE OF MASTER OF SCIENCE IN
INTERNATIONAL AGRICULTURE AND FOOD MARKETING**

2010

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Dedication

*To my mother Juliana E. Nandonde and late my father Guntram C. Nandonde(RIP) who
passed away during my studies*

To my lovely daughter Exodus, my wife Pamela and nephew Saidi together, we will reach

Acknowledgement

This work would not appear on its present form without support and guidance of my supervisors namely: Professor David Harvey and Professor Christopher Ritson. Their academics critical arguments mean a lot to me not only for this work but throughout my academic carrier. I am also thankful to my two class mates Santi Hansawad and Kwanjit Tantimuratha and my friend Nendra Pereira for their support in data collections.

I am grateful to individuals and institution, whose contribution to my successful study is remarkable. I am indebted to Sokoine University of Agriculture and its administrations for accepting my study leave. I owe my most sincere thanks to the coordinator of World Bank Project at Sokoine University for the financial support of my studies, Professor Emmanuel Reuben Mbiha, and Professor Ephraim Senkondo, head of department of agriculture economics and agribusiness for their supports, mentoring and encouragements.

During my study I have collaborated with many colleagues for whom I have great regards and I wish to extend my wish thanks. I would like to thank Fr Andrew J. Downie and Mia Fox of Newcastle and Northumbria Universities Catholic Chaplaincy for their spiritual and moral guidance during my stay in the UK.

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Abbreviations

FT- Fair Trade

FTP- Fair Trade Products

LRs- Large Retailers

SM- Supermarkets

FLO- The Fairtrade International Labelling Organisation

UK- The United Kingdom

TWIN- Third World Information Network

SS-Speciality Shops

COO-Country of Origin

ATOs- Alternative Trading Organisations

FF-Fast Foods

FTC-Fair Trade Coffee

FM-Fairtrade Mark

Abstract

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

Recently worldwide expansion of FT with other factors was highly reported to be accelerated with the involvement of large retailers (LRs). Since 2002 when own label of FT products was introduced in the UK, grievances started and many authors criticised the FLO movement of commercialisation by giving LRs licence to use Fairtrade mark, which once were produced by alternatives trading organisations (ATOs). To reach mass market FT products needs LRs distribution channels which many retailers started to stocked FT products e.g The Coop stocked Cafédirect FT coffee since 1994. However, the challenge is on the use of own label and the willingness of the LRs to implement the Fairtrade guiding principles for the benefit of small producers in the South. The purpose of this research is to explore consumers' reactions to the involvement of large retailers (LRs) in selling FT coffee. Two objectives addressed by the study related to coffee, first understanding factors influencing coffee purchase intention and consumers attitudes to involvement of LRs in selling FT coffee. And two analytical techniques used to analyse data collected in June, 2010 in the high street of Newcastle by face to face interviews. (1) Factor analysis conducted with sample of 219 coffee consumers to understanding factors influencing purchase decision, (2) Cluster analysis employed to identify customers' reaction to LRs involvement in selling FT coffee.

Factor analysis was employed to identify consumers' attitudes towards coffee. The study indicates that credence processing attributes are the major factors that influence consumers in

the intention of coffee purchasing in the UK such as 'ethical', 'production techniques' and 'fair trade products'. However, credence process content attributes such as 'quality' and 'decaffeinated coffee' are most significant in influencing consumers' attitudes towards coffee.

Second is on cluster analysis, two clusters identified, cluster one is the male 'ethical consumers' influenced by retailers image and social responsibilities activities. This group is in favour of LRs to use their own label. Cluster two is female 'ethical and well being' consumers, the group is not favouring LRs to ^{have} their own label for fair trade coffee. Interesting findings is that this group is not against the involvement of LRs to sell FT coffee.

Findings of the study need to be interpreted with cautions because, there are two major limitations first ~~is the~~ sample size is a very limited number of the UK coffee consumers, second is the result based on the evaluation of hypothetical attributes of coffee and any additional factors can change coffee purchase.

Chapter One

1.0 Introduction

Definition of the terms

Fair Trade- this refers to the whole concept governing the activities of the ethical business model, which embedded on the improving of human being living standard through trade by reconnecting producers in the South with the buyers in the North.

Fairtrade- is contrary to above word, this means 'trademark' used for business in the marketing of goods under the fair trade scheme in the United Kingdom. This label like other Fair Trade labels such as Max Havelaar (Netherland) and TransFair (USA).

South- the term used to mean developing countries, used interchangeably with third world countries or unindustrialised.

North- means developed, first world or industrialised countries. All words used interchangeably to mean same thing.

1.1 The global coffee market

The major international market of coffee is in the developed countries. According to FAO (2003) world consumption of coffee is projected to increase by 0.4 percent annually from 6.7 million tonnes in 1998-2000, to 6.9 million tonnes in 2010. The consumption of coffee will be high in the, Germany, the US, the UK and other European Community member countries. Table 1.1 shows that, in the developing countries consumptions projected to increase from 1.7 million tonnes in 1998-2000 to 2 million tonnes in 2010 an increments of 1.3 percent, which estimated to be greater than the developed nations. However consumption will be dominated by developed nations by 74 percent, nearly 5 million tonnes per year.

The global production of coffee estimated to reach 7.24 million tonnes in 2009 and the consumption was down for 3 percent from 4.22 million tonnes in 2008 to 4.11 million in 2009 in the European market (ICO, 2010). Figure 2 shows the trend of the world estimated price of green coffee declined from the end of 2008 from US\$ 1.24 to US\$1.16 in 2009 following overproduction in Vietnam, which emerged as the second major producers of coffee in two decades ago (see figure 1.1 for details) and shrinking of consumption in the major market.

Records show that in 1990s, earning of the coffee exporting countries were around US\$ 10-13 billion per year for export terms of free on board (FOB), by 2004 the value dropped to US\$ 5 billion per year, while at the same time the profit earned down streams by retailers increased from around US\$ 30 billion in 1980s to around US\$ 80 billion (Slob, 2006).

The operation of the world business is perceived as 'unfair' by the countries of the South, who has comparative advantages for agriculture commodities like coffee. Recent trends drove many of farmers into poverty and caused major chaos for their families and the development of their countries. According to Oxfam (2005) the only option for these countries was to strive to increase the quantity of the coffee with the expenses of the quality.

Furthermore, the global coffee value chain is concentrated; with five roasters companies Kraft, Nestlé, Sara Lee, Procter and Gamble and Tchibo buying almost half of the global supply of green coffee beans (Gresser and Tickell, 2002). For example, Nestle in the UK market has 55 percent of the instant coffee (Fitter, and Kaplinsky, 2001). This market structure creates strong pressures on farmers and cooperatives, especially in developing countries, on quality and competitive pricing.

These large companies prefer to work with brokers and intermediaries, Nicholls, and Opal, (2007), which excludes small farmers in many developing countries.

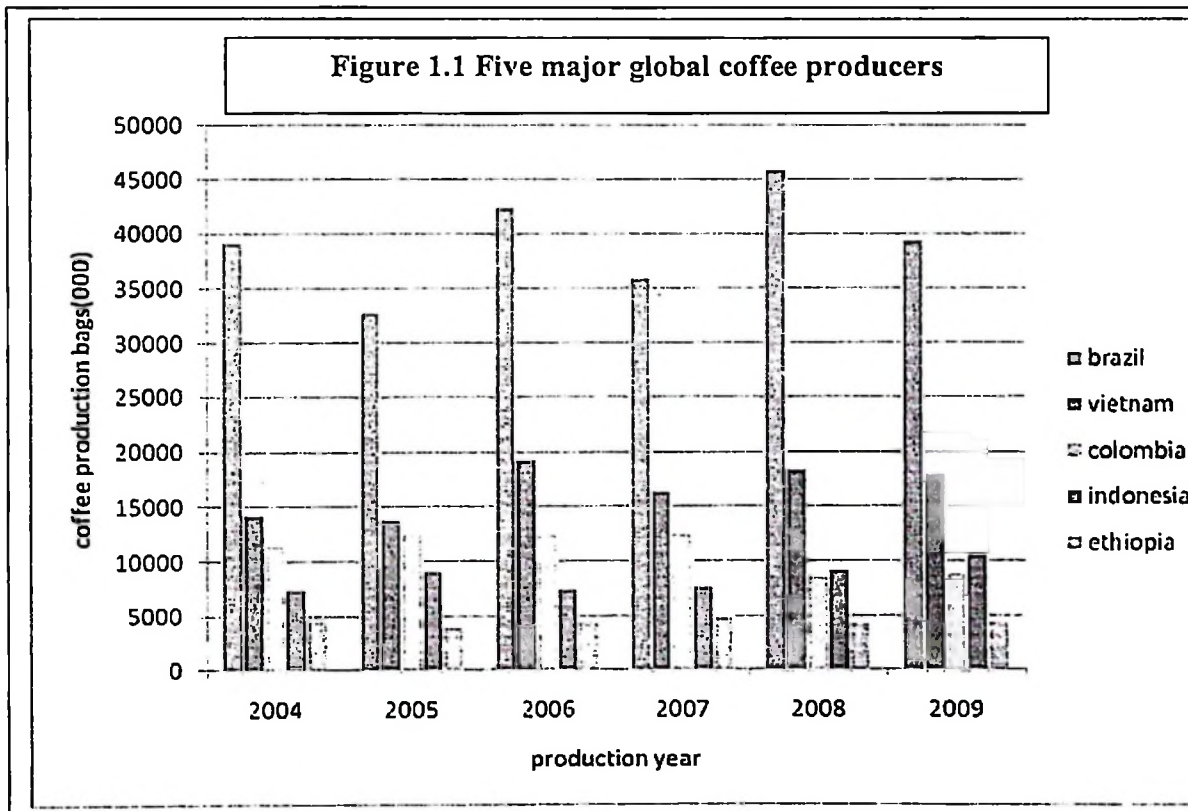
Table 1.1: Global green coffee actual and projected consumption from 1988-2010

	Actual		Projected	Growth Rates	
	1988-1990 Average	1998-2000 Average	2010	1988-90 to 1998-2000	1988-2000 to 2010
	000 tonnes			Percent per year	
WORLD	5709	6681	6947	1.6	0.4
Developing	1627	1710	1951	0.5	1.3
Africa	212	156	169	-3.0	0.8
Asia	239	334	416	3.4	2.2
Latin America and Caribbean	933	1219	1365	2.7	1.1
Developed	4083	4972	4997	2.0	1.1
North America	1203	1504	1362	2.3	-1.0
Canada	45	206	208	16.4	0.1
United States	1157	1299	1154	1.2	-1.2
Europe	2541	2974	3087	1.6	0.4
EC	2000	2059	2177	0.3	0.6
France	367	394	424	0.7	0.7
Germany	758	838	878	1.0	0.5
Other EC	541	915	910	5.4	-0.1
Other Developed Countries	338	493	547	3.8	1.1

Source: FAO, 2003

1.2 Major Producers of coffee

90 percent of world coffee is produced by developing countries, many of which are highly dependent on coffee for their earnings. In 2009 world production of coffee is estimated to be 121951 thousands bags of 60kg -7.32m tonnes (ICO, 2010). Figure 1.1 shows the selected producer countries (data based on the number of coffee bags of 60kgs produced per year, from 2004 to 2009). Major producers are Brazil, Vietnam, Indonesia and Colombia together estimated to produce 64¹ percent of the global green coffee in 2009, while Brazil emerged as the leading producer for 2.4 million tonnes(estimated to be 33 percent), although the country observed seasonal decline in production from 2.8 million tonnes in 2008(ICO, 2010).



Source: International Coffee Organisation (ICO)

¹Authors calculation based on the ICO coffee production reports

Coffee farming activities are estimated to employ more than 25 million people (The Globalexchange, 2003), and 40 percent of the world population consumes coffee. The consumption expected to expand in the future due to new consumers in China and other emerged market in Asia.

1.3 Global coffee crisis

The international price of coffee is volatile and, since the mid of 1980s, price instability and decline has been a major problem for farmers. Earnings of coffee producing countries have been falling. Figure 1.2 shows the world price trend of green coffee collapses since the suspension of export quota system in 1989, price reached an average of the US cents 46 in 2001 and the highest peak was in 1997 when price reached the US cents 154. There are many reasons behind coffee price crisis, such as *over production, dependence on foreign markets, low rates of growth of consumption of coffee, breaching of the quotas system under the international coffee agreement (ICA)*.

The International Agreement Coffee (ICA) was a commodity agreement that limited the amount of each producing nation could export and on the other side importing member nations to agree not to buy coffee above the quotas. Since 1962 to 1989, six agreement signed by coffee exporting and importing nations. This agreement tried to regulate global coffee trade through a system of export quotas and buffer stocks, supposed to maintain stable and remunerative prices to growers.

During operation the ICA members agreed if price rose above the ceiling price for more than 45 days, quotas were suspended until prices returned to the target (Bohman, and Jarvis, 1999). Empirical study suggests that the ICA has been successful at raising the price of coffee traded within the members and also stabilized prices (Akiyama and Vangaris, 1988). The

average market price estimated to be \$ 1.20 (The Globalexchange, 2003, Akiyama and Vangaris, 1990)

The ICA as a market mechanism faced one major problem, producers saw it as the best way of securing a reasonable price and consumers saw it as the way of exploiting them. The existence of the system was highly dependent on political will of the exporting nations, which once were bounded to work together, due to the threat of communism spread in Latin America and Africa (Bohaman and Jarvis, 1989). Although of its importance to producers, some exporting nations decide to pull out from the scheme the US, Israel and New Zealand.

In July 4 1989, the quotas system was pulled from the agreement and the ICO was not in position to implement the system among members. There were many reasons behind the failure of the quotas system, although members especially producers acknowledge the benefits of it. First was failure to resolve the allocation of quotas based on types of coffee and poor commitment among the producers to agree not to sell to non members below the price at large discount which was estimated to range between 30 percents to 50 percents. Third factor was overproduction, especially from among the global emerged major producer, Vietnam, after the US to lift embargo against the nation, which in turn led to the Vietnamese to seek the market from non members and agreed to sell below the ICA price.

Concurrently, from 1989 government control of coffee trade was removed and all forms of agricultural subsidies were discontinued. Two issues emerged in the market for coffee. First, these changes provided incentives for an increase in production, following liberalization that led to many farmers to be paid early without credit and exposed them to market access from the corrupt government institutions (Fairtrade, 2008). Second, the emergence of middlemen who exploited much farmers and farmers were exposed to market price volatility (Brown, 1993)

Following the suspension of the ICA quotas control provisions, prices immediately dropped to around half their previous level and remained at this lower level for more than four years until the weather intervened in 1994 and 1997 as figure 1.2 reveals.

The weather shock happened in Brazil; the world's number one producer of coffee, frost (1994) and drought (1997), reduced world coffee supplies by 7¹ percent and 3² percent respectively. This led to a rise in the global coffee average price to US \$ 1.54 per pound. This high price encouraged farmers in other parts of the world to expand their production, which in turn led to overproduction, resulting in several years of low prices (Fair trade, 2008)

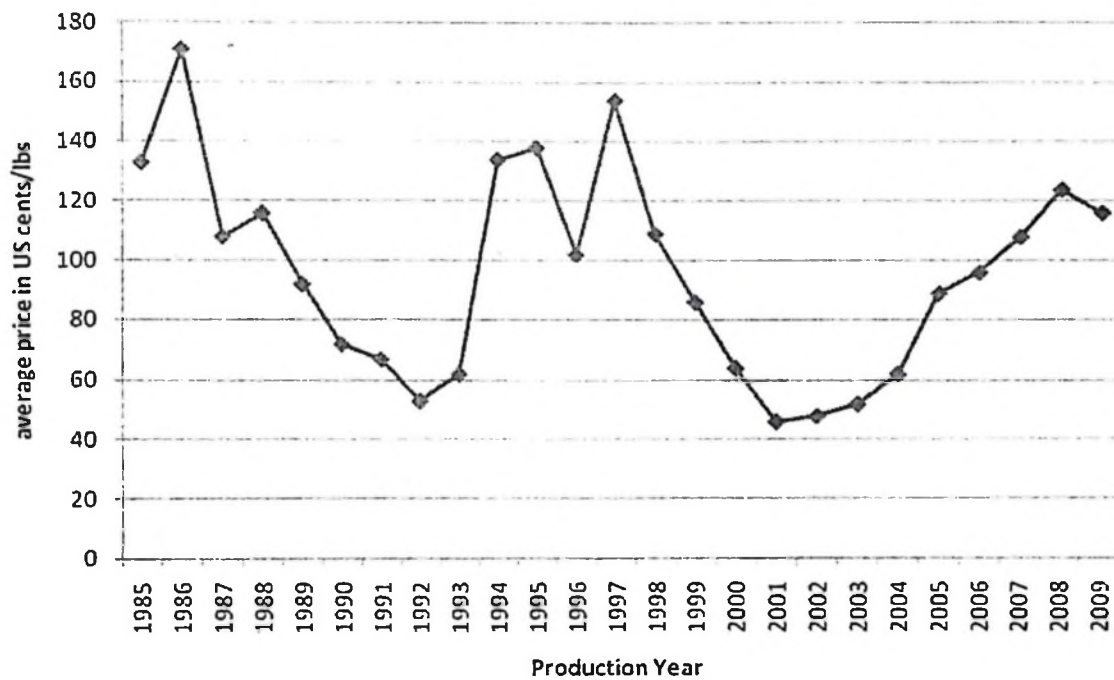
Again goods produced from developing countries are facing with high tariffs while accessing foreign markets and also are not in position to compete with their subsidies agricultural products from developed countries. Furthermore, the market power exercised by relatively few dominant buyers on the international market, (e.g the 'Big Four' supermarkets in Britain, which account for over 70 percent of all retail food sales)

Contrary to classical economic theory that price reaches equilibrium between supply and demand, producers in developing countries appear to go on producing even below the cost of production. This is supposed by some (e.g Fairtrade 2005) to result from the fact that producers depend on the crop and have no alternatives. Instead of reducing production, producers are striving to increase production at the expense of quality.

Fair Trade aims to address situation of unfair international trade with particular regard with marginalised and disadvantaged small producers in the South.

¹&² Author's calculation based on the ICO data on country coffee production during the period

Figure 2: Average price of green coffee in US cents/lbs, 1985-2009



Source: www.ico.org

1.4 Evolving of Fair trade

1.4.1 The alternative trade organisations (ATOS)

Although authors and various organisations involved in FT products do not agree on the time when the ATOs were emerged, such as Equal Exchange mentioned 1940s, Transfair mentioned 1950s, from 1950s to 1960s Tallontire, (2007) and 1958 the first ATO was formed in US, Hutchens (2009). However, one thing is clear, the idea was initiated by churches in US in 1946 by Ten Thousand Village, that traded directly with needle workers from Puerto Rico, forming alternative trade organisations (ATOs) that involved with buying artisanal good directly from producers in the developing countries and sell them in the country. By connecting small producers who eliminated by middlemen and buying their products and sell

them in Europe at higher price than conventional market and paid producers fair price and helped them to developed skills of international trade (www.globalexchange.org) concept of Fair Trade emerged.

The Fair Trade movement is probably best described as a form of social entrepreneurship aimed at creating long trade relationships that bring specific improvements in labour and environmental standards, health and education to groups of citizens in developing nations.

This network connects marginalized producers and workers in developing nations directly with importers, retailers and consumers in developed economies at the North. The idea evolved from the concept of 'Trade not Aid'. The frontline organisations in the movement in the UK were Oxfam and TWIN (Third World Information Network). ATOs, worked to distribute the products from developing countries through mail catalogues and speciality shops (SS) primarily 'Third World Shops'.

The essence of ATOs is that the consumers should be told the truth, not only about what is in the product but also the truth about the producer, her or his conditions of life and work, what they get for their work and what it does to the environment, Brown (1993, pp 158). The central concept was to raise consumer awareness, and encourage them to exercise their buying power in favour of products whose production and marketing were based on ethical considerations, instead of conventional commercial products whose marketing and supply chains are commonly supposed to exploit small producers, especially those in developing countries.

The ATOs also were involved in improving of quality of the goods produced, through training and packaging to producers cooperative in the South. However through all these activities, the scheme had no 'mark' that could be easy for customer to identify rather than going to SS. The need for a label was emerged to move ATOs from marginalised products to

mainstreaming. As a result, some large retailers started to show interest in the business model and stocking of the products

The emergence of green consumerism in the North accelerated the ATOs movement. Awareness of the shopping; public increasing concern about health, animal welfare, environmental damage and genetic engineering was widespread, but ethical trading relations with the South were also being recognised as a factor in consumer choice (ibid, 183)

Since the emergence of the concept major players were non-profit NGOs such as Max Havelaar, Oxfam and Equal Exchange which oversee the certification and labelling of the 'Fairtrade' trademark in each major market. Also in some market even though was no label but consumers trusted this NGOs and bought products with the belief that premium price they pay will go back to producers in developing nations, such as France, de Ferran and Grunert, (2007). In recently large number of large retailers (LRs) are involved in selling of Fair Trade products(FTP).

1.4.2 The Fairtrade mark

The first Fairtrade label was introduced in 1988, by the Dutch Development agency; Solidaridad on the Mexican coffee. According to Tallontire (2007) the movement was based on political will of solidarity and not commercial movement(pp.36). The label known as 'Max Havelaar' is a Netherland NGO spearheaded the idea of labelling products under Fair Trade (Hiscox, 2007) by introducing a certified label that made it easy for consumers to indentify the products under the scheme. This move makes the spread of Fairtrade easy among the consumers in developed countries and reduced a lot of confusion for the whole concept.

In 1998 the Fairtrade Labelling Organisation International (FLO) was formed as an umbrella to coordinate their activities, harmonise fair trade standards and methods of inspection and certification. The FLO based in Bonn, Germany has developed a set of generic standards for small farmers' cooperatives and separate set for large plantations employing workers to

observe. The difference between the Fair Trade model of doing business with other forms of international business ethical label is that, the former rather focused on punishing bad behaviour, Fair Trade labelling offers a way to make good behaviour more profitable (Hiscox, 2007). Fair Trade buyers in the North are involved in various improvement projects that assist in the production of high quality coffee such e.g Cafédirect with gold standard scheme (for detail www.cafedirect.co.uk)

A main objective of Fair Trade is to increase producers' incomes, through fair price and by reducing the number of intermediaries in the supply chain. Thus consumers who respond to this idea have the right to be assured that the products genuinely do provide a better deal to producers in the South. The following are conditions set by the FLO.

- The FLO has set a *guarantee minimum price*¹ that is above the world market price of certified coffee to cover the costs of production and if the world market is above minimum price also changes and there is an additional *premium price*² for social development projects established by producers themselves.
- The producer and trader should sign contracts that allow for long-term planning and sustainable production practices. Producer can request prepayment of up to 60 percent of the contract
- Small producers in the South should join in cooperatives and characterised with democratic and participative structure
- Plantations should have decent working wages, good housing, appropriate minimum health and safety standards, the right to join trade unions for workers and no child labour

¹From 1 June 2008 the minimum for all washed Arabica coffee is 135 US cents/lb

²The premium is 10 US cents/lb

1.4.3 Fair trade business model

Sales of the ethical food are growing in developed countries. It is hard to define what ethical food is and manage to embrace all possible involved angles. According to Mintel, *ethical food is the food that produced in environmental sustainable means involving animal welfare with payment of fair price to producers (2006)*

There are many ethical food labels such as Utz Kapeh ('good coffee', in Mayan), Rainforest Alliance and Fairtrade. The Fairtrade mark is the leading ethical label in many European countries and North America. At least 17 countries in Europe; South Africa and Asia use the label. Although Fair Trade as a label and concept it is not new (de Ferran and Grunert, 2008), but discussion of it in the business literature has been limited, compared to other disciplines such as economics, development and agriculture (McDonagh, 2002). Since the emergence of the idea, several authors have defined the term. This study will use definition from FINE¹.

According to FINE, *Fair-Trade is a trading partnership, based on dialogue, transparency and respect, which seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions for, and securing the rights of marginalised producers and workers-especial in the South. Fair trade organisations (backed with consumers) are engaged actively in supporting producers, awareness rising and in campaigning for changes in the rule and practice of conventional international trade (Fairtrade, 2008)*

¹FINE stands for

Fairtrade Labelling Organisation International (FLO)

International Federation for Alternative Trade (IFAT, now known as World Fair Trade Organisation)

Network of European World Shops! (NEWS!)

European Fair Trade Associations (EFTA)

FINE is the informal association of the actors involved in Fair Trade, formed in 1998 and located in Brussels, Belgium.

The major objectives of the organisation is to enable members to cooperates and harmonise core principles guiding Fairtrade movement. Fair Trade as an alternative form attempts to exploit the commercial potential in the markets of the North to improve conditions for producers in the south (Paul, 2005). Smallholder famers in South must join together in cooperatives to be accepted as certified producers of Fairtrade products. Fairtrade deals with foods and crafts products and many involve both direct marketing and indirect marketing via labelling of products.

1.5 Fair Trade coffee producers

The first commodity to be introduced in the Fair Trade was coffee; today more products are incorporated in fair trade. There are 865 fair trade certified producers around the globe that grow and sell sustainably certified-produced goods in international markets (Transfair, 2009) Producer of certified coffee are 197 and many of them are from Latin America, Africa and Asia (www.fairtrade.net). Small producers in the South estimated to reach 5 million depends on the fair trade coffee scheme. According to TransFair (2009) the major five producer of fair trade coffee are Peru, Nicaragua, Costa Rica ,Colombia and Mexico with 24%, 11%, 10% ,10% and 9% respectively. The major producers from Africa are Ethiopia, Tanzania and Rwanda. Table 1.2, summarises metric tonnes of FT coffee exported worldwide from 2002 to 2009. Since 2006 exported metric tonnes of FT coffee seem to decline sharply from 53 percent to 6 percent increase in 2008, although 2009 the quantity exported increased to 12 percent.

Table 1. 2: Worldwide fair trade coffee produced from 2002-2009 (MT)

Year	Metric Tonnes	% change
2002	15,779	n/a
2003	19,895	26
2004	24,222	22
2005	33,992	28
2006	52,064	53
2007	62,209	19
2008	65,808	06
2009	73,781	12

Source:FLO

1.5.1 Global markets of fair trade products

The share of fair trade products is estimated to be 1 percent of the global coffee sales (Barrientos and Smith, 2007, Smith, 2007, Comfort et al 2003, Hilcosx, 2007). The growth is due to increase in the scope of Fairtrade foundation to include new commodities such as sugar, honey, cotton, rice, flowers and wine which were not originally in the scheme.

Worldwide consumers spend around € 3.4 billion for Fairtrade certified products in 2009, which is a 15 percent increase (FLO, 2009). The trade model estimated to benefit 7 million famers (Fairtrade, 2008). Nearly \$ 200 million in additional income has been paid to farmers in the South through the scheme (Transfair, 2009).

Worldwide the sales of Fair Trade coffee estimated to reach 65,808 tonnes in 2008 and 52 percent sold as the organic coffee (FLO, 2009). The market of certified fair trade coffee projected to expand more due to the incoming of the giant selling company of ready-to-drink coffee in Europe like Starbucks and the company expanded in China.

The major markets for Fair Trade goods are Europe and North America, although recently Fairtrade has expanded in South Africa, and Japan. Table 1.3 shows the estimated retail value of sales of fair trade products of the ten major markets in the North.

According to Solidaridad (2008) in Europe Fairtrade coffee account for 1 percent of the coffee market share and the UK has 20 percent of the market share (cited in Pay, 2009). In these countries, social organisations such as Oxfam, GEPA, Equal Exchange tries to reconnect producers from South with buyers in the North through moral campaign that expected to boost poor farmers' standard of living in South and their family.

Table 1. 3 Estimated retail value of selected major market of fairtrade products (€000)

Country	2006	2007	% increase
Belgium	28,000	35,000	25
Canada	53,000	79,600	48
Germany	110,000	141,000	29
United Kingdom	409,500	704,300	72
Ireland	11,600	23,300	101
Japan	4,100	6,200	51
Netherlands	41,000	47,500	16
Norway	8,600	18,100	110
USA	499,600	730,800	46

Source: www.fairtrade.org.uk, 2008

1.5.2 Sales of Fairtrade products in the UK

Table 1.3 shows, the UK is the second most important Fairtrade 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. The UK market is currently growing at 33 percent per year.

Recently Fair Trade sales have grown rapidly, especially for commodities such as coffee, cocoa, tea and fresh fruits. 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 (FINE, 2005). 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. New producers' group are entering the market, from different regions in the South. Currently there are 463 Fairtrade certified organisations supplying in the UK alone (Fairtrade, 2008). To survive in this market needs a full commitment from both producers and their organisations (cooperatives).

However there is an emerging challenge from the involvement of large retailers in selling of 'own brand' Fairtrade mark products. The principal governing the fair trade concept of a trading relationship based on dialogue, transparency and respect (Barrientos and Smith, 2007, Smith, 2007, Comfort et al 2003, Hilcosx, 2007) is at risk. Table 1.4 shows major ATOs used to supply fair trade coffee in the UK, and Cafedirect is the leading roasters, Mintel (2010) estimated the company to own 34 percent of FT coffee market share.

Table 1. 4 Major Fairtrade Organisation in UK

Organisation	Type of Products	£ million sales
Cafedirect	Hot beverage	17.3
Traidcraft	Craft products, Clothing, food and wine	13.8
Oxfam Trading	Second hand clothing and books, crafts and food	9.2
Chocolate Company	Chocolate, drinking chocolate	5.5
Twin Trading	Coffee, Cocoa, nuts, fresh fruits	5.7

Modified from Jones, E (2006) pp 26-27

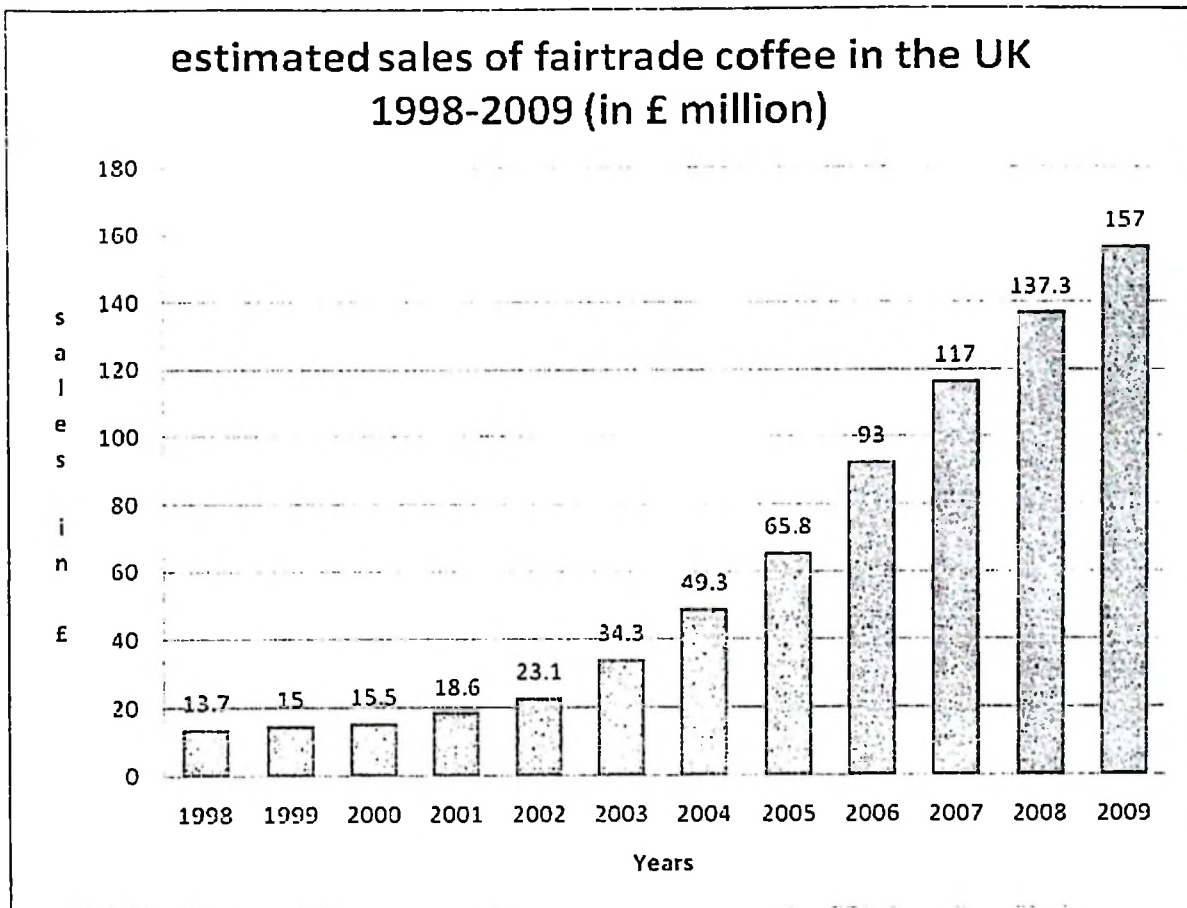
1.5.3 Fairtrade coffee in the UK

According to European Coffee Report (2008) coffee per capita consumption in the UK is 3kg. The UK citizens are not fans of coffee when compared with other European Community, however the recent market trends shows that coffee consumption started to rise and especially for Fair trade coffee. 31 billion cups of coffee are drunk in the UK every year (Jones, 2006). Mintel (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 will help in the fight of Type 1 and Type 2 diabetes. Coffee is the biggest selling product in the UK Fairtrade schemes. Figure 1.3 shows the recent trend of Fairtrade coffee, sales reaching £ 157 million in 2009 which is estimated to be 20¹ percent of the market share.

¹Percentage based on the UK 2010 Mintel Coffee Report that estimated UK coffee retail sales was £782million

The success of coffee reveals the development of fair trade scheme itself. Due to this other products such as bananas, tea, honey, vegetables, olive oils, wine, flowers, rice, and dried fruit are being introduced. Today there are more than 3000 certified products in the UK market alone. The Fairtrade market is currently growing 33 percent per year and the total number of certified producers reached 463 by 2008. Olive oil, pulses, soya and vegetables were added to the FT list in 2008. According to the Fairtrade Foundation (2008) 64 percent of consumers in UK understand that the Fairtrade label stands for a better deal for producers in the developing countries. Table 1.5 shows the number of certified 'own label' fairtrade products sold by the cooperative (the Coop) supermarket (SM) chain in the UK from 2005 to 2009. The Coop was the first SM to change all of the chocolate line to fair trade line in 2002 and also started to stock fair trade products since 1992 from Cafedirect. Since 2001 the SM chain owning 5 percent of the UK share started to introduce own brand fair trade products. The large retailers selling Fairtrade mark products make them far more convenient and accessible to most shoppers. However, there may be questions about the ethics and adherence to the fair trade business model principles by the large retailers. Through the ATOs, producers own shares on the FT coffee roasters. For instance Cafédirect, producers own 5 percent of the company's share, TWIN trading and Kuapa Kokoo, the Ghanaian cocoa cooperatives hold 45 percent of the share of the Divine Chocolate Company, share increased from 33 percent in 1997 to 45 percent (Hutches, 2010, pp. 81). This indicates the long relationship developed between ATOs and the producers from the South, which LRs cl Renard called the movement of the SM as the 'green washing' which in the long run will let producers under the FT scheme as the loser (2005) and Hutcheson cemented that FLO and TransFair are not transparent when become the questions of the these LRs(2010, pp. 84). In this situation the future of FM relied on the customers decisions whether to support it or reject the goods supplied under the SM own labels.

Figure 1. 3: The estimated sales of Fairtrade coffee in the UK,



Source: www.fairtrade.org.uk

Table 1.5 The Cooperatives Supermarket Fairtrade products sales value and the situation of own brand

	2005	2006	2007	2008	2009
Total number of fairtrade products	110	151	180	230	260
Number of own brand	67	85	110	146	173
Fairtrade sales value in million £	17.4	22	34	49	61
Proportion of the UK supermarkets sales %	9	NA	15	16	12

Source: The cooperative, 2009

1.6 Conceptual Framework

The intention of the Fair Trade concept is to provide countervailing power to the large retailers by giving power to otherwise marginalised small farmers in the South by reconnecting them with the consumers in the North. Consumers in the North are assured that their premium price goes directly to help poor farmers, with consumers being encouraged to act and purchase according to more moral principles than simply price competition. The premium prices they pay for their goods can be seen as directly helping the less fortunate in their development activities. This essence is embedded in the phrase and concept 'Trade not Aid'.

In the conventional market and supply chain for coffee, the product is estimated to change hands around 150 times from upstream to downstream. In its simplest outline, private buyers or middlemen (*coyotes*), buy immediately from the farmers in rural areas and process it, and then sell the beans to a processing plant. The coffee beans are then sold to a local transporter who sells to international companies (Slob, 2006).

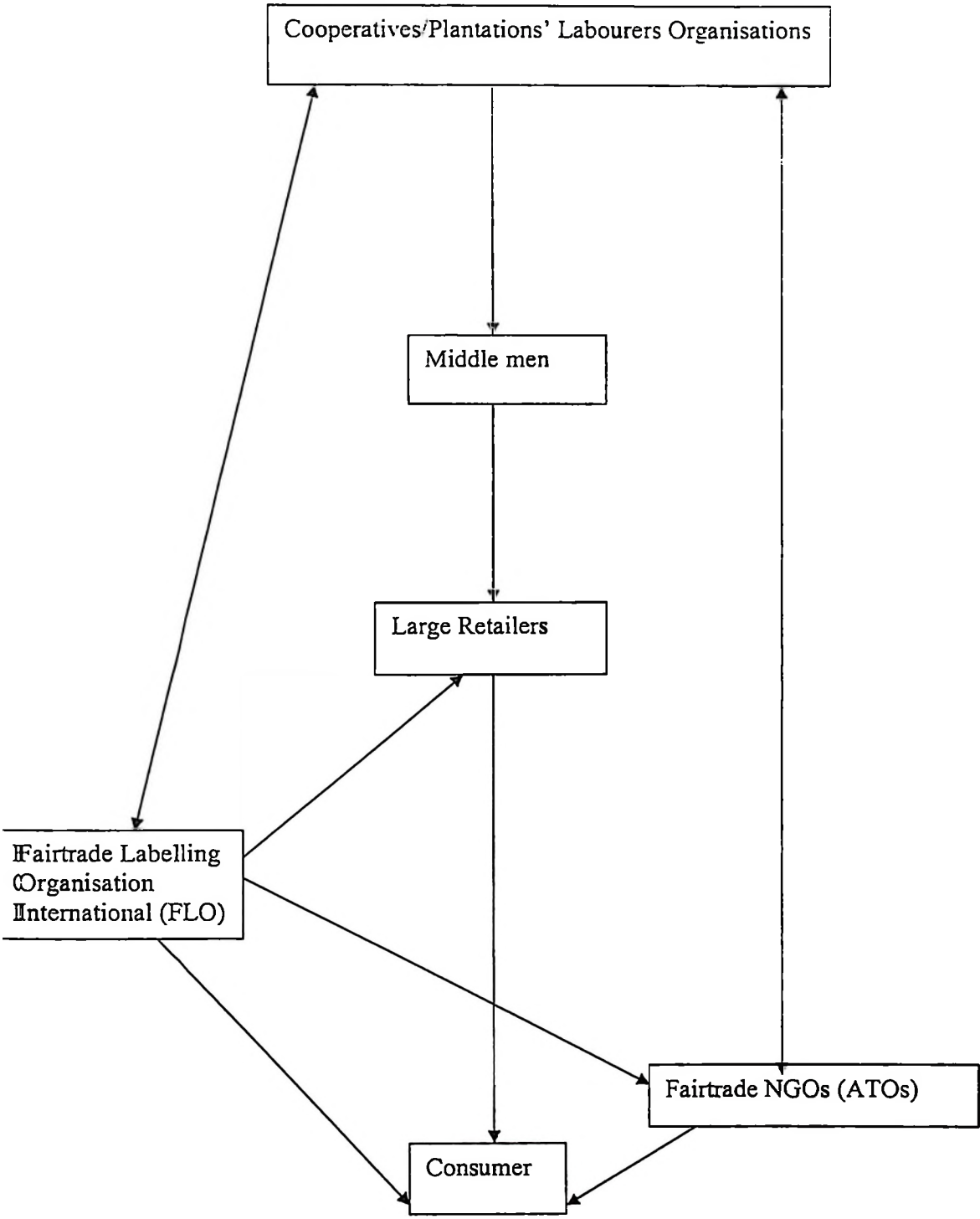
Currently, two generic principles are applied under FT business model; first Fairtrade works with cooperatives or associations of small farmers; second, the benefits of Fairtrade are targeted specifically at the workers on the farms or plantations rather than the owners. These principles provide a framework for the empowerment of farmers and workers in the South (Fairtrade, 2005)

To enable this to work, farmers are required to join with cooperative group, which both sells the fairtrade products and also distributes the revenues fairly to the members of the cooperative and their workers. The cooperative system is believed to make small producers less vulnerable to crisis, particularly through ensuring access to Fair Trade export markets and to credit.

Figure 1.4 shows that cooperative or plantations' labourer associations are the coordinating organisations between buyers from the north and famers, and also control the Fairtrade premiums from the market. Consumers who respond to this idea have the right to be assured that such products do genuinely provide a 'better deal for producers'. The movement involving Fair Trade is represented by the double arrow, which shows the importance of dialogue, while the conventional trade relationship one has single arrow, only flow of commodities to the consumer with the power accruing to the larger retailers.

The Fairtrade Labelling Organisation International (FLO) is the owner of the FAIRTRADE mark- the products label that certifies international Fairtrade standards have been met. It operates through domestic Fairtrade organisations to promote fair trade products to consumers and monitoring the conduct of the trading business to ensure fair dealing. They are not involved in trading directly, but are responsible for issuing of licences to participating producers and the provision of the Fairtrade mark (brand or label)

Figure 1.4: Fair trade generic model versus the conventional model of trade flow of commodities



Source: Modified from Slob, 2006 and www.fairtrade.org.co.uk

The model implies that, the Fair Trade scheme means that, all business negotiations and premium distributions would be monitored and organised by the cooperatives for small farmers or trade organisations in the plantations. And now farmers through cooperative are importing directly to the licensed roasters in the North.

1.7 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 ATOs. This study investigates consumer's reaction to the involvement of large retailers in the selling of Fair Trade products in the UK.

Since 1994 the FLO have allowed the LRs to use the 'Fairtrade mark' for their own brands, which has led to the emergence of two models of distribution in many of part of Europe. One where producers in South deliver to the supermarket supply chain with FT labelled products for the LRs own brands. The second (original) model is direct marketing of the FT brand through contracts with retailers. FT as a business model needs major retailers as the channels of the distribution of their goods and especially to meet mass market needs and wants. However the challenge is on the implementation of the principle guiding FT business model by the LRs.

Involvement of the large retailers was not according to principle of the governing the 'Fair Trade' concept. The element of the FT principle based on the long term partnership between buyers in the North and producers in the South, where buyers involved directly various projects for the improvement of agriculture produces in order to meet standards required by consumers. For example Cafédirect through producers partnership programme invested back

£1.2 million in their producers countries, and helped their four coffee certified producers to access other new emerged market among of them is Kilimanjaro Native Cooperative Union (KNCU) from Tanzania, through programme organisation managed to sell her products in Poland, Dubai, South Africa and Pakistan (Cafedirect, 2010)

The change towards supplying FT labelled coffee to the LRs as the 'own brands' products has caused problems in the South. Among of the major problem is LRs failure to initiate long term relationships with producers. For example number of retailers in UK have rejected goods supplied under this type of contract from various producers in South Africa (Smith, 2008). The study found that SM decisions on purchase based on 'just-in-time', depending on day to day sales and consumption trends, in order to limit storage and wastage costs. Due to that risk and costs are passed down to suppliers. This rejection forced producers to sell in conventional markets that made them to incur cost and in general loss In this situation only cooperatives with strong relationships; well organised; with strong trust relationships with toasters and importers manage to sell more than half of their harvest to Fair Trade market outlets (Renard, 2005) This situation was caused by the oversupply, study suggested to increase sales or supply reduction and in increasing sales FT needs LRs .However through case study Renard (2003) observed France store Carrefour bought unabsorbed fair trade coffee from Mexican cooperative UCIRI (Union of Istmeno Indigenous Communities) by conventional price while the same company in Belgium has a contract with Oxfam to sell fair trade coffee.

As Fair trade enters mainstream, however, the system established by the ATOs are no longer really 'alternative' (Nicholls and Opal, 2007, pp.80). Also the governing of systems become more complex and very complicated, the Fairtrade mark needs LRs to reach mass market, on the other hand the system led to emerge some distance between institutions and producers.

In spite of the fact that the amount of merchandise sold labelled as fair trade is increasing, very little is known about the consumers response towards Fairtrade as an ethical label or brand (Lotale and Loureiro, 2005). This study will explore consumers' reactions to the UK large retailers' (LRs) involvement in fair trade coffee.

1.8 Research Main Objective

To explore fair trade consumers' attitudes and perceptions of large UK retailers' involvement with fair trade coffee

1.8.1 Specific objectives: to explore the UK consumers'

2. Factors influencing coffee purchase intention
3. To understand the influence of demographic features on purchasing fair trade coffee
4. Consumers attitudes to involvement of large retailers in fair trade coffee

1.9 Dissertation structure

This dissertation is divided into five chapters. Chapter 1 explained the production and consumption of coffee with focus in global market and the global coffee crisis that forced the emergence of the Fair trade business model as the parallel international business model that once involved with artisanal goods later expands to include more goods from marginalised producers in the South and reconnect with buyers in the North.

Chapter two focuses on the theory governing consumers attitudes and the empirical findings that related with the factors that influenced consumers purchase intentions that related with coffee and in particular fair trade coffee. Further this part focused on the coming of large retailers that once seemed to be 'monsters' to the South small agricultural producers

associated with the fairtrade movement which once regarded to be as the parallel business model. Chapter three discussed methods techniques used in the study for the collecting and analysis of data. Chapter four present the findings of the study to provide solid conclusion. Chapter five present the discussions and conclusion from findings and implication of the study for business. Furthermore the part discussed the areas for further research and limitations of the study.

Chapter Two

2.0 Literature Review

2.1 Theoretical literature review

In the marketing context, consumers hold attitudes toward brands, products, companies; stores or advertisement and consumers' attitudes such as their liking or disliking of these stimuli. Understanding customers' attitudes is very important for the performance of any products or services market.

Attitudes can be defined as the generalised disposition to respond, positively or negatively, to an object or class of objects (Reynolds and Wells, 1977). The study of attitudes is important in consumer behaviour because they influence the way consumers employ and deploy resources to obtain benefit. Although some authors argue whether it is attitudes that influence behaviour or whether behaviour also influences attitudes. This study will assume that attitudes influence behaviour.

The attitudes are the feelings an individual acquires through his life experience and activities. The attitude towards products or brand can be either positive or negative. These feelings influence the decision whether to use, repurchase or not purchase the products. Achenbaum (1966) found that when people have highly unfavourable attitudes towards a brand they are likely to stop using it.

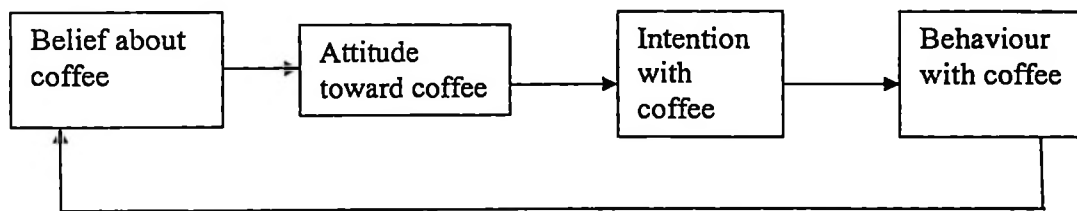
The positive attitudes of favouring the products also can change, if consumers find that a manufacturer engages in practices of which they disapprove; they may alter their attitudes towards all the manufacturer's products. Attitudes are learned or acquired rather than innate; they are formed as a result of personal experience, reasoning or information; the communicated experience of others (Luts, 1991, Fishbean, 1975). The attitudes are the public

facts. Theory suggests that for consumer to go on purchasing FT products, a strong image of the players within the scheme is very important.

2.2.1 The unidimensionalist theory

There are various theories explaining attitude of the customers towards objects. This study reflected on the unidimensionalist theory, which regarded as the revision of tricomponent attitudes model (Luts, 1991). According to Fishbean and Azjen(1975), recommend the theory because the study of attitudes concern is on behaviour intention and not actual behaviour (pp 12). Figure 2.1 shows the flow of attitudes stimulus:

Figure 2.1: Person attitudes towards coffee



Source: modified from Fishbean and Azjen, pp. 15

A: Belief (Cognitive) component

Armstrong et al (2005) defined belief a descriptive thought that a person has about something (pp. 274). Generally a belief is knowledge and perceptions that are acquired by a combination of direct experience with the object and related information from various sources. This knowledge and perception an individual has concerning a product resulting into beliefs, that consumer believes that the attitude possesses various attributes and specific behaviour will lead to specific outcomes.

The belief of many ethical consumers in the Western countries today are the purchase they make on various goods from developing countries at premium price will result into life standard improvement in producers' countries. To accelerate this belief NGOs such as Oxfam has the long duty to assure buyers that once they purchase goods the benefit goes direct to producers. This belief need to be stimulated with attitudes that suggests well being of the producers attached on the products such as 'no use of child labour' and 'fair price'

The specific case of the study is fair trade coffee that consumers have a large number of attribute used to attach before they make purchase. This belief among the consumers of fair trade products need not to be negative, because once consumers had negative image about the brand the purchase will drop, and due to the fact that fairtrade prosperity depends much on the willingness of consumer to purchase goods at higher price than the market value.

B: Attitude (affective) components

This is unidimensional, consisting of only one components 'affect' that represent degree of favourable or unfavourable with respect to the attitude. In respect with the study of coffee there are many attributes that customers favour and don't favour. To understand those attributes will allow improvement of label and enhance marketing performance and the attribute will be attached on the products.

C: The intention (conation) component

This refers to the person will to perform certain behaviour. Intention is the immediate causal behaviour. That means if consumer learn something about a product, this learning is in forms of belief; give rise to an attitude, which in turn leads to the formation of an intention to purchase or not to purchase the product (Luts, 1991, pp 320)

In the UK, eight out of ten consumers were prepared to pay a little extra for their ethics and six in ten were prepared to boycott products that did not meet their ethical expectations (The Co-operative group, 2004).

D: Behaviour (conation) component

Azjen and Fishbein(1975) argue that its intention that influence behaviour of an individual towards the objects(pp.335). In the UK, eight out of ten consumers were prepared to pay a little extra for their ethics and six in ten were prepared to boycott products that did not meet their ethical expectations (op cit). According to de Ferran and Grunert(2007), suggested the purchase of ethical food was influenced with two major behaviour among consumers, first 'well being' of the producers and seconds, 'well being and society'(ibid). This suggest that in general behaviour developed in Western countries is the class of 'green consumers', who have power to influence retailers and roasters on the means of productions, quality and 'fair price' towards producers.

2.2 Empirical literature review

2.2.1 Attitude towards fair trade coffee

Consumers when buy a product rely on both extrinsic and intrinsic cues (Krishna and Monroe, 1985). Cue is the informational stimuli available to consumer before consumption. There are various factors that influence consumer attitudes towards an object; however brand and price referred to be the strongest ones in marketing. In the study of consumers' behaviour various factors can be used to test consumers' attitudes towards products.

Extrinsic cues are 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 stronger. For the case of fair trade coffee consumers volunteer to purchase at higher price due to the extrinsic attributes attached to it. These factors varies such as payment of fair price, no use of child labour, use of organic production techniques, CO₂ 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 (COO) and taste, Renard (2005) although at the beginning quality was not taken as the most important in fair trade until beginning of mainstreaming (op cit)

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 are divided into two 'well-being' purchasers; 'well-being and socially' purchasers. Further identified that attitudes towards the purchase of coffee consumers attach importance on attributes 'fair trade', 'organic', 'taste', 'respect for the environment' and 'equality between humans'

In the empirical study of Ahmed et al (2004) done in Singapore by using the case of Colombian coffee found that COO when used in the foods international marketing can help developing country to overcome negative image of the consumers in the North. According to Hoffman, 2000 and Percher and Tregrear, 2000, recommended that COO can be used also by consumers as the symbol of quality of food. According to Almonte et al (1996); the issue

COO emerged to be strong due to occurrence of food threat. In general trust is required in the business of ethical food because consumer cannot physically identify these extrinsic attributes, which made them voluntarily to pay more than conventional market price.

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

In the research conducted in Singapore by Ahmed et al (2004) found that consumers were not attached most importance on COO as the attributes for purchase of coffee, this suggested that coffee is regarded as the low-involvement products.

The empirical research conducted by Sundqvist and Tarkiainen (2009) in Finland found that coffee is regarded as high-involvement products. Further more study identified that consumers 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 that flavour, taste, quality, price and value for money are the major factors that influencing consumer to purchase fairtrade coffee. Further in their analysis found 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, found that fair trade is most preferred label among the ethical food label and Lotade and Loureiro(2005) in the US, found 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. Again study done in Italy by Maieta (2003) found that consumers are willing to pay 25 percent more than normal coffee price.

Nevertheless in practice organic coffee is higher more in the market compared with FT label products. And for producers FT standards requirements and improvements schemes have been used to meet the needs of the FT organic coffee (Renard, 2005). For instance in 2008, KNCU certified producers from Tanzania managed to sell 5 containers of organic FT coffee in the US (Cafedirect, 2009)

In the study conducted in Canada by using conjoint analysis, Cranfield et al (2010) identified that consumers preference for buying fair trade coffee most important attribute were price, nature of fair trade claim, country of origin, roast of the coffee beans and finally form of coffee. This was contrary to the study of Sundqvist and Tarkienan (2005) that identified that consumers in Finland did not perceive price of the ethical foods affect 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 percent. Perhaps this finding suggests that consumer are more willing to pay for premium price for the ethical products and probably consumers in Finland are more aware compared to those in Canada.

Quality perhaps is among the most important attributes in the food marketing. Although quality in most cases is result of after purchase, but customer perceives quality of products through various extrinsic features such as brand, packaging and price and the retail store. Taste which is the sensory quality is most important element of quality (Grunnert, 2006). To the issue of fair trade coffee in particular customer perception of quality 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.

2.3.2 Consumers attitudes to Fairtrade after UK large retailers' involvements

Originally Fair Trade was focused on small famers and promoted by NGOs in Europe and America, who were involved in selling goods and implementing the essence of the movements. The fact that Fairtrade sales rose above £700 million in the UK can also be seen as indicator that consumer attitudes are positive towards the ethical behaviour and standards of this business model.

This indicates that consumers are buying Faritrade products because they are influenced by their moral beliefs. Mann, (2008) expressed the principles as follows:

Imagine a mother A who suffers because she finds that her elder son B treats her younger son C unfairly. If A suffers due to the relation between B and C it is likely that B excludes C from something which A considers to be C's right. If consumers A buys fair trade coffee or tea; it may be because he feels that coffee harvester C has some right to be granted free medical care. Hence the focus of fair trade is to change relations of B and C because the later deprived the basic right of the former (Mann, 2008)

Large retailers pre-occupied with their own label products and producers used to think that relationship with retailers ends in vain because retailers have their own agenda- to tie them in and then cut the price (Fearne,1998, pp. 255).

However, recently the movement has changed with a large number of big retailers in the UK (ASDA, Tesco, Morrisons, Marks and Spencer, Sainsbury; Debenhams and John Lewis) now stocking Fairtrade products such as cotton clothing, coffee, honey, sugar, rice, tea e.tc (source: www.fairtrade.org.uk). Those who were originally seen to be unfairly exploiting producers (large multiple retailers) have now been accepted by the FLO as genuine participants in the project.

On the other (supply) side of the market, however, there are those who oppose certifying large coffee plantations (for instance) because the fear that small producers will soon be

displaced from FT market. The conventional processes of economies of scale in relation to quality control and marketing are seen as favouring large producers possibly at the expense of the small farmers (Mann, 2008, Jones, 2006, pp 42).

Today movement has been changed from NGOs and LRs are involved in the selling FT products. The question is, are consumers convinced by the decisions of large retailers to stock fair trade goods? However there are reasons of not to buy fair trade such as price, quality and value of the product and the convenience of the shopping (Ulrich and Sarasin, 1995; Boulstridge and Cardigan, 2000, De Pelsmacker et al).

The issue of convenience and availability (De Pelsmacker, et al 2005, De Pelsmacker, 2006 et al) of FTP made many researchers to suggest involvement of LRs in the fairtrade; the idea that made large retailers to be involved in the FT in the UK.

However, De Pelsmacker et al 2005, De Pelsmacker, et al 2006 posed the problem of information credibility as hindering consumers' willingness to buy '*respondents believed that they would buy more fair-trade products if better and more credible information about fair trade were available*' (pp 66, pp 135

Today labelling organisation issue fairtrade label to large retailers to sell their own brand with fair trade label attached on it and also large manufacturers used label such as Kit Kat chocolate. Fair trade speciality (NGOs) have a different mission compared with the ordinary supermarket, while the later focused on sales and profits, the former is on improvement of human living standard in the South (De Pelsmacker et al, 2006)

However, some large retailers sell a part of their product range with fair trade a trade label or assign part of their shelf space to fair trade products as components of their corporate social responsibility (Del Pelsmacker, 2006)

A widely accepted view is that performance of brands depends on the perception consumer associated with it in the memory (Herzgoz, 1963: Keller, 1993) A consumer perception on

buying of any commodity is highly influenced with the past experience one has on the situation. The previous consumers were not accepted the movement dominance of large retailers and many claimed farmers from the South were exploited.

The decision taken by the FLO to allow supermarkets to use fair trade mark on their own brand products by becoming licensee brought much change in the expansion of fair trade sales in Europe and especially UK (Barrientos and Smith, 2007, Smith, 2008). However the challenge is on the impact of this relationship because, supermarkets are not bound by the rule of fair trade and regulations, results into types of practices that bring much pressures to their suppliers that exist in conventional production networks.

Chapter Three

3.0 Methodology

3.1 Research Design

This study explores consumers' responses to the major multiples retailers' recent involvement in certified FT products. It focuses on respondents from Newcastle upon Tyne, which is widely recognised as a suitable 'sub-market' reflecting general English conditions.

The research population for this study is defined as the 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 individuals who drink coffee and have knowledge of fair trade. These questions identified respondents who are in position to answer and participate well in the study. The study employed factor analysis and cluster analysis for data analysis.

3.1.1 Why Newcastle?

In the UK more than 450 authorities are in the support of fair trade up to 2009, by creating awareness and persuading retailers to sell FTPs. The city estimated to have population of 1,095,150 people and located North East of the UK.

The city of Newcastle is regarded as the foundation of the all best fair trade organisation in the country. The history of the city to be involved as the fair trade town go back to 1974, when the jute handcraft traded in the city and later on the Traidcraft then TEARF (www.newcastle.gov.uk)

The city became a 'fair trade city 'in 2002, since then city council has been involved in the various activities in order to create awareness among the community within the city. Among of the activities city has done to increase awareness of the fair trade within the city are:

- Ensuring a range of FTPs are readily available in the city's shops, cafes and catering established
- Producing a local fair-trade directory advising people about where they can buy or find FTPs, both on paper and on line
- Encouraging local businesses and organisations to use FTPs and display stickers, posters or certificate to demonstrate their commitment
- Attracting media coverage and popular support for the campaign through participating in Fairtrade fortnight and a wider programme of events and campaigns
- Holding special events in fair trade fortnight and for young people

Source: www.newcastle.gov.uk/core.nsf/a/fairtradecity

3.2 Sample data

Sampling is necessary in marketing research studies due to time and financial constraints. However the identification of good respondents to represent the study is very important for the good results of the study. The convenience sampling method was used in this study. Convenience is a non probability sampling procedure in which representativeness of the sample is sacrificed for the sake of ease in obtaining it (Cox, 1979)

3.2.1 Factor analysis sample

This study used exploratory factor analysis and cluster analysis to study how customers evaluate involvement of large retailers in fair trade and attitude towards fair trade coffee.

Factor analysis can be used to study the dimensions on which customers perceive or evaluate objects e.g brand, organisations (Aaker et al, 1998, pp 615).

Anderson, et al suggested the general rule, the minimum accepted sample is five time the number of variates or factors (1998, pp 99). Factors designed for the study are thirty two ($32*5=160$). The sample size decided for the study will be 200 respondents. This is due to time constraints for submitting the report. The study employed face to face interview.

3.2.3 Cluster analysis sample

Cluster analysis is the class of techniques used to classify objects or cases into relatively homogenous groups. The variables used should be selected based on the part of research; theory or consideration of the hypotheses being developed or tested (Bush, 2006, pp.674).

These variables required to be metric. The metric variables were used for the study (see part of questionnaire for detail)

The issue of sample size in cluster analysis does not relate to any statistical inference issue (i.e statistical power). Instead sample size must be large enough to provide sufficient representation of small groups within the population and represent the under lying structure. Screening questions were used to determine appropriate sample size is adequately representing all of the relevant groups of population.

3.3 Construction of measurement scales

The study used noncomparative (metric scales) itemised rating Likert scale, named after founder Rensis Likert. The scale is a widely used in marketing rating scale that requires the respondents to indicate degree of agreement with each of a series of statements about the stimulus. Typically each scale item has five response categorised, ranging from 'strongly disagree' to 'strongly agree' (Birks and Malholtra, 2007, pp.348)

Five itemised Likert scale, on the scale of 1 to 5, where by 1=not at all important to, and 5=extremely important, used for part 1 of questionnaire, for measuring consumers attitude toward coffee. For part two of questionnaire, Likert scale was used with scale of 1 to 5, where by 1=strongly agree and 5=strongly disagree. This was used to measure consumers' response to LRs involvement in the FT. The FT appeared to change its normal roots from NGOs specialist to large retailers' supermarkets as the channels of distributions. As a brand; consumers perception was on the experience they have, that farmers from South will get premium price one their goods through NGOs.

While evidence from empirical studies show that consumers wants more Fair Trade goods and convenience in distributions such as Del Pelsmacker et al, 2003, there are however lack of extensive empirical studies exploring the implication and outcomes of customers perception on the fair trade (Lotale and Loureiro 2005) especially to associate Fairtrade mark with large retailers that once seems to exploit farmers in developing countries. However there are anecdotal studies explaining reputation of Fair Trade coffee to be distributed through SM and many of the authors elucidate dissatisfactions on the decisions (See Hilcox, 2007, Confort et al, 2003, Smith, 2007 and Bariantos and Smith, 2007)

Likert scale has several advantages such as easy to construct and administers and respondent can read and understand how to use the scale (ibid, 349). Traditional guidelines suggest that appropriate number of categories should be between five and nine. The decisions on the use of five itemised scale for the study was based on the reflection of respondent to interpret the number and how is easy would be for respondents who are busy in high street.

3.4 Questionnaire

In this research, author modified attributes developed from the literature and 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 also by De Pelsmacker et al, 2003; Hilcox, 2007, Comfort et al, 2005, Smith, 2007 and Bariantos and Smith, 2007 for development of part two of the questionnaire. Appendix 1 shows the sample of questionnaire.

The questionnaire consists of three sections: consumers' attitudes towards coffee consisted with 18-item, 5-point scale linked to statements about how important the attributes when they buy coffee (1= not at all important to 5= extremely important), the original measure from Cicia et al (2010) was on 7 point scale.

The second section introduced the theme of how customers evaluate involvement of large retailers in FT coffee. The theme was drawn from literature from various authors who contributed a lot on fair trade and mainstreaming to supermarkets and its impacts (See Hilcox, 2007, Comfort et al, 2003, Smith, 2007 and Bariantos and Smith, 2007 , De Pelsmacker et al, 2003, Lotale and Loureiro 2005, Raynolds, 2008, Murray, et al 2004). From the literature 14-item developed, and 5-point agreement scale used for the study (1= strongly agree and 5= strongly disagree). These numbers were assigned on the statement and the format regarded to be easy for respondents to interpret.

The third section was concerned with nominal measures focused on identifying customers' social group background, such as ages, sex, and level of education and if they are buyer of family foods, if they buy fair trade coffee, where they buy mostly and lastly where they consume.

3.4.1 Pretesting of the questionnaire

The questionnaires pre-tested for three times in the high street of Newcastle for 15 respondents. In response to feedback huge improvements to questions wording and removal of technical words that once used in the original work. The idea of reducing CO₂ emission

was reshaped in order to use simple language to respondents, the issue of distance was introduced (food miles)

The initial questionnaire adopted from the study done in Italy by Cicia et al 2010, for part one. The items were modified to suit the language and understanding of consumers in Newcastle in the UK. Three attributes dropped as were used in the original study, *creaminess*, *and blend and packaging* in order to allow respondents to concentrate with only idea of *recyclable packaging*. The idea of *caffeinate percentage* was expanded to mean *decaffeinated and caffeinated*.

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 pp 49-59). Also final version reflects the time and hardness of recruiting people in the high street in order not to take much of their time.

3.5 Data gathering procedures

To measure the customers' attitudes in the involvement of large retailers in selling the Fair Trade goods, a graphic noncomparative rating scale was used. Since number scales can be easily understood, respondents are encouraged to participate (Hawkins and Tull, 1993, pp. 375). The questionnaire was administered by self completion survey of consumers in high street and researcher was around for clarification of some important issues raised by respondents.

Convenience sampling procedure (non-probability sampling) employed to obtain people who are most conveniently available. The procedure is good to obtaining large of completed questionnaires quickly and economically (Zikmund, 2000, pp. 475) Also completion data

collection was used coupled with other techniques, such as interviews to explore those perceptions and attitudes of selected respondents in more depth. The method is good because respondents can interact with *researcher* and the *researcher* can administer complex questions explain and clarify difficult questions and even used unstructured techniques (Birks and Malhotra, 2007, pp. 275)

Data were gathered in June, 2010 during summer for week days and week end. Normally, data collected from 10:00am up to 6:00pm. The technique of interact with respondents during break of hours at noon was also used especially for many respondents who are workers used to come at Haymarket and Newcastle Council garden for break and rest during lunch at Newcastle City Council garden during summer.

3.5.1 Scale reliability

Scale reliability refers to the extent to which a scale can reproduce the same measurement results in repeated trials. Random error produces inconsistency in scale measurements that leads to lower scale reliability (Bush et al, 2006). There are various techniques used to test reliability of the scales; this study used *Cronbach's alpha* (coefficient alpha)

Bush et al 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.

3.6 Data analysis

3.6.1 Factor analysis

Factor analysis was employed and SPSS 17.0 was used for analysis in this study to identify which variables can be used to understand consumers' attitudes when buying coffee and can combined to form common constructs and which attribute to be dropped from further

analysis. Factor analysis used to study the dimensions on which customers perceive or evaluate objects e.g brand, organisations (Aaker et al, 1998, pp 615). This analytical technique is very common and found to be used in about one in six journal article over a three-decade review (Aron and Aron, 1994)

Factor analysis is a multivariate technique that used to summarise information contained in a large number of variables into a smaller number of subsets or factors. Principal components and Varimax rotational procedures were used throughout this study to identify measures for the sample taken. These procedures are highly accepted and most universally used. The component analysis model is appropriate when the primary concern is about predication or the minimum numbers of factors are needed (Field, 2006)

3.6.1.1 Factor extraction

There is a debate among the scholars on the best cutting point of the factors number. Again there are various techniques to be used in order to reach at good number for common construct, such as scree plots and Eigen values. Kaiser (1960) recommended retaining all factors with Eigen values greater than one. However, Jolliffe (1997, 1986) reports that Kaiser's criterion is too conservative and suggest the third option of the retaining all factors with Eigen values more than 0.7.

Although scree plots are useful for factors selection, research should not be based on this criterion alone (Field, 2006). With a sample of more than 200 participants the scree plot provides a fairly reliable criterion for factor selection (Stevens, 1992). Simply, Field suggest combining scree plot with Eigen values technique for verifications. This study used both of them for factor extractions. This criterion is based on the idea that the Eigen values represent the amount of variation explained by a factor and that an Eigen value of 1 represent the substantial amount of variation (Field, 2006).

Empirical studies have shown that Kaiser' criterion is accurate when the number of variables are less than 30 and the resulting communalities (after extraction) are all greater than 0.7 (Field, 2006). Furthermore, Field(2006) recommended that by reflecting the number of respondents; by identifying that if the study has more than 250 respondents; Kaiser criterion is corrects (pp. 631). In this study factors more than 1 Eigen value used and those below that dropped. Because this criterion is generally accepted and respected in social science as the basis for excluding or including factors (Kaiser, 1960, Rummell, 1970, Anderson et al 1998)

3.6.1.2 Factor Loading and interpretation

In interpreting factor the minimum cutoff level must be decided. Gorsuch (1974) and Leary (1994) indicate that the popularity of an absolute factor loading of 0.3 to be the minimum loading for interpretation. Anderson et al (1998) suggested of factor loading to be based on number of samples size (pp 111), and for 200 sample size suggested 0.4 cutoff level (ibid pp, 112) (See Anderson et all 1998, 2010 for detail)

The study adopted conservative approach. In this research decision rules that has been applied to select variables required to be at least ± 0.5 , and that is respected in the social science.

3.6.2 Cluster analysis procedure

Cluster analysis was applied as a two stage process to saved factor scored for consumers' perception on involvement of large retailers in fair trade. There two methods of clusters analysis, hierarchical and nonhierarchical. Anderson et al (2010) suggested these two procedures to be used together, in order to use the advantages of each other (pp. 536). The hierarchical procedure helps in judging the number of cluster and non hierarchical assign objects into cluster. Stage 1 employed a hierarchical technique to provide an indication of the

appropriate number of clusters from the agglomeration schedule. In stage 2, K-Means optimization method was employed.

The objective of cluster analysis is to group similar object together. The most common measure is to measure similarity in terms of distance between pairs of objects. The objects with small distances between them are more similar to each other than are those larger distances. There are several ways of computing distance this study used Euclidean or its square. The Euclidian distance is the square root of the squared differences in values for each variable.

3.6.2.1 Number of cluster

The study employed Ward's procedure to illustrate hierarchical clustering. In hierarchical clustering, the distances at which clusters are combined can be used as criteria. The output of SPSS of agglomeration schedule, focus is on the coefficient column. The number of at bottom determined the number of clusters; they are larger and get smaller as moved up the table. The coefficients in this column show how much the error reduced by moving from once cluster to two cluster to three clusters and so on.

Each time as the new cluster added up the column the difference in the numbers get substantially smaller. The attention is where the difference gets smaller from one cluster to another (Bush et al, 2006, pp.602). At that point number of cluster will be decided based upon and also focus should be based on understanding and ability cluster, this suggests it's better to have few clusters.

3.6.2.2 K-Mean (Nonhierarchical) method

In SPSS, the non-hierarchical method is referred as K-Mean. The non-hierarchical procedure assigns objects into clusters once the numbers of clusters is specified. According to Anderson et al (2010), K-Mean works by portioning the data into a user-specified number of clusters and then iteratively reassigning observation of cluster until some numerical criterion has met. This procedure is considered appropriate for large samples (ibid,pp 534). This study used K-Means for the 2 stage of analysis.

3.6.2.3 Cluster profile

First a profile of segment is established in a descriptive sense using information on average factor scores for group (each cluster) and the means of each variable for each cluster. Second, it is possible to develop the profiles further on the basis of statistical test for significant difference between the groups (ANOVA). This is achieved using contingency test for the nominal variables. This study used the nominal variable to identify respondents' *ages; level of education; point of buying fair trade coffee; point of drinking fair trade coffee*. The ANOVA table was used to identify the profile.

Chapter Four

4.0 Findings and Results

4.1 Characteristics of the sample

The study recruited 219 respondents through face to face survey interview 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 percent and male 49 percent. A higher proportional of the respondents study were male (58%) than female (42%).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 to more than 71 years of ages. Figure 4.1 shows the younger ages from 17 to 30 comprised a higher proportional of the 59.8% and elder ages more than 71 was not well presented, with only one participated in the study. This age group in the city population comprised of 41 percent (www.tyne-wear.co.uk), however their percentage age range from 16 to 44 ages. In general the studies population used for young ages are those from 17 to 40. The younger were well represented in the study.

Figure 4.2 shows the respondents level of formal education, first degree which is 55 percent of the respondents were the leading followed with those attended at the college. The area has approximated to have 10 percent of the population to have first degree

(www.sunderland.gov.uk). Nevertheless the city attracts many students from overseas or other regions Britain.

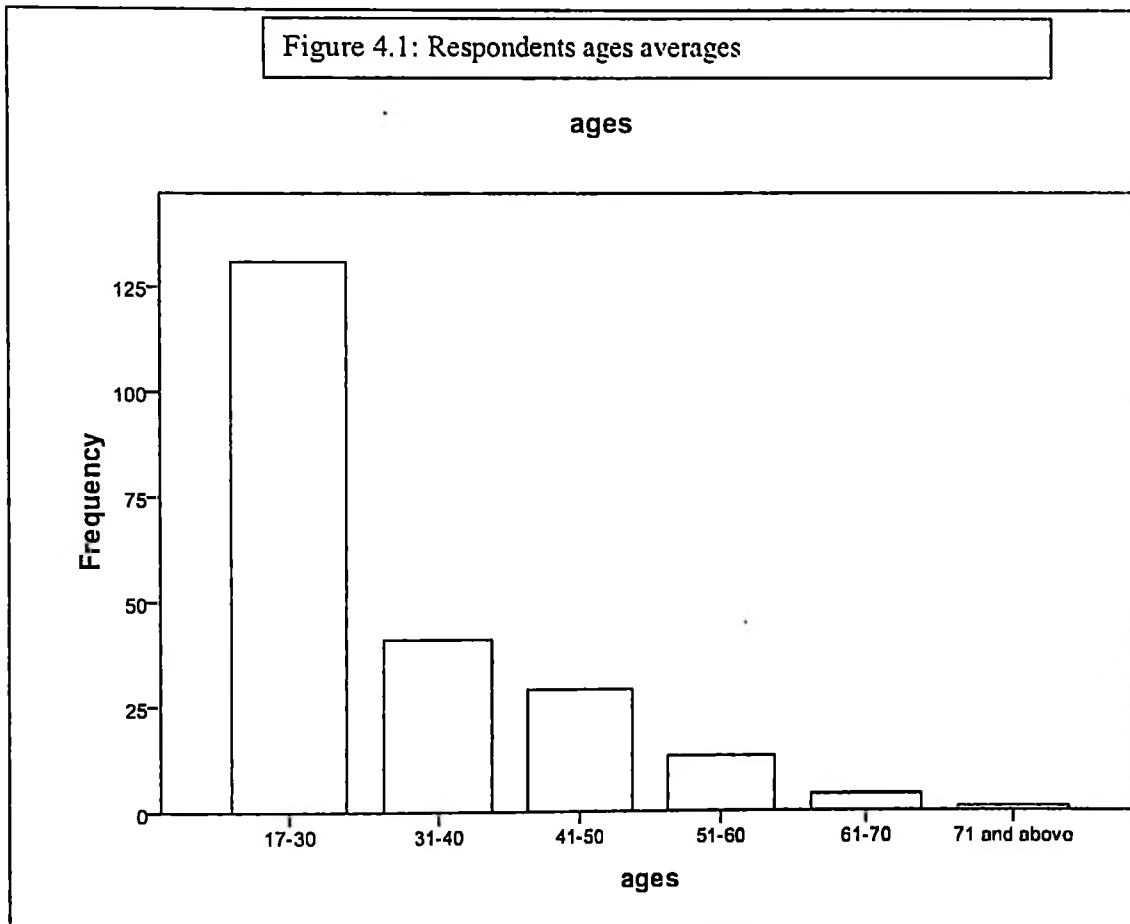
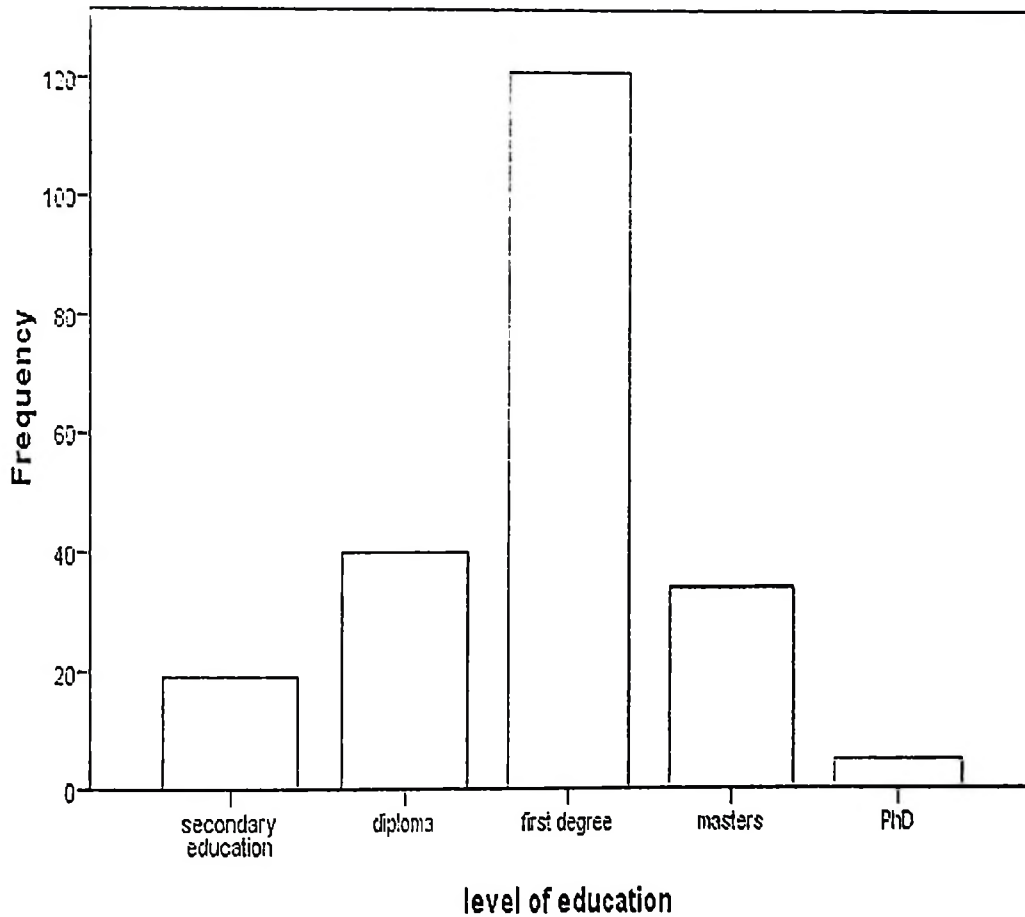


Figure 4.2: Respondents level of education



4.2 Factorial findings

4.2.1 Attitudes towards coffee

The study conducted with the purpose of understanding which attributes consumers use when buying coffee. The itemised scale of 1 to 5 where by 1 for '*not at all important*' and 5 for

'*extremely important*'. Respondents were required to score of five scales for 18- coffee attributes such as:

Country of origin (Coo)

Variety of beans used (Varibean)

Decaffeinated coffee (Decaf)

Fair Trade products (FTprod)

Price (Price)

Taste (Taste)

Generic brand (Genbra)

Retailers own label (Ownlabel)

Caffeinated coffee (Caffcoff),

Aroma,

Strength,

Recyclable packaging (Recypac)

Use of organic production techniques (Orgaprod)

No use of child labour in production chain (Nochillab)

Coffee has been transported in small distance (Distance)

Store shop commitment to fair trade principles (FTprinc)

Social responsibility activities of the retailer (Sractv)

Retailers' pay fair price to coffee growers (Payfipr).

4.2.2 Factor analysis

The factor analysis was conducted for 16 variables to identify consumers' attitudes towards coffee. Data was analysed by using SPSS 17.0. To identify number of factors Eigen value and Scree plot both used to reach on the conclusion on the number required.

4.2.3 Reliability analysis

Scale reliability for attitudes of consumers when buying coffee was evaluated by using Cronbach's alpha, α . There is no universal convention with respect to the minimum acceptable threshold value. Bush et al 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. Exhibit 4.1 shows the overall reliability of the scale is α 0.743. This is above the suggested level and is respected in social science.

Exhibit 4.1: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.734	.747	18

4.2.4 Communalities

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). Appendix 2 shows result of 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.

4.2.5 Factor correlation

Subsequent analysis was conducted on 16 measures. Exhibit 4.2 shows confirmation that the 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 percent significance level ($\chi^2 (120) = 1058.419, P < 0.05$). Table 4.1 shows that sixty four percent of the total variance was explained by five factors.

FIGURE 4.2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.773
Bartlett's Test of Sphericity	Approx. Chi-Square	1058.419
	df	120
	Sig.	.000

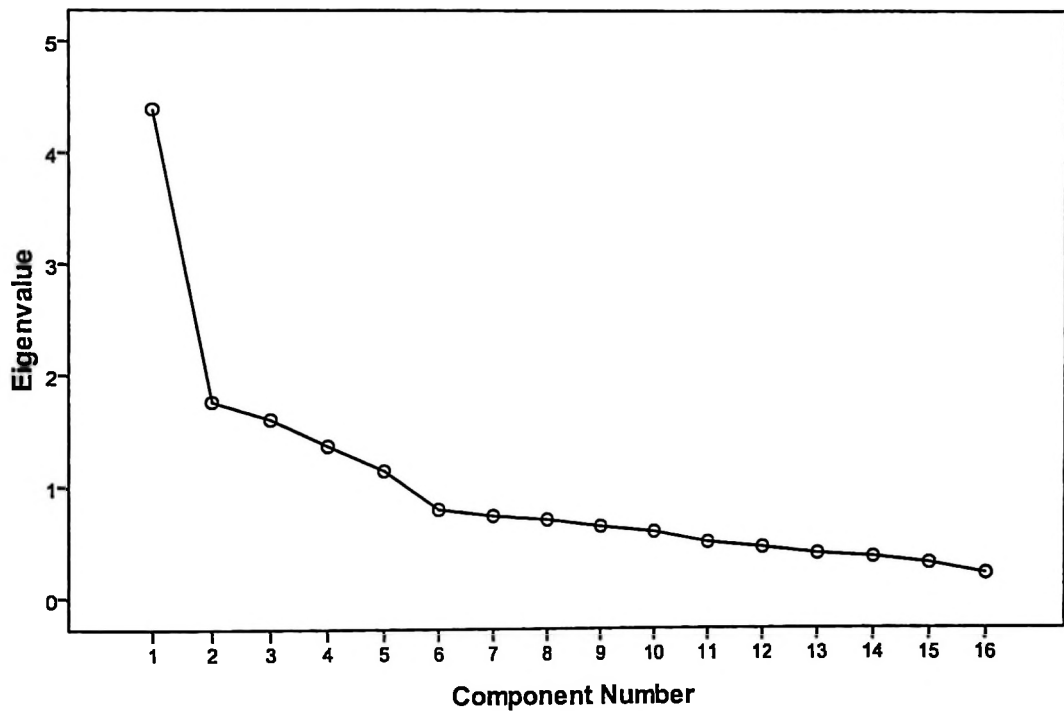
4.2.6 Factor extraction

A. Scree plot

Scree plot is a plot of the eigenvalues against the number of factors in order of extraction. The shape of the plot used to determine number of factors. Generally the number of factors determined by scree plot will be fewer than that determined by eigen values criterion (Birks and Malhotra, 2007, pp 655) Inspection of scree plot; Figure 4.3 of eigen value (latent root) of the factors should be retained and used as descriptors of the variance in the data. From scree plot; a distinct break occurs at one and then six factors. The cumulative percentage of variance accounted for Table 4.1 shows that five factors account for 64.27 percent and that

gain achieved in going to six factors is only to achieve 69.36 which is a marginal improvement. Thus five factors appear to be a reasonable reduction in the total information from the survey, without discarding important or salient information.

Figure 4.3 Scree plot



B. Eigenvalues

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, Rummell, 1970, Anderson et al 1998) Table 4.1 shows that five factors have Eigenvalues greater than 1, with cumulative variance of 64.27 percent and these are judged acceptable here.

Table 4. 1 Total Variance Explained

Factors	Initial Eigenvalues		
	Total	% of Variance	Cumulative %
1	4.395	27.468	27.468
2	1.765	11.030	38.497
3	1.606	10.040	48.538
4	1.369	8.558	57.096
5	1.147	7.169	64.265
6	.799	4.996	69.261
7	.740	4.625	73.886
8	.705	4.405	78.291
9	.643	4.019	82.310
10	.593	3.706	86.016
11	.498	3.114	89.130
12	.453	2.832	91.962
13	.396	2.475	94.437
14	.366	2.286	96.723
15	.310	1.935	98.658
16	.215	1.342	100.000

Extraction Method: Principal Component Analysis.

4.2.7 Factor loading

In interpreting each factor the minimum cutoff level of the study must be decided. Gorsuch(1974) and Leary (1994) indicate that an absolute factor loading of 0.3 to be the minimum loading for interpretation. Anderson et al (1998) suggested of factor loading to be based on sample size (pp 111), and for 200 sample size suggest at 0.4 cutoff level (ibid pp 112) (See Anderson et all 1998 for detail). 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 4.2 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) and generic brand (*genbrand*, 0.719) and fair trade products (*ftprod* 0.812)

Table 4.2 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
Sractiv	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	27.47	38.50	48.54	57.10	64.27	
variance						

4.2.8 Factor interpretation

The naming of the a factor is highly difficult for the researcher (Aron and Aron, 1994, Anderson, 1998) Naming can be done based on the attribute loading high after arranging them in ascending order or based on the definition of the variables itself. The naming of the factor in this research based on the highest loading factor and interpretation of the value to the consumer behaviour literature. 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*'.

4.3 Attitudes towards involvement of large retailers in fairtrade products

The target variables consisted for the 14- item five point scale concerned with involvement of large retailers' to fair trade products. A 5-point agreement scale used for the study (1= strongly agree and 5= strongly disagree). These numbers were assigned on the statement and the format regarded to be easy for respondents to interpret.

To understand reaction of consumer in the UK towards large retailers' involvement in fair trade, factor analysis and cluster analysis were used. The factors identified in the factor analysis were reserved for further analysis in cluster analysis. The variables namely are:

Large retailers are sensitive to social inequalities (inequalities)

Large retailers are environmentally responsible (envresp)

Large retailers adopt actions that can lead to a more equitable world (eqeworld)

Availability of the products in supermarkets is very good (avaproduct)

Large retailers have helpful staff knowledgeable about fair trade coffee (staffknow)

Many retailers provide a wide choice of fair trade products (widechoice)

Supermarkets should not use their own label for the fair trade coffee (notownlabel)

I don't trust information provided by large retailers on fair trade coffee (lrinfor)

Fair trade coffee farmers are getting fair deal from large retailers (fairdeal)

Supermarkets provide a lot of information about fair trade products and goods they offer (sminfo)

Display of the fair trade products in the shops is very good (display)

I trust retailers to pay premium price to the producer of Fair Trade coffee (primiprice)

Retailers provide fair trade customers information leaflets in shops (fleafinfor)

Retailers provide specific shelf and sign for fair trade products (fishelf)

4.3.1 Factors correlation

Exhibit 4.4 shows the confirmation that the test variables were intercorelated was indicated by the KMO index of 0.675, categorised by Kaiser (1974) as 'midlling'; while Bartlett's Test of Sphericity resulted in the rejection of null hypothesis *that variables are not correlated* at a 5 percent significance level ($X^2(91)=638.576, P<0.05$).

Exhibit 4.4: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.675
Bartlett's Test of Sphericity	Approx. Chi-Square	638.576
	df	91
	Sig.	.000

4.3.2 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). Appendix 3 shows result of acceptable communality all 14 variables load significantly.

4.3.3 Scale reliability

Scale reliability for consumers' reactions to involvement of large retailers in selling fair trade coffee was evaluated by using cronbach's alpha, α . Bush et al suggested *Cronbach's alpha* valued less than 0.6 is unsatisfactory (op cit). Research used *Cronbach's alpha* threshold of 0.6. Exhibit 4.5 shows the overall reliability of the scale is α 0.663. This is above the suggested level and is respected in social science.

Exhibit 4.5: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.663	.667	14

4.3.4 Factor extraction

The study adopted conservative approach. In this research decision rules that has been applied to select variables required eigen values to be at least ± 0.5 , and that is respected in the social science. Table 4.3 shows the result of eigen values for consumers response towards large retailers involvement in the fair trade.

Table 4.3 Total Variance Explained

Component	Initial Eigenvalues		
	Total	% of Variance	Cumulative %
1	3.217	22.976	22.976
2	1.837	13.120	36.096
3	1.483	10.591	46.687
4	1.129	8.067	54.754
5	1.087	7.762	62.516
6	.942	6.727	69.243
7	.784	5.600	74.843
8	.760	5.428	80.271
9	.641	4.577	84.848
10	.556	3.971	88.819
11	.439	3.135	91.954
12	.397	2.837	94.791
13	.392	2.797	97.588
14	.338	2.412	100.000

Extraction Method: Principal Component Analysis.

4.3.5 Factor loading

In this research decision rules that has been applied to select variables required to be at least ± 0.5 , and that is respected in the social science. Appendix 4 shows the result of significance factors after Varimax. Table 4.4 summarises the result and for the factor 1 the following attributes correlates most strongly, *'availability of the products' (avaproduc, 0.567)*, *large retailers have helpful staff knowledgeable about fair trade coffee (staffknow, 0.755)* and

many retailers provide a wide choice of fair trade products (widechoice, 0.759). Factor 2 the following load significantly, large retailers are sensitive to social inequalities (inequalities, 0.577), large retailers are environmentally responsible (envresp, 0.620) and fair trade coffee farmers are getting fair deal from large retailers (fairdeal, 0.677)

The following variables load higher for factor 3, retailers provide fair trade customers information leaflets in shops(fileafinfor, 0.690) and retailers provide specific shelf and sign for fair trade products (fshelf,0.809).The factor 4, large retailers adopt actions that can lead to a more equitable world (eqeworld, 0.824) load more significant. The following variables load more significantly for factor 5; I don't trust information provided by large retailers on fair trade coffee (lrinfor, 0.695) and supermarkets should not use their own label for the fair trade coffee (notownlabel, 0.827).

Table 4.4 Rotated component matrix: consumers' reaction on involvement of LRs in fairtrade

variables	factor number					h ²
	1	2	3	4	5	
inequalities	.504	.577	-.170	.246	.074	.682
envresp	.349	.620	-.087	.429	.126	.713
eqeworld	-.025	.187	.031	.824	-.097	.724
avaproduc	.567	-.132	.177	.513	-.273	.708
staffknow	.755	.061	.155	-.144	.141	.638
widechoice	.759	.067	.059	.031	-.020	.585
notownlabel	.004	.027	.068	-.093	.827	.697
lrinfo	.026	-.252	.006	-.011	.695	.548
fairdeal	.080	.677	.144	-.098	-.149	.517
sminfo	.371	.328	.396	-.426	-.067	.588
display	.375	.279	.470	.068	-.176	.475
primiprice	-.169	.648	.263	.085	-.209	.569
ftshelf	-.038	.037	.809	.225	.089	.716
ftleafinfor	.186	.078	.690	-.263	.076	.591
eigenvalues	3.217	1.837	1.483	1.129	1.087	
variance	22.976	13.120	10.5	8.067	7.762	
cummulative	22.096	36.090	46.687	54.754	62.243	

4.3.6 Factor interpreting

The five factors are defined, respectively as, factor 1 '*retailers image*', factor 2 '*fair deal*', factor 3 '*fair trade promotion*', factor 4 '*social responsibility*' and factor 5 '*against own label*'. These factors were interpreted and reserved for cluster analysis.

4.4 Cluster analysis

Cluster analysis was applied as a stage two process to saved factor scores for consumers' reactions to involvement of large retailers in fair trade. There are two methods of clusters analysis, hierarchical and nonhierarchical. Anderson et al (2010) suggested these two procedures to be used together, in order to use the advantages of each other (pp. 536). The hierarchical procedure helps in judging the number of cluster and non hierarchical assigns objects into a specific cluster. Stage 1 employed a hierarchical technique to provide an indication of the appropriate number of clusters from the agglomeration schedule. In stage 2, K-Means optimization method was employed.

The objective of cluster analysis is to group similar cases together. The most common measure is to measure similarity in terms of distance between pairs of objects. The objects with small distances between them are more similar to each other than are those larger distances. There are several ways of computing distance this study used Euclidean or its square. The Euclidian distance is the square root of the squared differences in values for each variable.

4.4.1 Number of clusters

Table 4.5 shows the result of agglomeration schedule of the 219 respondents. The result condensed to show the lower part of the table where the decision of the number of the cluster to be taken based. In hierarchical clustering, the distances at which clusters are combined can be used as the criteria for decisions on the number of cluster (Birks, and Malhotra, 2007, pp. 681). The information can be used from the dendrogram or the agglomeration schedule, in this study the agglomeration schedule used.

The 'coefficient' column of the table shows that the value from stage 218 to 217 (3909.4-3496.7) is 412, from stage 217 to 216 (3496.7-3224.5) is 272 and from stage 216(3224.5-3021.8) is 202. The value of coefficient at the last two stage is about to double the value at the other stages. Consideration of relative cluster size and the desire for parsimony led to the choice of a two cluster-solution. Therefore it appears that a two cluster solution is appropriate.

Table 4.5 Partial agglomeration schedule¹

Stage	Cluster Combining		Coefficients	Stage Cluster First		Next Stage
	Cluster 1	Cluster 2		Appears Cluster 1	Cluster 2	
1	9	196	1.500	0	0	99
2	153	154	3.000	0	0	156
3	217	219	5.000	0	0	16
4	21	215	7.000	0	0	18
5	146	208	9.000	0	0	71
16	12	217	35.167	0	3	109
18	21	25	40.500	0	0	110
71	141	181	266.176	0	0	166
109	12	60	503.067	16	0	115
110	74	95	511.317	37	19	148
148	74	106	887.275	110	0	187
178	17	86	1364.214	169	136	200
200	10	17	1989.964	189	178	212
212	10	14	2656.329	200	204	214
214	7	9	2847.614	209	211	216
215	1	3	3021.795	208	213	217
216	7	10	3224.487	214	212	217
217	1	7	3496.705	215	216	218
218	1	6	3909.425	217	210	0

¹The table results was condensed to show the lower part of agglomeration schedule

4.4.2 Factor score profile

The average scores for the five factors for each segment are presented in Table 4.6, reveals that, compared to cluster 1, cluster 2 places more emphasis on 'against own label' and 'fair deal' less emphasis on 'retailers image', 'fair trade promotion' and 'social responsibility'.

Table 4.6 Average factor scores for final cluster centres

factor	Cluster	
	1	2
retailers image	.76568	-.60878
Fair deal	-.13723	.10911
fair trade promotion	.04998	-.03974
social responsibility	.43100	-.34268
Against own label	-.16659	.13245

4.4.3 Cluster profile

First a profile of segment is established in a descriptive sense using information on average factor scores for group. Second, it is possible to develop the profiles further on the basis of statistical test for significant difference between the groups. This study used nonparametric contingency chi-square test for the nominal variables that measures gender decisions on purchasing of fair trade coffee and selling point also, ages and education level to develop profile.

A. Fair trade coffee buying

Research identified if the coffee drinkers are the buyers of fairtrade coffee. The result indicates that a sufficient numbers of fairtrade coffee buyers are the buyers of fairtrade coffee Table 4.7 shows that cluster 2 has a good number of the buyer of the coffee buying behaviour, compared with cluster 1. Table shows the percentage of the respondents that are Fairtrade coffee buyers in clusters.

Table 4. 7 Fairtrade coffee buying behaviour

cluster	Fairtrade coffee buying		total
	Yes	NO	
1	79.4	20.6	100.0
2	89.3	10.7	100.0
total	84.9	15.1	100.0

$$X^2(1)=4.191, \text{Sig}=0.041$$

B. Fair trade coffee buying point

Table 4.8 indicates cluster 1 contains a higher proportion of two types of fair trade coffee buyers, those who buy in speciality shop and fast food. In contrast cluster 2 contains higher proportion who buys fair trade at supermarket(SM). The buying point is significance s at 0.004, this means that perhaps convenience of the buying point is the significance factors for buying fairtrade coffee; SM is the leading point, followed with, fast food (FF) and last is speciality shop (SS).

Table 4. 8 Fair trade coffee buying point

Cluster	Fair trade buying point				Total
	Speciality shop	Supermarket	Fast food	none	
1	14.4	42.3	20.6	22.7	100.0
2	6.6	57.4	27.0	9.0	100.0
Total	10.0	50.7	24.2	15.1	100.0

$X^2(3)=13.389, \text{Sig}=0.004$

C. Fair trade coffee drinking point

There are significance differences between the two groups with regards to fair trade coffee drinking point. Table 4.9 shows that, cluster 1 has higher proportional of fair trade coffee buyers who drink coffee at community places. While cluster 2 contains those higher proportional of those who drink at home, at works and those who don't drink (Significance statistics=0.615)

In general study indicates that drinking point is the significance factor to influence drinking fairtrade coffee, the result shows that a sufficient respondents drinks fairtrade coffee at home.

The buying point is SM this correlates with the results that drinking point is home.

Table 4.9 Fair trade coffee drinking point

Cluster	Fairtrade coffee drinking point				Total
	At home	At work	In community place	Don't drink fairtrade coffee	
1	48.5	23.7	16.5	11.3	100.0
2	49.2	27.9	10.7	12.3	100.0
total	48.9	26.0	13.2	11.9	100.0

$X^2(3)=1.798, \text{Sig}=0.615$

D: Gender and fair trade consumption

Another interesting concern of the study is of fair trade coffee buying is on gender. Table 4.10 shows that cluster 1 contains a higher proportional of male who buy fair trade coffee, while cluster 2 contains female buyers. (Significance statistics=0.891)

Table 4.10 Fair trade coffee buying and gender

Cluster	gender		Total
	Male	female	
1	58.8	41.2	100
2	57.4	42.6	100
total	58.0	42.0	100

$X^2(1) = 0.836$; Sig=0.891

E: Level of education and fairtrade consumptions

Level of formal education and buying behaviour of fair trade coffee is also of the interesting with the study. The value of chi-square did not exceed the critical value of 0.9488 at 0.05. According to Swift, 2001, Sally and Swift, 2005, suggested that if X^2 result does not exceed the critical value, this shows categorical data are independent (pp.708). This indicates that buying of fair trade coffee is not influenced with level of education.

Table 4.11 shows that cluster 1 has higher level of consumers who are Master holders and PhD; while cluster 2 has higher population of 1st degree, diploma and secondary education.

Table 4. 11 Level of education and purchasing of fair trade coffee

Cluster	Level of education					Total
	Secondary	Diploma	1 st degree	Masters	PhD	
1	7.2	14.4	54.6	20.6	3.1	100.0
2	9.8	21.3	55.7	11.5	1.6	100.0
Total	8.7	18.3	55.3	15.5	2.3	100.0

$X^2(4)=5.249$, Sig=0.263

F. Fairtrade coffee and ages

The issue of ages and fair trade coffee is a central feature of understanding the buyer. Table 4.12 shows that; in comparison with cluster 2, cluster 1 has higher proportional of consumers who ranges between 31 and 40 of ages.

Table 4.12 Influence of ages on buying fair trade coffee

Cluster	ages						total
	17-30	31-40	41-50	51-60	61-70	71 above	
1	61.9	21.6	10.3	4.1	2.1	0.0	100.0
2	85.2	16.4	15.6	7.4	1.6	0.8	100.0
total	59.8	18.7	13.2	5.9	1.8	0.5	100.0

$X^2(5)=3.861$, Sig=0.570

Cluster one

Table 4.13 summarises cluster profile, cluster one defined as male 'ethical consumers'. They are influenced by the retailers' image and social responsibility of the retailers in making decision to purchase fair trade coffee. They are not supporting any movement against the supermarkets to sell fair trade products. They are at mid ages (31-40) and many of them are

master holders and PhD holders. Their lack of interest supporting movement of stopping supermarkets to sell fair trade products, suggest that they are workers who are impressed with price-cut implemented by many retailers in the UK.

Cluster two

Cluster two defined as the female 'ethical consumer and well being' who are of younger age 17-30 buys fairtrade coffee mostly in supermarkets and mostly consume it at home. This suggests they have family and they are buyers of the family food. Their level of formal of education is undergraduate. The cluster mostly doesn't favour supermarkets to have their own label for the fair trade products and highly favour the payment of fair price for producers in the South.

Table 4.13 Consumers reaction towards involvement of large retailers in fair trade

Profile	Cluster number	
	1(58%)	2(42%)
Description	Male, influenced with fairtrade promotion	Female, ethical consumer
Buying point		
Speciality shop	High	Low
Supermarket	Low	High
Fast food	Low	High
Fairtrade coffee drinking point		
At home	Low	High
At work	Low	High
In community places	High	Low
Gender and fairtrade coffee		
Male	High	Low
Female	Low	High
Education and fairtrade coffee		
Secondary	Low	High
Diploma	Low	High
1 st degree	High	Low
Masters	High	Low
PhD	High	Low
Fairtrade coffee and ages		
17-30	Low	High
31-40	High	Low
41-50	Low	High
51-60	Low	High
61-70	High	Low
71 and above	Low	High

*Profiles established using chi-square test under the null hypothesis that (nominal) cluster identity variable and (nominal) demographic/behaviour are independent.

Significance level= 5%

Chapter Five

5.0 Discussion and conclusions

The aim of the study was to identify factors motivate consumers purchase of coffee and investigating the customers' reactions on the involvement of large retailers in selling fair trade coffee. The primary research identifies the dimensions of importance of various features customers are looking for when purchasing coffee in supermarkets and in general what influence them to buy fair trade coffee in supermarkets. The chapter focus dived into two, part 1 focus on the results from factor analysis and part two cluster analysis.

5.1 Factor analysis discussions

In general research shows consumers were 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, in order to give the consumer satisfaction during consumption. Further result show consumers did not keep more importance on price used as the extrinsic value. Due to change in lifestyle and higher education level; 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 (2006b) 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 is the situation happened on the fair trade coffee, and the findings indicates that consumers are aware of the price and general purpose of the fair trade movement.

A. Factor 1

The factor 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* are the most significant determinants attitude toward coffee. It is clear from this analysis that attitude towards coffee has a very significance on purchasing of coffee. The findings show that consumer place more importance on 'credence attribute' when buying coffee. The attribute can be divided into two 'content credence attribute' and 'process credence attribute'.

Factor 1 is more regarded as the 'process credence attribute' which referred as the attribute that do not affect final product content but refer 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 (2007). To motivate customers mind many ATOs roasters in the UK use 'producers' endorsement profile' on branding accompanied with pictures. Exhibit 5.1 shows that.

Although the importance of extrinsic attribute such as recyclable packaging needs not to be undermined, the study shows that customers prefer recyclable packaging. The issue of recyclable packaging identify kind of consumer (green consumer) found in the Western country today.

There are general understandings on the importance of packaging cue to the influence of consumers' choice in selection of products. Factors like colour, wording, shape and size all play great role as the extrinsic cues. According to Deliza and MacFie, little efforts has been done by the producers on improving packaging to meet consumers requirement compared to the innate product quality(2001,pp. 55). If the packaging attracts consumers to a product and product itself does not deliver what consumer expect, the product perception may be affected, with drastic consequences.

B. Factor 2

The factor labelled '*quality*'; clearly analysis shows that *aroma* and *strength* are very significance attribute for purchasing of coffee. Today the EU is the destination point of many food types from different geographical position of the world. 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.

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). This pressure faced many producers from developing countries.

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)

C. Factor 3

The factor 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. Customers keep most important on the 'distance' of the value chain. Although coffee is not produced in the UK; but the great challenge is on reduction of CO₂ 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 CO₂ 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.

D. Factor 4

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 health problem associated with caffeine.

Decaffeinated coffee recommended by the EU is 0.2; for the company to claim has decaffeinated coffee. However there are no law that enforce roasters or retailers to remove amount of caffeine that claimed to cause harm to human being once amount taken are large. This finding shows that, coffee can be differentiated as the caffeinated or decaffeinated coffee.

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 halo effects of their coffee products. For example Cafédirect 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. Exhibit 1 shows the brand packaging of Cafédirect fair trade coffee with small farmer endorsement on the package.

Exhibit 5.1: The use of country of origin in branding



'This machine removes the pulp of coffee cherries. I've been a grower since 1963 so I've seen many changes. The biggest changes is that since Cafédirect's involvement we now get a fair price and can grow really great coffee for you'

Joel Wingia Ngumuo,
Coffee, Grower, KNCU, Tanzania

Source: www.cafedirect.org.uk

E. Factor 5

The factor named as the *'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's 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 to many famers in the South. This

creates challenges because LRs was just licensee and was not supporting farmers 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, identified taste to be very important motivating factor in consumer food purchasing decisions for different food although by no means the only influences (2001, pp. 123). These findings suggest producers of the coffee have to take into consideration the importance of taste for the market prosperity of coffee.

5.2 Cluster analysis discussions

Today's consumers are more concerned with moral values; pay attention to firms that value them and willing to buy product with an ethical equality. According to Jobber (2007) ethical consumer is an individual whose purchase decisions making take into account not only personal interest but also the interest of the society and the environment(pp. 213) The findings of cluster analysis divide the customers into two dimensions. First are 'ethical consumer and well being purchaser' of FT coffee who buy into supermarkets and second 'well being and socially oriented' who are against supermarkets to use their own label for fair trade products. The findings support the study of de Ferran and Grunert(2007), however their study based only on purchasing point.

Consumers in cluster 1 want to be satisfied with consumption of goods with a good taste or a good quality product and group has to be associated with a desire for furthering equality between human being by purchasing fair trade coffee in SS. According to de Ferran and Grunert, this indicates the purchasers are more experts than those who buy in the SM (2007). However the changes of the trends in the UK of mainstreaming Fairtrade coffee from marginalised products to mass market may influence the purchaser to switch to SM.

Researchers argue that, the market acceptability is due to the fact that SM also stock FTC from ATOs.

Also, we argue that male, who dominate cluster 1 seems were hard to change to go supermarkets, however the above situation also apply because at supermarkets ATOs roasters coffee have an access also, for instance Cafédirect products stocked in The Coop since 1994.

Concerning the issue of reaction on the involvement of large retailers in fair trade coffee, cluster 2 is against the own label by the retailers. This differentiates them from group 1. Cluster 2 dominated by women, so findings suggests women in the UK understand and are conservatives with the need to see ATOs leading the role on fair trade and not otherwise.

The research indicates that sufficient number of consumers were against LR's own label for FT coffee. Generally the idea of own label was introduced with the aim of competing directly with branded products Clarve, et al (2002, pp.159). This suggest that consumers had experience of the LR deed and they don't want to happen to FT. Customer complaining on the SM practices of showing preference to their own label over branded goods and that as a result there were not enough choice on SM shelves.

According to Clarve et al the major impacts of LR's own brand are possibility of emergence of anti competitive practices for instance, usually SM forced supplies to reduce their price, while cost of production used to increase; because one will be required to send products at the distribution centre(2002). The researcher suggests that is where FT heading unless there are change on how SM practices with Fairtrade mark.

through the chain are producers who suffered (see that report for details on LRs fair trade coffee value chain). This is against the FT business model and in general put the FT in danger of devaluing credibility at the customers who are willing to pay premium price for the FT products.

B. To producers

The expansions of the niche market of the organic FT coffee among the ethical consumers; pave the way for export of more products from developing countries, and development of a perhaps more stable market that will be fair because consumers will be ready to boycott products of the company that found to cheat.

However the issue of quality still have and importance value as the motives for purchasing of coffee among the customers in the UK. Much effort is needed among the farmers and association involved in the production because the demand for organic coffee is increasing as well as the FT coffee. According to Mintel (2010) February report, Fair Trade coffee has increased its market in coffee sector to 5 percent in 2009 during the economic recessions in the UK.

C. To roasters

Many small and large roasters as well as non-governmental organisation and private roasters understand that the existence of niche market of organic coffee and consumers are ready to pay premium price for it. The interesting findings are on decaffeinated coffee. Although the production of caffeinated coffee is not illegal, but at least a significant amount of customers prefer decaffeinated coffee.

Consumers also influenced with 'country of origin' in coffee, and some of companies used to put in packaging the brand name of the countries origin and picture. The issue of the

5.3 Practical implications

This study allows a number of important implications to be identified for public policy and the marketing strategies of fair trade organisation. This section divided into FLO, roasters, retailers and producers.

A. To FLO

The knowledge of consumers on FTP is higher in the UK; however the problem is on translating that positive attitude into practices and that is purchase. The respondents in this study show that at least a substantial segment of the Newcastle consumer is not impressed with the FLO decision to allow LRs to have their 'own label' for fair trade products. The movements seem to stimulate negative idea on the participation of those companies towards brands. The decision taken by the FLO to allow SM to use Fairtrade mark on their own brand products by just becoming a licensee brought much change in the expansion of fair trade sales in Europe and especially UK (Barrientos and Smith, 2007, Smith, 2008). Many prominent scholars of FT suggest a negative impact of this decision towards the label (see Sally, 2008, Comfort *et al* 2003, Raynolds, 2009 Barrientos and Smith, 2007, Smith, 2007, Comfort *et al* 2003, Hilcosx, 2007 for detail).

This does not mean they are against ATOs to use conventional market gears. The results support the findings of de Ferran and Grunert, study, 2007 and De Pelsmecker, *et al* 2005.

It's high time for the FLO to change its policy towards the licensee of LRs in FTP, and the best policy for them is to follow the FT business model, whereby RTs will be required to establish long time partnership and assist producers from South to reach their described standards. Currently according to Raynolds, 2009, LRs in who licensed to use FT mark are just positioning as the 'pressure' group without any responsibility to taken by them on improving producers quality, all responsibilities going down to producers and roasters, that

'payment of premium price' have influences to consumers' decision on the purchase of FT products. The roasters have to prove it through corporate social responsibility on how they contact and pay producers. Otherwise ethical consumers will be ready to boycott products.

D. To retailers

Interesting issue with study on retailers is in the fact that coffee own label did not load significantly with other factors such as price. This suggests that consumers are ethical and are willing to generic brand for coffee.

Further result indicates that consumers are not against the LRs to sell FTP, this is good sign for them to stock those goods that once was sold by ATOs shops only, however the study reveals that customer are influenced with retailers' image and social responsibilities. The FLO has no control over the final price of the product and SM used that loophole to exploit famers, by charging high prices customers and fed back small portions (The Sunday Times, 2003). According to Hutchens (2010) FLO will continue to offer licences to LRs and facilitates the use of own label because that is the major source of funds. These fees calculated as a percentage of a firm's overall market share sales or volume (pp. 83)

However retailers have duty to convince consumers that they are responsible and handling the fair trade products according to the business model principles. But the question is how? A study done in Belgium found that customers are not impressed with retailers' information (De Pelsmecker, et al 2005). I argue that in order for the UK LRs to convince consumers that are observing and implementing fair trade principles, endorsement from the third party is needed and all corporate information to be endorsed by them such as famers associations or well respected NGOs like Oxfam.

5.4 Market segmentation

In general research indicates there are two groups of consumers of FT coffee in the UK, can be grouped as the organic fair trade coffee and normal fair trade coffee. According to d'Amico and Zikmund, (2002) there are major five features to identify the meaningful market segment such as unique features of the market, significant market size, accessible customers, unique market need and measurable (pp.182). The market segmentation of FT coffee seems to have all those features.

The UK FT products in market size are expanding at 44 percent annually and the sales of 2009 reached £ 700 million. Consumers are more aware of the Fairtrade mark for 74 percent more than any country so far the FTP penetrated the markets.

The research highlights the existence of niche markets available to differentiated products carrying ethical and environmental preferable messages. This differentiation supported by the study of Lotade and Loureiro,(2005) who identified that consumers are willing to pay more for fair trade coffee for 21.6 percent and organic coffee for 16.3 percent. Although in practice organic coffee are sold more than FT coffee.

The finding of the study indicates that consumers have different attitudes towards coffee attributes. Consumers mostly notice the attributes important to them; so when coffee of certain brand is designed it is better to keep into consideration the attributes identifies such as country of origin, decaffeinated, caffeinated coffee and organic production techniques.

First consumers segmented as ethical consumers and second segment is organic coffee buyers. The finding shows that consumers are interested with organic coffee. This suggests that within fair trade coffee there is possibility of having a niche market of organic fair trade coffee. Some companies in the UK started to produce fair trade organic coffee that fetch large sum of price than inorganic coffee price.

5.5 Conclusions

The purpose of this study was to understand consumer motives on coffee purchasing and reaction of large retailers' involvement in fair trade products. On factors motivates purchasing of coffee study shows that processing credence attribute are more significant as the values determines these purchase.

- Ethical
- Quality
- Production techniques
- Decaffeinated coffee
- Fair trade products

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.

Depending on the reaction to the participation of large retailers, the value of fair trade coffee purchases differ: 'well being against own label'. These consumers referring to social values and like to see ATOs only roasting the fair trade coffee, although they are not against the 'mass marketing' of fair trade coffee to conventional market gear.

5.6 Future research

The study provokes the academic argument based on the qualitative and theoretical base of the fair trade principles on the impact of the LR involvement on fair trade products. Although the study did not manage to show the exactly difference exist in purchasing of FT coffee between SS, SM and fast food (FF). However the study showed that customers are not

against the 'mass market' of FTC in general; however at least some are against the large retailers' use of Fairtrade mark on their own label products.

Future research of the study will to have focus on understanding the market performances of ATOs in conventional markets against own brand FTC in the SM. Also further studies can be done to identify the integration of the countries performance based on the fact that so far according to the fair trade website the LRs concentrate with some countries coffee and some countries seems to be rejected by LRs in the UK, for instance, Rwanda, Tanzania and Cameroon. What the impact of this trend if any to the small growers in those rejected countries by the LRs in the UK which once performed better in the scheme through ATOs and farmers need it for the improvement of their lives. 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, the use of pictures on branding of food has no impact on consumer decision making (2001, pp. 70). 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, future study can be based on understating of the two concepts especially for FTP. The technique is not used by the LRs own brand. Also further research can be done to investigate the impact of LRs own label standard requirement through the FTP value chain down the stream.

5.7 Limitations of the study

The finding from this study give support to the prospect that customers in the Western countries today are more ethical and more determined to see improvement of the farmers in the South following unfair international trade system. However due to the fact that his study was based on convenience samples of very limited number of coffee customers in the UK;

the findings need to be interpreted with caution. In order to infer the broader generalisation, larger more systematic and randomised samples need to be obtained and analysed.

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Important websites

www.somo.nl

www.fairtrade.org.co.uk

www.ico.org

www.cafedirect.co.uk

www.globalexchange.org

www.transfairusa.org

www.fairtrade.net

Appendices

Appendix 1: Survey questionnaires

Newcastle University

Date of interview.....

Time of interview.....

I am a postgraduate student at Newcastle University. As part of my study I am required to do a research and my interest is to understand what people think about fair trade products. Would you be kind enough to answer a few questions about this?

1. Have you heard of fair trade products? (a) Yes (b) No
2. Do you drink coffee? (a) Yes (b) No

Part A

Now can you tell me how important are the following when you choose to buy a particular brand of coffee? Choose from 1-5 (where 1 not important at all and 5 extremely important)

Not all important	Unimportant	Important	Very important	Extremely important
1	2	3	4	5

- a) Country of origin.....
- b) Variety of beans used.....
- c) Decaffeinated coffee.....
- d) Fair trade product.....
- e) Price.....
- f) Taste.....
- g) Generic brand (e.g Nestle coffee,).....
- h) Retailers own label (e.g Coop, Tesco,).....
- i) Caffeinated coffee.....
- j) Aroma (Smell).....
- k) Strength.....
- l) Recyclable packaging.....
- m) Use of organic production techniques.....
- n) No use of child labour in production chain.....
- o) Coffee has been transported in small distance.....
- p) Store/shop commitment to fair trade principles.....
- q) Social responsibility activities of the retailer
- r) Retailers' pay fair price to coffee growers.....

Part B

Now, I would like you to tell me how strongly you agree or disagree with the following. You can choose from 1-5 (where 1 indicates strongly agree and 5 strongly disagree)

Strongly Agree	Agree	undecided	Disagree	Strongly Disagree
1	2	3	4	5

- a) Large retailers are sensitive to social inequalities.....
- b) Large retailers are environmentally responsible.....

- c) Large retailers adopt actions that can lead to a more equitable world.....
- d) Availability of Fair Trade products in the supermarkets is very good.....
- e) Large retailers have helpful staff knowledgeable about fair trade coffee.....
- f) Many retailers provide a wide choice of Fair Trade products.....
- g) Supermarkets should not use their own label for the Fairtrade goods.....
- h) I don't trust information provided by large retailers on Fairtrade coffee.....
- i) Fair trade coffee farmers are getting a fair deal from large retailers.....
- j) Supermarkets provide a lot of information about fair trade products and goods they offer.....
- k) Display of the fair trade products in the shops is very good.....
- l) I trust retailers to pay premium price to the producer of Fair Trade coffee.....
- m) Retailers provide specific shelf and signs for Fair Trade products.....
- n) Retailers provide Fair Trade customer information leaflets in shop.....

Part C

1. Are you the buyer of the family foods? A. Yes b. No
2. Do you buy Fair Trade coffee? (a) Yes (b) No
3. If you do where do you buy fairtrade coffee?
(a) Speciality shops (e.g Oxfam) (b) Supermarkets (c) fast food outlets (e.g Starbuck, GREGGS)
4. In most cases where do you drink Fairtrade coffee?
a. At home b. At work c. In community places (e.g Church) d. Don't drink it

Personal background

Ages	
Sex	
Level of Education	

Thank you

Appendix 2: Communalities

Attributes	Initial	Extraction
coo	1.000	.613
varbean	1.000	.573
decaff	1.000	.588
ftprod	1.000	.515
price	1.000	.425
taste	1.000	.633
genbra	1.000	.672
ownlabel	1.000	.395
caffcoff	1.000	.605
aroma	1.000	.710
strength	1.000	.636
recypac	1.000	.480
orgaprod	1.000	.601
nochillab	1.000	.586
distance	1.000	.608
ftprinc	1.000	.702
scractv	1.000	.677
payftpr	1.000	.672

Appendix 3: Communalities

	Initial	Extraction
inequalities	1.000	.552
envresp	1.000	.713
eqeworld	1.000	.724
avaproduc	1.000	.708
staffknow	1.000	.638
widechoice	1.000	.585
notownlabel	1.000	.697
linfo	1.000	.548
fairdeal	1.000	.517
sminfo	1.000	.588
display	1.000	.475
primiprice	1.000	.569
ftshelf	1.000	.716
ftleafinfor	1.000	.591

Appendix 4: Rotated Component Matrix^a

	Component				
	1	2	3	4	5
inequalities	.504	.577	-.170	.246	.074
envresp	.349	.620	-.087	.429	.126
eqeworld	-.025	.187	.031	.824	-.097
avaproduc	.567	-.132	.177	.513	-.273
staffknow	.755	.061	.155	-.144	.141
widechoice	.759	.067	.059	.031	-.020
notownlabel	.004	.027	.068	-.093	.827
lrinfo	.026	-.252	.006	-.011	.695
fairdeal	.080	.677	.144	-.098	-.149
sminfo	.371	.328	.396	-.426	-.067
display	.375	.279	.470	.068	-.179
primiprice	-.169	.648	.263	.085	-.209
ftshelf	-.038	.037	.809	.225	.089
ftleafinfor	.186	.078	.690	-.263	.076

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