

IS FAIR TRADE AN EFFECTIVE STRATEGY FOR POVERTY REDUCTION OR A TIMELY AND EMOTIONAL MARKETING PLOY?

MARKETING ESSAY 7: FAIR TRADE FOR: AMANDA BERLAN

Sagar Shah

December 2007

Fair Trade has received considerable attention in recent years, mainly because it has experienced substantial levels of growth in terms of sales and product range, but also because it has achieved record levels of consumer awareness in some of the world's most important markets (over 50% in the UK, Netherlands, France and Belgium). With this attention has come heightened scepticism: an ever-increasing number of people are questioning the effectiveness of Fair Trade as a vehicle of poverty reduction. This essay will examine the concept of Fair Trade, and assess the extent to which it is an effective strategy for poverty reduction, and the extent to which it has been a timely and emotional marketing ploy.

In this essay, I aim to show that in its current form, Fair Trade appears to be more of 'a timely and emotional marketing ploy' than an 'effective strategy for poverty reduction' because of its limited impact on the poorest producers, its small size, its focus on agriculture and the fact that most marketing has focused on the process of production rather than the product itself. However, I also aim to show that if Fair Trade is able to develop strong brands and more sophisticated products that do not need to rely on playing on the hearts of altruistic consumers, it will be able to move beyond the small percentage of

committed ethical consumers and into the mainstream, bringing benefits to many more producers. Fair trade may thus become a viable vehicle with which to tackle global poverty.

I shall begin by briefly discussing the topic of global poverty, and then the concept of Fair Trade. I shall then examine the impact that Fair Trade has had on producers, and attempt to evaluate the extent to which it has been effective in reducing poverty. After this, I shall describe the marketing of Fair Trade products in recent years and discuss the increasing cultural influence of brands in the lives of Western consumers. This will be followed by an evaluation of the extent to which Fair Trade can be considered to be an emotional and timely marketing ploy. Before concluding, I shall briefly discuss the means by which the Fair Trade movement can increase its effectiveness as a strategy for poverty reduction.

Although a full treatment of global poverty is beyond the scope of this essay, this paragraph will attempt to briefly capture the concept. Poverty is a multi-dimensional concept that is difficult to define a single statement. It is typically associated with low income levels, but is also associated with social exclusion, malnutrition, high morbidity rates, high infant

mortality rates, child labour, human trafficking and forced labour, low life expectancy, low self-esteem and confidence, gender inequality, low levels of education, as well as limited access to healthcare, credit and insurance (Ray, 1998). In 2002, 2.8bn (of the world's 6 billion population) lived on less than 'poverty line' of \$2 a day, and 1.2bn lived on less than \$1 a day (World Development Report, 2002), with most of these individuals working in subsistence farming and/or agricultural production in developing countries. For the purposes of this essay, an effective strategy to reduce poverty will be considered to be one that empowers impoverished individuals, helping them to gain the means to move out of poverty by raising their productivity and income, and helps alleviate many of the problems/traps associated with poverty. For a poverty reducing strategy to be effective it must also be scalable (have the ability to have an impact on a large number of people) and sustainable (it must be self sufficient and must last long enough to have a significant impact).

Fair Trade is a term used to describe the organised social movement that promotes international labour, economic and social standards for the production of labelled and unlabelled goods ranging from handicrafts to agricultural commodities, which are typically exported from developing countries to developed countries. The term is also used to describe the work of Alternative Trade Organisations (ATOs), Fair Trade federations and networks such as IFAT (International Fair Trade Association) and the FLO (Fair Trade Labelling Organizations International). The Fair Trade model is based on giving producers direct market access, paying them a fair price for the produce (typically locally determined), giving them long term contracts, advance payments (i.e. access to credit), minimum labour standards, capacity building and technical assistance, support for cooperatives, an additional premium for community development projects (typically 10%), and environmentally sustainable practices (Nicholls, 2007).

In theory, the Fair Trade movement can be viewed to be an effective strategy for poverty reduction in a number of ways. It is sustainable as it works with profit making businesses (and is thus not reliant on donors), and seeks to challenge and out-compete conventional profit oriented competitors (Nicholls & Opal, 2005). It is an agent of advocacy that aims to raise awareness and secure changes to the international trading regime. It is an agent of redistribution that passes on the benefits that consumers are willing to pay (Oxford Policy Management, 2000). Finally, it is an agent of empowerment that assists producers to develop their own capacity to engage on more favourable terms (Oxford Policy Management, 2000).

However, there are also theoretical arguments (typically put forward by economists) that suggest that Fair Trade may not be as beneficial a poverty reduction strategy as it may initially appear. Firstly, by paying producers an increased price for their output, Fair Trade encourages them to produce more than they would do under normal market prices. Whilst this may enable them to earn a higher wage, it also encourages each farmer to produce more, this results in increased supply relative to demand. As a consequence, prices fall for those who are unfortunate enough not to benefit from a Fair Trade guaranteed price. This may actually exacerbate the poverty of the world's poorest producers. Secondly, a number of development economists have found that the only countries that have achieved sustained economic growth high enough to substantially reduce absolute poverty levels have done so through concentrating on exporting manufactured goods (Teal, 2007). Fair Trade has encouraged the production of low (brand) value agricultural commodities such as sugar, tea, bananas, coffee and cocoa, products which have all suffered from falling prices over the last three decades (Nicholls, 2007). Fair Trade may slow down the transition from the production of agricultural commodities to manufactured goods (by encouraging farmers that may otherwise move to cities to remain in rural production by reducing the rural-urban wage differential). It also leaves the colonial

structure of unequal exchange relations intact, by encouraging former colonies to continue to produce and be dependent on the export of raw materials and agricultural products to Western markets (Manokha, 2004). Thus, although Fair Trade may have a positive poverty reducing impact on the individuals it engages with in the short term, it may also have a negative impact on non-Fair Trade producers and hinder economic growth that may help poverty reduction in the long term.

The above theoretical arguments alone are not enough to deem Fair Trade to be effective or ineffective as a strategy for poverty reduction. It is necessary for the scale, sustainability and impact of Fair Trade to be evaluated.

Fair Trade has experienced considerable growth in recent years. In 2006, the UK market was valued at £290mm (up from 46% from the previous year), with over 3000 certified products. Sainsbury's, a large UK retailer, now only sells Fair Trade bananas, and CafeDirect, a Fair Trade coffee brand is now the 3rd largest UK coffee brand (Nicholls, 2007). Global sales were valued at more than £2.5bn with returns of £150m to Fair Trade producers. Fair Trade organisations operate in over 58 countries, and awareness levels are over 50% in the UK, France, Belgium and Switzerland, some of the world's most important markets.

The rapid growth of Fair Trade in a for-profit model indicates that the benefits that it brings to producers are likely to be sustainable. However, Fair Trade is currently too small to make a significant impact on world poverty. Despite having grown substantially in recent years, Fair Trade still only accounts for a tiny fraction of global trade (less than 1%), and Nicholls (2007) indicates that it only engaged with 5 million producers worldwide in 2006. Given that 2.8 billion people were living under the World Bank poverty line of \$2 a day in 2002, Fair Trade needs to grow much larger before it can be considered to be a credible solution to global poverty.

In terms of impact, a survey in Nicholls & Opal (2005) indicates that there are a number

of positive direct impacts and indirect impacts on producers that engage in Fair Trade that may help reduce poverty. Taylor (2002), Ronchi (2002) and Malins and Blowfield (2000) found Fair Trade cooperative members gained a significantly larger income than non Fair Trade cooperative members¹. Lyon (2002: in Nicholls and Opal, 2005) found that many Fair Trade coops funded a number education scholarships, which may help raise the productivity of future generations. In their survey, Nicholls and Opal (2005) also found evidence suggesting psychological benefits to farmers and support of indigenous culture and ancestral benefits. They also found a number of indirect impacts in terms of increased bargaining power and marketing knowledge, as well as civic participation in issues beyond crop production, such as discussions on government programs, land tenure and religious festivals - all of which may help stimulate the development process and thus lead to poverty reduction in the future. Additionally, Oxford Policy Management (2000) found that competition from Fair Trade encouraged mainstream trading operators to justify their own trading practices and increase their transparency, which may help reduce poverty amongst non Fair Trade producers.

From the above paragraph, it may appear that where Fair Trade has engaged with producers, it has been effective in reducing poverty, especially when compared to policies such as the structural adjustment programmes advocated by the World Bank and IMF in the 1990s (Stiglitz, 2002), which have often had devastating impacts. Unfortunately, measuring the impact of Fair Trade is extremely difficult, and a number of methodological issues may mean that the impact of Fair Trade on producers is overstated (Nicholls & Opal, 2005). In order to fully evaluate its overall impact, it is also necessary to examine the impact it may have on individuals that do not directly benefit from it.

¹For example, Malins and Blowfield (2000) found that Fair Trade Ugandan fruit dryers earned more than £126 a year than their non Fair Trade counterparts. Whilst this appears to be small, when one considers that the average Ugandan income is £132, the benefit appears to be less insignificant.

There has been very little research which has compared the progress of non Fair Trade producers to their Fair Trade counterparts over time. Thus, any changes in income over time, or reports of increased self esteem and confidence may have arisen as a result of factors other than Fair Trade, such as government policies in a particular area or general trends across all producers. Thus, it is difficult to attribute any benefits directly to Fair Trade (Nicholls and Opal, 2005). Even if time series data were to be collected, and significant dynamic differences (in terms of poverty indicators) between Fair Trade and non Fair Trade producers found, these would likely be because of Fair Trade selection standards. The high standards of Fair Trade (in terms of product, labour, environment, gender equality, and democratic leadership, for example) may mean that it is only the producers with the highest potential for success that are selected. Such selection standards may not only increase the perceived positive impact of Fair Trade when Fair Trade producers are compared with non Fair Trade producers (as the farmers selected are likely to have higher incomes and have higher levels of confidence anyway), but are also likely to isolate and exclude individuals unable to meet the necessary standards.

The isolated individuals are likely to be the poorest producers, and Fair Trade benefits such as a minimum guaranteed price, community development projects, long term contracts and access to credit for capacity building are likely to have a much bigger poverty reducing impact on such producers than on the producers who are selected for Fair Trade. Although Nicholls and Opal (2005) found some evidence in the empirical literature supporting the existence of small spill-over effects from the Fair Trade producers to the non-fair trade producers, they also found reports suggesting that Fair Trade caused labour unrest at non Fair Trade farms as a result of increased wages for Fair Trade producers, and papers documenting how the poorest farmers in Ecuador and Nicaragua were unable to benefit from Fair Trade. Thus, the high selection standards of Fair Trade may

mean that the benefits of Fair Trade are overstated, and that the most vulnerable and poorest producers are likely to receive little benefit from Fair Trade, and may possibly even suffer as a result of Fair Trade.

Having examined the effectiveness of Fair Trade as a poverty reducing strategy, it is now necessary to examine the marketing of Fair Trade, and to determine the extent to which it should be considered to be a 'timely and emotional marketing ploy'. In order to do so, I shall first describe the 'phases' that Fair Trade marketing has gone through as described by Nicholls (2007) and Nicholls & Opal (2005)-describing some marketing materials in detail. I shall then evaluate the extent to which the marketing has been emotional and timely by examining the time-period of marketing and by contrasting the verbatim on marketing materials with anthropological research on producers.

Nicholls and Opal (2005) suggest that the marketing of Fair Trade goes through three phases: a focus on process; a focus on product; and a focus on place.

The 'process' phase started in the early 1990's when Fair Trade was first launched, and was based around "a reconfiguration of the traditional neoliberal model of a profitable supplier-consumer relationship and centre on the concept of common global citizenship" (Nicholls and Opal, 2005 pp.153). A majority of the marketing was based on building awareness, trust and credibility. Fair Trade products were positioned 'against' the market, with vivid images in individual supplier stories allowing the consumer to 'meet' the producer. For example, Wright (2004) describes a picture of a coffee grower in Peru on Cafe Direct that is so close-up that it is possible to see every wrinkle and pore on his face and Wright (2004) and Berlan (2007) describe many excerpts from packaging that describe a time when the producer was poor, but how Fair Trade has helped them to, say, build a house or send their children to school. The products were mainly distributed through Alternative Trading Organisations such as Oxfam, and thus targeted the naturally

sympathetic consumer segment (strongly ethical), which made up 5% of consumers at most (Cowe and Williams, 2000 in Nicholls and Opal, 2005).

The 'product' phase started in the (very) late 1990's and early 2000's and involves moving the emphasis away from the producer and towards the quality of the product. At this point it is important to note that the 'process' phase still illustrates the marketing of many Fair Trade products, and that only a small proportion of Fair Trade products such as Cafe Direct and Divine Chocolate that are now in this stage. During this phase, brand glamour and consumer escapism as well as ethical guilt were used to capture a broader market which driven by self-referential marketing (Nicholls and Opal, 2005). Products differentiation increased and more products were listed in supermarkets and multiples, where they aimed to position themselves as exclusive and as best quality as much as fairly traded and market the values of quality and lifestyle. For example, Cafe Direct began to position its marketing communications to stress quality, range and differentiation from 2000 (Nicholls and Opal, 2005). They produced visions of lush and romantic landscapes, focussed on consumer gains² rather than producer gains.

The 'place' phase is based on targeting customers who are 'doing what they can', a target which consists of 49% of the UK market according to Cowe and Williams (2000 in Nicholls, 2007). It involves marketing values based on community and social linkages, using channels such as small and medium sized enterprises, localised marketing strategies and actions through local educational campaigns and word of mouth interest. Examples of such strategies include Fair Trade universities and towns (Nicholls, 2007).

² For example, on piece of Cafe Direct marketing material consumer gains are mentioned 31 times, where as producer gains are mentioned 16 times (Wright, 2004). When producer gains are mentioned, the reader is quickly brought back to the consumer gains, implying that the premium of Fair Trade will have its own reward.

Having put forward the phases of Fair Trade marketing, I shall now proceed to evaluate the extent to which the marketing of Fair Trade should be considered to be 'timely and emotional marketing ploy'. I shall consider the marketing to be emotional if it aims to induce customers to purchase the product on the basis of sentiments and feelings rather than on the merits or quality of product. I shall consider the marketing to be 'timely' if it was executed at a fitting time to take advantage of consumer emotions, and for it to be a 'ploy' if there is evidence to suggest that the marketing may be intentionally misleading customers.

Based on the 'process' phase, it certainly seems that the marketing of Fair Trade was emotional. The fact that the products were mainly sold in shops such as Oxfam, and that the packaging had vivid stories and images of producers, indicates that it was intended that the individuals would buy the products because they wanted 'to make a difference' rather than on the merits of the products themselves. However, the movement towards the 'product' phase by successful brands indicates that this emphasis on 'emotion' in marketing may have been only to establish credibility. Nonetheless, even with the emphasis on 'product', the marketing of Fair Trade products generally appears to emotional.

During the latter half of the 20th century, there was an astronomical growth in the wealth and the cultural influence of companies. Companies moved from being product oriented to marketing orientated, and brands moved from being about products, to being "a way of life or a set of attitudes" (Klein, 2000: pp. 23), and became more entangled with consumer culture and identity. This increased cultural influence made consumers feel guiltier and more connected to the crimes of companies, and the 1990s consequentially saw increasingly levels of concern regarding activities of multi-national corporations in developing countries³ and the inequality of

³ Klein (2000) states that there was enormous growth in the number of and size of publications and organisations founded for the purpose of 'outing'

exchange relations, despite the fact that neither were new occurrences (Klein, 2000). For example, Dolan (2005) suggests that rather than evoking images of tropical climates and exotic people, tropical fruits such as mangoes and papayas confront consumers with images of toxic fields, child slavery and the African poor. The fact that the launch was made at a time of increasing concern about the activities of companies in developing countries and unequal exchange relations, combined with the fact that consumption was playing an increasing role on culture identity indicates that the launch and marketing of Fair Trade was timely.

Determining the extent to which the marketing of Fair Trade should be considered a ploy is more difficult. Since Fair Trade organisations were launched with the intention of helping poor producers, and promoting high social and ethical standards, it seems peculiar that they would attempt to mislead consumers to boost sales. As set out in the paragraphs below, further examination of the content of Fair Trade marketing reveals that consumers have indeed been misled.

The stories and vivid images on the packaging of Fair Trade products enable the consumer to feel like he or she has 'met the producer' of the product of he or she is about to consume. This itself is misleading as it is very unlikely that the pictured individual helped produce the contents of any individual package. Images of producers, such as that of the Peruvian farmer on the Cafe Direct packaging are often so close up that they would invade their personal space and would be considered rude in a face to face situation (Wright, 2004). This appears to be almost contradictory, on the one hand Fair Trade is supposed to be improving the self esteem and confidence of the producers, but on the other hand it appears to be capturing and exploiting images of their vulnerability.

A typical story on Fair Trade product follows along the lines of 'Once upon a time I was poor, but with the Fair Trade premium I have

corporations benefitting from repressive government policies around the world

been able to buy a house' (Wright, 2004). There is evidence to suggest that many of the stories on the packaging of Fair Trade products are not consistent with data drawn from long term field work. For example, Berlan (2004 & 2007) finds that Ghanaian cocoa producers think themselves to be more at the hands of their government than at the hands of Western producers; that the production method of Fair Trade cocoa beans is the same as non-Fair Trade beans; that farmers selling to Kuapa Kokoo (Fair Trade cooperative in Ashanti, Ghana) did not receive a significantly better income⁴ than other cocoa farmers; that many of the benefits of Kuapa Kokoo come from its cooperative structure rather than from selling to the West; that Kuapa Kokoo does not appear to be the clear winner amongst cocoa buying companies (indicating the benefits of Fair Trade are not apparent to producers); that Cadburys built more wells between 2000 and 2006 than all the Fair Trade organisations combined (375); and that farmers are not as helpless as they are often portrayed to be, but rather have the ability to refuse to sell to 'scale-rigging' buying companies, organise themselves to deal with the government and the ability cheat buying companies who provide them with credit.

Berlan's (2004 & 2007) findings indicate that it is possible that Fair Trade companies habitually mislead consumers regarding their impact on producers in an attempt to boost sales of their products, and thus that the marketing of Fair Trade products may be considered to be a ploy. Having said this, it is important to note that not all Fair Trade marketing attempts mislead consumers through vivid stories and images, for example Divine Chocolate does not contain any of such narratives (Berlan, 2007). Nevertheless, if this is combined with the findings from earlier paragraphs, it appears that Fair Trade is a timely and emotional marketing ploy.

⁴ The tiny supplement that they do get is because of the cooperative nature of Kuapa Kokoo and not because of Fair Trade. The \$150 Fair Trade premium is not paid to the farmers, but

Although I have thus far shown that Fair Trade to be more of a timely and emotional marketing ploy than an effective strategy for poverty reduction, it is not necessary for this to be true for ever. As awareness of Fair Trade increases and more Fair Trade products are launched and move to the 'product' phase of marketing, the dependence on emotional marketing and vivid stories will decrease, making Fair Trade less of an emotional marketing ploy. Additionally, increased scale will allow benefits to be brought to a wider range of producers. Additionally, if Fair Trade moves towards manufactured goods, it will be able to help transform the unequal trade relations and help stimulate the economic development process, that will help bring more people out of poverty, and thus make Fair Trade a better strategy for poverty reduction.

In conclusion, this essay has shown that in its current form, Fair Trade appears to be more of a 'timely and emotional marketing ploy' than an effective strategy for poverty reduction. This is because up until very recently, the majority of Fair Trade marketing has concentrated on the process of production rather than the product itself. Rather than creating powerful mainstream brands and products, Fair Trade marketing has focussed on engaging the emotions of altruistic Western consumers at times of increasing concern about the power of multinational companies and the inequality of global trade relations. Although there is evidence to suggest that Fair Trade improves the well-being of the producers it engages with, issues with methodology may mean that these benefits are over-stated, and quotations from promotional materials do not appear to be representative of all Fair Trade producers. Additionally, because of its small scale relative to global trade flows, the fact that it has high standards (meaning that it does not reach the world's poorest), and the fact it has concentrated on agricultural products (and thus leaving unequal exchange relations intact), the ability of Fair Trade to be an effective vehicle in tackling world poverty appears to be limited. However, if Fair Trade is able to develop strong brands and more sophisticated products that do not need to rely

on playing with the hearts of altruistic consumers, it will be able to move beyond the small percentage of committed ethical consumers and into the mainstream, bringing benefits to many more producers. Additionally, if it can expand its product range substantially (into lower quality agricultural products and into manufactured goods), it will be able to bring help more of the world's poorest and also help transform the unequal trade relations, and thus may become more viable vehicle with which to tackle global poverty.

Word Count: 4115

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