Croatian consumers' knowledge and attitudes towards Fair Trade

Cerjak, Marija[1]; Naglić, Tatjana[2]; Mesić, Željka[3]; Tomić, Marina[4]

[1] Department of Agricultural Marketing, University of Zagreb Faculty of Agriculture, Zagreb, Croatia, mcerjak@agr.hr

[2] 30 svibnja 8, Bregana, Croatia

[3]Department of Agricultural Marketing, University of Zagreb Faculty of Agriculture, Zagreb, Croatia, zmesic@agr.hr

[4]Department of Agricultural Marketing, University of Zagreb Faculty of Agriculture, Zagreb, Croatia, matomic@agr.hr

Paper prepared for presentation at the EAAE-AAEA Joint Seminar
'Consumer Behavior in a Changing World: Food, Culture, Society"

March 25 to 27, 2015
Naples, Italy

Summary

Fair trade (FT) is an alternative approach to conventional trade, e.g. it is a movement which is trying to add the component of social sensitivity to international trade. It is a trade partnership that contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in developing countries. Among the Fair Trade certified products, coffee is the best-established item.

The offer of fair trade products in Croatia is still limited with food products as a main products group and specialty stores as a main selling channel. However, following the trends in the developed countries, it can be expected that the market of fair trade products will also grow in Croatia. The goal of this research is to explore Croatian consumers' knowledge and attitudes towards fair trade concept and products and to explore their potential motives for purchase of fair trade coffee in shops as well as in cafes.

An on-line survey conducted with 317 coffee consumers showed that Croatian consumers, especially urban, educated, middle-aged consumers with average to high economic status, are interested in purchase and consumption of Fair Trade coffee. If this coffee would be available, especially in larger and more frequent stores, as well as in cafes, and its price would not be significantly higher compared to other types of coffee, its market share could increase in the following years.

Keywords: Fair Trade, coffee, Croatia, consumers, knowledge and attitudes

Topic: Consumer behaviour: preference analysis

Introduction

Fair Trade (FT) is an alternative approach to trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It seeks to do so by providing better trading conditions, raising awareness, and campaigning (Krier 2001). FT contributes to sustainable development by offering better trading conditions to, and securing the rights of, disadvantaged producers and workers, especially in developing countries (European Fair Trade Association). Fair trade is a trading strategy that guarantees producers a “fair” price for their products. Producers in developing countries achieve better terms when selling fair trade products in relation to commercial terms while consumers have to pay an ethical premium. Higher price to the consumer is warranted by the higher price that farmers receive for their products and by the fair-trade control mechanisms in the trade channel (De Pelsmacker et al., 2005).

In 2013 shoppers spent 5.5 billion$ on FT products (Fairtrade International Annual Report 2013/2014), with UK as a leading country. Even though the FT products represent a small percentage of total global trade and fair trade labelled products occupy a small percentage of global agricultural markets the interest of consumers in developed countries for FT products is constantly growing in the recent decades (Delistavrou et al., 2009). Fair trade products are nowadays both more visible and more widely available with coffee, tea, cocoa, nuts, bananas, cotton, fresh fruits and flower as the most available. Among fair trade products, coffee has the largest sales volume and the longest history dating back to 1989 (James, 2000; Bosbach & Maietta, 2011).

Recent studies have investigated fair trade coffee in many european countries such as Sweden (Schollenberg, 2012), Italy (Bosbach & Maietta, 2011; Catturani et al., 2008),Germany (Basu and Hicks, 2008), France (De Ferran & Grunert, 2007), Belgium (De Pelsmacker et al., 2005), but also noneuropean countries like China (Yang et al., 2012) and USA (McGarry Wolf & Romberger, 2010). Most of this studies explored attitudes about FT concept and consumers willingness to pay premium price for FT coffee.

According to De Ferran & Grunert (2007) the most important purchasing attributes of FT coffee are „fair trade“, „organic“, „taste“, „respect for the environment“ and „equality between humans.

However, Californian consumers perceive FT coffee to be of inferior quality compared to conventional one on most desirable coffee characteristics: flavour, taste, price and quality/price ratio (McGarry Wolf & Romberger, 2010). This is contrary to the study of Cranfield et al. (2010) who found out that consumers from Canada preferred buying fair trade coffee due to nature of fair trade claim, country of origin, roast of the coffee beans and form of coffee.

According to Yang et al. (2012) consumers in China are willing to pay in average 22% more for a medium cup of fair trade coffee compared to traditional coffee. These results are consistent with a willing to pay of Belgian consumers (De Pelsmacker et al. (2005). Much higher willingness to pay was found among Swedish consumers, they are ready to pay even 38% more for fair trade coffee compared to traditional one (Schollenberg, 2012).

Previous studies showed that individual sociodemographic characteristics have impact on willingness to pay for FT coffee; women are more likely to pay price premiums for fair trade coffee compared to men (Yang et al., 2012). Belgian fair-trade consumer is relatively highly educated and has a relatively high income and social status (Idea Consult, 2002).

Croatia, as a developing country, has limited offer of FT products, with food products as a main products group and specialty stores as a main selling channel. Even though the offer and demand for fair trade products are still low, following the trends in the developed countries, it can be expected that the market of fair trade products will also grow in Croatia.

The goal of this research is to explore Croatian consumers' knowledge and attitudes towards fair trade concept and products and to explore their potential motives for purchase of fair trade coffee in shops as well as in cafes.

Methodology

On-line survey was open three weeks in June and July 2013. A link of a survey was distributed via Facebook and by e-mail. A snowball technique was further used to recruit additional respondents. All together 569 respondents accessed the questionnaire with 91 of them disqualified because they are not coffee drinkers. 478 questionnaires were completed, of which 317 were useful (i.e., fully completed) and they were used in further analyses.

A questionnaire consisted of 34 questions grouped in several distinct sections: familiarity with FT concept, attitudes towards FT concept, consumer behaviour and purchase interest regarding FT coffee in supermarkets and cafes, and conjoint measurement for a 250 vacuum coffee. Finally, socio-demographic information was also collected.

Awareness of FT concept and International Fair Trade Certification label was explored by direct question. In order to measure respondents' knowledge of FT concept five statements describing fair trade were offered to the respondents. Out of these statements only one was correct. Respondents had to select statements they believed that were correct.

Afterwards, in order to provide each respondent with the same information level, a short explanation of fair trade was presented to the respondents before asking them about their attitudes toward fair trade concept and behavioural intention regarding FT coffee.

Respondents' attitudes were measured by means of an itempool consisting of 13 statements taken from the literature (Delistavrou, et al. 2009, Kelley, 2013). Six statements had negative and seven positive connotations. Respondents could choose one of three offered answers for each statement: “I agree”, “Neither agree nor disagree”, “I disagree”.

Univariate (distribution and frequencies) and bivariate statistics (chi-square test and ANOVA) were used to explore collected data. The statistical significance level was set at 0.05.

A conjoint measurement was conducted to determine consumers' preference for FT coffee and a relative importance of coffee attributes. A 250 g vacuum packed coffee was used as a test product with four attributes: price, brand, origin and fair trade label (Table 1). Ten profiles named with letters were presented to the respondents. They were asked to imagine themselves in a supermarket and to rank these profiles according to their preferences from most preferred to the least preferred one. A full profile with a reduced design was used to obtain the profiles. For the reduction of design was used orthogonal procedure. Assessment of preferences was carried out according to an additive part-worth function model.

All data analyses were done in SPSS statistical package.

Attributes	Levels
Price	14 kn* 16 kn 18 kn
Brand	well-known unknown
Origin	Domestic Imported
Fair trade label	Yes No

* 1 euro = 7.6 kn

Table 1 Conjoint attributes and levels

Results

Sample description

In the total number of respondents there is considerably larger number of women (67%) than men (33%). The respondents were aged between 18 and 80 years, with the largest number of respondents between 20 and 50 years.

The prevailing number of the respondents was employed (84.5%). Most of them have finished university education (76.8%) with all the others having high school education. Majority of the respondents live in urban areas (88%). In regard to their economic status, most of the respondents (85.5%) described it as a good or mediocre.

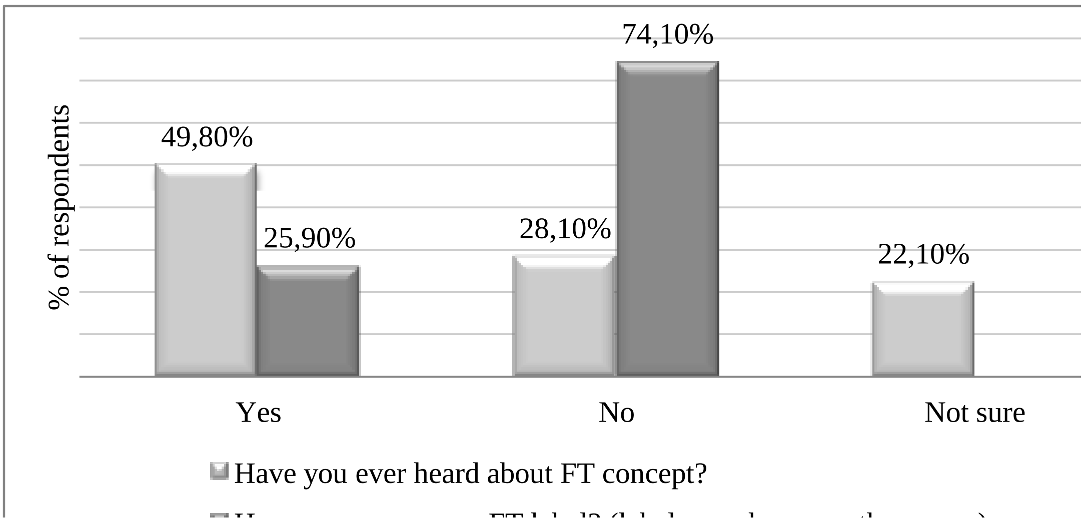
		%	N
Gender	female	66.9	212
	male	33.1	105
Age (years)	< 20	0.3	1
	20 – 35	58.4	185
	36 – 50	32.8	104
	51 – 65	7.3	23
	> 65	1.2	4
Employment status	employed	84.5	268
	unemployed	7.3	23
	students	6.3	20
	pensioners	1.9	6

Education level	university degree	76.8	228
	high school	23.2	69
Place of living	urban	88.0	279
	rural	12.0	38
Perceived economic status	very good or good	48.1	151
	mediocre	45.9	144
	poor or very poor	6.1	19

Table 2 Summary statistics of socio-demographics

Awareness and knowledge about fair trade concept

Half of the respondents (49.8%) stated that they have heard about FT concept, mostly over Internet (of them 49.6%). In addition to Internet, 26% of the respondents heard about FT on TV/radio and at work/university. Newspapers as well as friends were main sources of information about FT for about one fifth of the respondents. Only 10% of the respondents have noticed FT product in shops.



Graph 1 Awareness of the fair trade concept and label

Chi-square test confirmed that respondents’ age, educational level and perceived economic status have significant influence on their awareness of FT concept. Younger consumers are more familiar with FT concept compared to older consumers; the average age of those aware of FT concept was 34.4 years, while the average age of consumers not aware of FT concept was 38.4 years. Respondents with university degree are more aware of FT concept than respondents with a high school degree (55.3% and 33.8% respectively). Also, respondents with higher perceived economic status are more familiar with FT concept (60% of them) compared to the respondents with mediocre and poor economic status (40% and 30% respectively).

In contrast to the awareness of the concept of fair trade, the FT label had seen only one quarter of respondents (25.9%), of which most of them also via Internet (72% of them). FT label on a product noticed 24.4% of respondents, and in newspapers 19.5% of them.

Women were more familiar with FT label than men (29.7% and 18.1% respectively) as well as respondents with a university degree compared to the respondents with high school diploma (53.5% and 33.8% respectively).

	% of respondents*
"Fair trade guarantees a acceptable prices for consumers and for producer"	81.0%
" Fair trade is a trade that is outside of the VAT system "	2.5%
" Fair trade products are the same as free trade products "	6.3%
" Fair trade is a trading exclusively at fairs, i.e. purchase directly from producers "	7.0%
" Fair trade products are the result of World Trade Agreement negotiation "	23.4%

*Only respondents that are aware of fair trade (N = 158)

Table 3 Knowledge of concept of fair trade

A majority of the respondents that are aware of FT concept (81.0%) selected a correct definition of fair trade (Table 3). However, as it was possible to select more than one answer, only 66.5% of them selected just the correct answer.

Only 16 respondents (5.1%) stated that they purchased or consumed FT coffee, and 10 out of them did it abroad.

Attitudes towards fair trade

Consumers' attitudes towards FT are very positive, even though a significant share of the respondents is not sufficiently informed about the basic principles of Fair Trade so they could not express their attitudes towards them

By far the greatest share of the respondents (76.3%) agrees with the statement " I stand for a Fair Trade network, which can ensure a fair price for each product of the less developed countries”, while extremely small number of respondents (1.6%) does not agree with this statement.

A bit more than a half of the respondents (51.4%) think that it is fair to me to pay a premium for a fair product in order to contribute to the welfare of people in the Third World. A higher share of the respondents are undecided about this statement (37.9%) compared to a share of the respondents who did not agree with it (10.7%).

Many respondents (42.6%) considered that the production of FT coffee helps preserve the environment and sustainable development, as opposed to the very small number of respondents (4.1%) who do not agree with it.

According to the respondents Fair Trade strengthens sustainable development (42.6%) , helps in poverty reduction (34.1%) and in contributing to the protection of the human and working rights of workers and producers in developing countries (57.7%) Respondents consider FT label as credible and quality of FT products as satisfactory.

	I agree	Neither agree nor disagree % of respondents	I disagree
The Fair Trade contributes to the protection of the environment and to the sustainable development as well	42.6	53.3	4.1
I stand for a Fair Trade network, which can ensure a fair price for each product of the less developed countries	76.3	22.1	1.6
It seems fair to me to pay a premium for a fair product in order to contribute to the welfare of people in the Third World	51.4	37.9	10.7
Fair Trade does not contribute to the abolition of poverty in the economically weak countries	10.7	55.2	34.1
FT coffee is more expensive that conventional coffee	20.8	71.9	7.3
Fair Trade label conveys credible information	44.2	51.7	4.1
FT coffee should be more present in retail shops than conventionally produced coffee	55.8	40.7	3.5
FT coffee is of lower quality than conventionally produced coffee	2.8	53.3	43.8
I don’t think that poverty in the Third World might be challenged if I bought fair products	17.0	54.9	28.1
Fair Trade is able to assist the Third World producers to sell their production and earn a fair income	62.1	35.6	2.2
FT label is just a marketing trick	5.7	61.5	32.8
Fair Trade is able to contribute to the protection of the human and	57.7	37.5	4.7

working rights of people in the Third World			
It is not my own responsibility to help the less developed countries	3.5	32.2	64.4

Table 4 Fair Trade attitudes

Willingness to purchase and consume fair trade coffee

Most respondents (87-0%) claimed that they would buy FT coffee, if it would be more available in Croatian shops. Majority of them (41.3%) would buy such a coffee only if they would notice it in a shop, while 35.0% of the respondents would buy it whenever possible. Further 10.7% claimed that they would buy FT coffee always or almost always if more available in Croatian shops. Last 13% of the respondents stated that they would not buy FT coffee even if it would be more available.

Gender and respondents' education influence their willingness to buy FT coffee. As many as 90.1% of women and 89.0% of respondents with a university degree would buy such a coffee in shops compared to 81.0% of men and 77.9% of respondents obtaining only a high school diploma.

Respondents that are familiar with FT concept are more willing to purchase FT coffee compared to unfamiliar consumers and those that are not sure if they have heard about FT concept (91.1%, 79.8% and 87.1% respectively).

Very similar results were obtained for a purchase and consumption intentions of FT coffee in cafes. A majority of the respondents (88.7%) would order FT coffee; some of them (40.4%) only in a situation when they would notice such offer in a cafe, some would order it whenever possible (37.9%) and 10.4% always or almost always. Only small share of the respondents (11.3%) said that they would not order FT coffee. Some are not interested in it at all, while some would not buy it even though they think it is important. None of the respondents would avoid such a coffee.

Main motives for purchasing FT coffee in shops coincide with motives for consumption in cafes: the most frequently quoted motives are a fair price for producers followed by high quality of FT coffee and curiosity. A care for the environmental and wish to try to change the world are important for one third of the respondents. Coffee brand and popularity of FT products are important for a very small number of the respondents.

	% of respondents	
	Shops	Cafés
It guarantees a fair price for producers	51.1	48.3
It is a high quality product	39.1	36.6
Because of a curiosity	36.3	38.2
To try to change the world	34.1	31.9
It is better for the environment	33.8	30.9
Because of its brand	3.5	4.1
It is popular	0.3	0.6

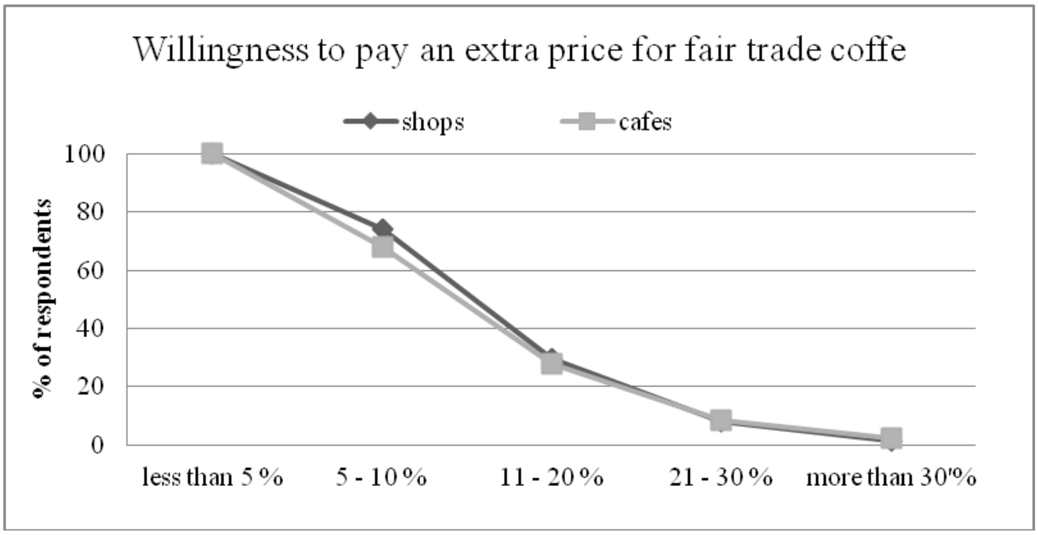
Table 5 Motives for purchasing and consumption of fair trade coffee

Women as well as more educated respondents are more altruistic than others; 55.7% of women and 56.6% of respondents with a university degree compared to 41.9% of men and 36.8% of respondents with a high school diploma would buy FT coffee because it guarantees a fair price for producers. Similarly, 53.0% of urban respondents compared to 36.8% of rural respondents would choose FT coffee for the same reason. Women as well as younger respondents are more environmentally concerned; 38.0% of women and 23.0% of men would buy FT coffee because it is better for the environment. The average age of respondents considering this purchasing motive is 33.8 years and of those not considering it is 36.6 years. Younger consumers are more curious; the average age of respondents that would purchase FT coffee because of curiosity is 34.1 years while the average age of respondents that are not motivated with curiosity is 36.6 years.

Higher share of the respondents who were aware of FT concept before this research would buy FT coffee because of its high quality compared to the other respondents (47.5% and 30.8% respectively). Similarly, a guarantee of a fair price for producers is more important for aware respondents than for those that were not aware of FT concept (62.0% and 40.2% respectively).

Willingness to pay an extra price for FT coffee

Willingness to pay an extra price either in shops or in cafes is also similar. Most respondents would be willing to pay 5-10% higher price for FT coffee (44.5% and 40.1% in shops and cafes respectively). About one fourth of the respondent (25.9% and 32.5% respectively) would not pay more than 5% extra, while only 8% of the respondents would pay more than 20% extra price either in shops or in cafes.



Graph 2 Willingness to pay an extra price for fair trade coffe

Conjoint analysis

Results of a conjoint analysis showed that respondents place similar importance on all four examined coffee attributes with price having the highest importance (29.4% of the total importance). Respondents prefer a cheapest, domestic, well-known brand of coffee with fair trade label.

		Average Relative Importance	Average Part-Worth Utilities
Brand	well-known	24.9%	0,176
	unknown		-0,176
Origin	domestic	23.1%	0,040
	imported		-0,040
Fair trade label	yes	22.6%	0,200
	no		-0,200
Price	14 kn	29.4%	-0,125
	16 kn		-0,251

18 kn	-0,376
(Constant)	4,709

Table 6 Results of a conjoint analysis

Conclusions

Over the last decade ethical products, like organic and FT products, have recorded strong growth of the market and they become increasingly important for consumers. The results of previous studies have shown an increase in consumer knowledge and awareness on issues of trade and ethical consumption, but as Annunziata et.el. (2011) state the empirical evidence shows that ethical consumption is more “celebrated” than practiced.

This study investigates Croatian consumers' knowledge and attitudes towards FT concept and their motives for purchase of FT coffee in different sales channels. The results of the survey showed that half of the respondents have heard of FT concept, mostly through the Internet, and radio/TV. Younger respondents and those with higher education and higher perceived economic status are more familiar with FT concept. Similar results were found in a study of Belgian fair-trade consumers (Idea Consult, 2002) as well as in a study of Annunziata et.el. (2011) who described an ethical consumer as a person with a higher income, with higher level of education, a prestigious occupation, and is better informed than average.

Generally, consumers’ attitudes towards FT are very positive. According to their opinion, this form of trade has a positive impact on the environment; it strengthens sustainable development, helps in poverty reduction and in improving the living conditions for workers and producers in developing countries. Respondents consider FT label as credible and quality of FT products as satisfactory.

Respondents expressed readiness to buy FT coffee if it would be more available either in shops or in cafes with more educated consumers and those who are more familiar with the FT concept expressing higher purchasing intention. Nonetheless, the price, according to majority of respondents, should not exceed 20% of a price of regular coffee. Similar results were found in Belgium and Chinese markets (De Pelsmacker et al., 2005, Yang et al. (2012). Arnot et al. (2006) investigated consumers’ purchasing behavior with regard to fair trade coffee in Canada and found that buyers of fair trade coffee were much less price sensitive than those who bought conventional coffee.

The main motives for choosing FT coffee are similar for both distribution channels – shops and cafes. The most frequently mentioned motive was a fair price for producers, followed by a high quality of FT coffee and curiosity. About one third of the respondents would buy such coffee because of environmental reasons and as an attempt to change the world which is in line with previous findings (Doane, 2001). According to De Pelsmacker et al. (2005), ethical consumers feel responsible toward society and express these feelings via their purchasing behaviour.

Caring for a fair price for producers is more pronounced in women, more educated and urban consumers. We also identified that fair price for producers and high quality of FT coffee is more important for consumers who are more familiar with FT concept. Women and younger respondents are also more sensitive on environmental impact of FT coffee compared to men and older respondents.

The main results emerged from the conjoint analysis showed that respondents receive a price of coffee as most important attribute (29.44%), followed by brand (24.99%), FT sign (22.46%) and origin (22.11%).

Summarizing the results of the analysis it can be concluded that Croatian consumers, especially urban, educated, middle-aged consumers with average to high economic status, are interested in purchase and consumption of FT coffee. If this coffee would be available, especially in larger and more frequent stores and cafes, and its price would not be significantly higher compared to other types of coffee, its market share could increase in the following years.

The findings from this study contributes to the existing literature by providing empirical evidence for the Croatian market. Also, they give valuable information for FT marketeers and governments to optimize their marketing and information efforts. A similar study as for FT coffee in the future research could be set up for different product categories (honey, bananas, spices and herbs, sugar, tea, chocolate) and ethical labels.

References

1. Annunziata, A., Ianuario, S., Pascale, P. (2011). Consumers' Attitudes Toward Labelling of Ethical Products: The Case of Organic and Fair Trade Products, Journal of Food Products Marketing, 17:5, 518-535. **To link to this article:** http://dx.doi.org/10.1080/10454446.2011.618790

2. Arnot, C., Boxall, P.C., and Cash, S.P. (2006). "Do Ethical Consumers Care About Price? A Revealed Preference Analysis of Fair Trade Coffee Purchases." Canadian Journal of Agricultural Economics/Revenue Canadienne d'agroeconomie Vol. 54. No.4. p. 555-565.

3. Basu, A.K., Hicks, R.L. (2008). Label Performance and the Willingness to Pay for Fair Trade Coffee: A Cross-National Perspective. *International Journal of Consumer Studies,* 32, 470–478.
4. Bosbach, M., Maietta, O.W. (2011). The impact of social capital on the implicit price paid by the Italian consumer for fair trade coffee. EAAE 2011 Congress Change and Uncertainty
5. Catturani, I., G.; Nocella, D. R.; Stefani, G. (2008). Segmenting the Italian Coffee Mar-ket: Marketing Opportunities for Economic Agents Working along the International Coffee Chain.Paper presented at the 12th Congress of the European Association of Agricultural Economists, Ghent, Belgium, August 26–29, 2008.
6. De Ferran, F. Grunert, K.G. (2007). French Fair Trade Coffee Buyers' Purchasing Motives: An Exploratory Study using Means-end Chains Analysis. *Food Quality and Preference*, 18(2), 218-229.
7. De Pelsmacker, Driesen, L., Rayp, G. (2005). Do Consumers Care about Ethics? Willingness to Pay for Fair-Trade Coffee. *Journal of Consumer Affairs*, 39(2), 363–385.
8. Delistavrou, A., Gounas, A., Tilikidou, I. (2009). Fair Trade Supporting Group: What They Know, Feel and Prefer. Proceedings of the 2nd International Conference "Quantitative and Qualitative Methodologies in the Economic and Administrative Sciences", TEI of Athens, Athens 25-27 May 2009, pp. 75-82

9. Doane, D. (2001). Taking Flight: The Rapid Growth of Ethical Consumerism. London: New Economics Foundation.

10. European Fair Trade Association (EFTA), 'Fair Trade', at http://www.european-fair-trade-association.

11. Fairtrade International Annual Report 2013/2014, available at http://www.fairtrade.net/fileadmin/user_upload/content/2009/resources/2013-14_AnnualReport_FairtradeIntl_web.pdf, accessed 27/2/2015
12. Idea Consult. (2002). Effectenstudie en Opiniepeiling over Eerlijke Handel in Belgie¨. Research Report for the Belgian Ministry of Foreign Affairs and International Cooperation, Brussels.
13. James, D. (2000). Justice and Java: Coffee in a Fair Trade Market. *North American Congress on Latin America Report to the Americas.* 4 (2):11-14.
14. Kelley, M. (2013). The Fair Trade consumer: attitudes, behaviors, and knowledge of Fair Trade Products, College of Education and Human Ecology at The Ohio State University, 2013
15. Krier, J.M. (2001). Fair Trade in Europe 2001: Facts and Figures on the Fair Trade Sector in 18 European Countries. Maastricht: EFTA Research Report.
16. McGarry Wolf, M., Romberger, C.L. (2010). Consumer Attitudes towards Fair Trade Coffee. Australian Agricultural and Resource Economics Society National Conference, Adelaide, Australia, February 10–12, 2010
17. Yang, S. H., Hu, W., Mupandawana, M., Liu, Y. (2012). Consumer Willingness to Pay for Fair Trade Coffee: A Chinese Case Study. *Journal of Agricultural and Applied Economics*, 44(1), 21-34.