

# The Effect of Fair Trade on Consumer Behavior: In Terms of Ethical Consumerism

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Fair Trade has experienced increased popularity due to rising numbers of socially concerned consumers. This study intends to gain insights into the drives to the growth of Fair Trade as well as to evaluate its future potential in South Korean market. The purchase intention of Korean consumers on Fair Trade products and their level of ethical consumerism were measured. A sample of 564 randomly selected participants was asked to complete a survey. The study presented empirical evidence that consumers' level of ethical consumerism had a significant effect on the purchase intention for Fair Trade products, and strong purchase intention leads to positive effects on repurchase intention, brand loyalty, and brand commitment. This study adds to understanding of the emerging market to enhance further development of Fair Trade and to open up new possibilities in production of goods and services.

Key words: Fair Trade, ethical consumerism, purchase intention, repurchase intention, brand loyalty, brand commitment

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## 1. Introduction

Particular groups of disadvantaged producers lack information, skills, networks or resources to fully participate in existing markets. The pre-existing poverty and disadvantage of groups of producers leads to inequalities in the market distribution of costs and benefits. To address these inequalities, a number of

farmers from developing countries began to sell their products to importers under certification programs which intend to guarantee fair working conditions (Pelsmacker et al., 2006). Consumers can express their concerns or feelings of responsibility towards the society by ethical buying behavior, and ethical consumerism is progressively more seen as integral part of good business practice (Carmen Valor, 2006). Hence, the number of consumers

interested in the social, ethical and economic concerns of the developing countries continues to increase, and Fair Trade has experienced increased popularity. Fair trade has newly become part of the corporate responsibility strategies of major market players (Ozcaglar-Toulouse et al., 2006).

### 1.1 What is Fair Trade?

Fair Trade is one method in which small-scale producers in developing countries are given fair trading relations such as a guaranteed minimum price above world price (Ozcaglar-Toulouse et al., 2006). The definition agreed by FINE identifies Fair Trade as an alternative approach to convention trade, aiming at sustainable development for excluded and disadvantaged producers. Several key practices of Fair Trade are agreed minimum prices, mostly above or independent of world prices, emphasis on developmental support through the payment of a social premium, and direct purchasing from producers to reduce the margins of middlemen. By offering better trading conditions, by awareness raising and by campaigning, Fair Trade intends to improve poverty in the South hemisphere and provide fair opportunities to access Northern markets (FINE, 2001). It aims to improve the welfare of the third world producers by enhancing market access, supporting producer organizations, and offering stability in the trading relations

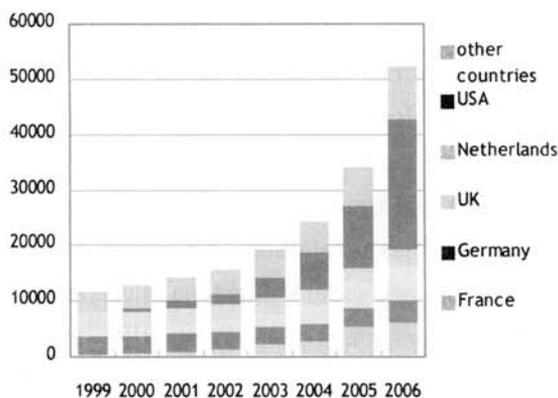
(Schmelzer, 2007). The fair trading conditions facilitate local producers to build a sustainable business and to work in environmentally and socially enhanced circumstances (Pelsmacker et al., 2006).

### 1.2 Trend of Fair Trade Movement in the world

Fair Trade movement is in the process of becoming a global movement with over a million small-scale producers organized in more than 3,000 organizations. Fair Trade products are sold in scores of World-shops, Fair Trade shops, and supermarkets in the Northern hemisphere, whereas sale outlets are increasing in the South. In Europe, Fair Trade products are available at 79,000 points of sale, counting 55,000 supermarkets, and more than 100,000 volunteers are involved in the 2,800 worldshops (Krier, 2005). There are 5,000 to 7,000 different Fair Trade products existing, and 250 of them are currently certifiable. The good numbers of uncertified products are handicrafts, where nearly all Fair Trade products sold worldwide are agricultural products including coffee, bananas, other fruits, tea and cacao.

The above graph illustrates the growth of Fair Trade sales volume between 1999 and 2006. Between 2003 and 2004, Fair Trade sales grew by 56 percent. By the end of 2005, there were 510 producer organizations

from more than 50 countries that represent more than one million producers (Max Havelaar, 2006). International Fair Trade sales have reached US \$1.4 billion in 2005, and it continues to grow more than 20% per year (FLO, 2005).



(Figure 1) Sales volume of FT coffee (FLO) (In metric tonnes)

As indicated by Traidcraft Market Access Centre, the UK, Germany, Italy, Switzerland, and the Netherlands are the major markets, accounting for 80% of all European Fair Trade sales during 2001-2002. The UK and Switzerland are the most dominant markets in terms of sale volume, yet there are fastest growing markets including Belgium, Italy, France, and the U.S. (Ozcaglar-Toulouse et al., 2006). Particularly, the Fair Trade coffee market in the U.S. is growing at astonishing rates, nearly 90 percent per year since 1998. In the U.S. alone, 35,000 retail outlets sell Fair Trade coffee (TransFair USA, 2005;

2006d). Hence, the issues have been considered significant in many countries, especially in Europe, and the movement continues to grow globally.

### 1.3 Trend of Fair Trade Movement in Korea

Despite of the growing Fair Trade movement in Europe and the U.S., Fair Trade is still in the introductory stage in Korea. Fair Trade was first introduced to Korea in December, 2002, by a small store house named the 'Beautiful Store' which assembled handicrafts from Oxfam and Asian countries and purchased coffee made by producers of East Timor. There are five companies and organizations in Korea that participate in the Fair Trade movement, and apparently, coffee is the major Fair Trade product sold. Although Fair Trade has gained some attention in Korea with the efforts of some pacifists and socialists to bring in and activate the movement, most Koreans are still unaware of Fair Trade due to its lack of visibility.

### 1.4 Purpose of the study

This study intends to explore the effect of ethical consumerism on the purchase intention for Fair Trade products as well as long-term effects of repurchase intention, brand loyalty, and brand commitment. By developing a comprehensive framework for Fair Trade

buying behavior, this study aims to better understand the beliefs, perceptions, attitudes, and buying behavior of Fair Trade products and to learn to what extent consumers in Korea are willing to pay a premium for Fair Trade products. As a member of OECD, supporting the third world countries, Korea is a market having potential to grow particularly in Asia apart from Japan, and it is worth studying Koreans' attitude and intention towards Fair Trade. Moreover, it is important to understand the emerging market to enhance further development of Fair Trade and to open up new possibilities in production of goods and services (Lourerio, 2005).

## II. Literature Review

### 2.1 Fair Trade

Relatively limited number of studies was conducted on Fair Trade products despite of evidence of its steady growth. Many empirical research have focused on measuring to what extent consumers were willing to pay a premium for Fair Trade products. According to the study by Maietta (2003), consumers were willing to pay 9% extra for Fair Trade coffee. De Pelsmacker et al. (2006) explored the effects of socio-demographic factors on the attitude, beliefs and tendency to buy Fair

Trade products in a sample of Belgian population. The average price premium that Belgians were prepared to give for Fair Trade labeled products was 10%. In the study by Lourero and Lotade (2005), the results of a face-to-face survey showed that consumers were willing to pay higher premiums for coffee labeled as Fair Trade than for organic coffee.

Studies have also attempted to explain ethical buying behavior in terms of demographic features, yet they did not reach an agreement. Most studies explained that high income, education, and social status tend to characterize ethical consumers (De Pelsmacker et al., 2006). Female participants with higher income and more attention to environmental issues were found to be more likely to pay a premium for ethical labeling programs (Lourero and Lotade, 2005). The study demonstrated that Belgians had good knowledge and relatively positive attitude toward Fair Trade, and age was found to be the only significant socio-demographic variable. Most respondents found high price, inconvenient distribution, and lack of information on Fair Trade products to be problematic.

In addition to demographics, consumers' values, which often determine specific attitudes, also have an important effect on ethical consumption behavior. The values of people behaving ethically were found to be significantly different from the values of people behaving

unethically (Fritzsche, 1995). In the study by Littrell and Dickson (1999), consumers of Fair Trade products demonstrated more value on altruism, equality, peace and less importance to self-respect and inner harmony. Anderston and Cunningham (1972) showed that dogmatism, conservatism, status consciousness, cosmopolitanism, personal competence, and alienation were correlated with ethical consumption. According to the study by Roberts (1996), perceived consumer effectiveness, liberalism, and alienation had a significant influence on ethical behavior.

Ozcaglar-Toulouse et al. (2006) compared consumers who never/rarely purchase Fair Trade grocery products with those who purchase with regularity to examine consumer intention to purchase Fair Trade grocery products in the French market. It was found that the addition of ethical obligation and self-identity played a vital role in explaining intention to purchase Fair Trade products. Subjective norm and ethical obligation significantly explained behavioral intention of the former group, whereas attitude, perceived behavioral control and self-identity were important drives to consumers who regularly purchased fair trade products.

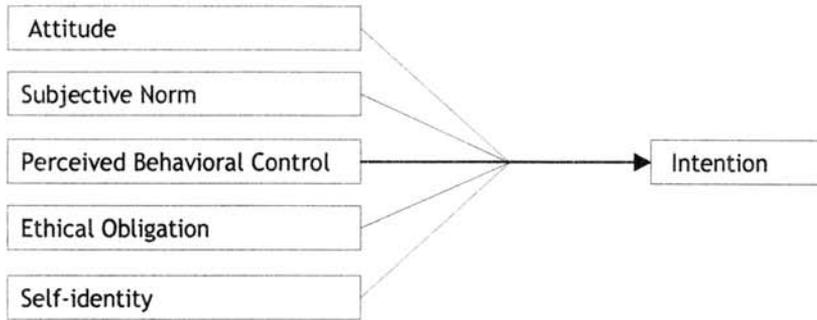
## 2.2 Ethical Consumerism

Ethical consumers refer to those consumers who are concerned about environmental

issues, animal issues and ethical issues when purchasing products (Intel 1994). The number of ethical consumers continues to rise, and increased accessibility of ethical products suggests a growth in the dimension of the 'ethical' niche. There have been studies that examined ethical consumption and consumers' reception toward ethical products, and there are some important contributions that have been made in this area (eg Newholm, 1999; Shaw, 2000).

Most studies on ethical buying behavior have centered their models around theory of reasoned action or planned behavior, which reason that knowledge or beliefs lead to general attitude that successively direct to intention and behavior (Pelsmacker and Janssens, 2006). Shaw(2000) and Shaw and Shiu (2003) established a comprehensive model of ethical consumer decision-making in the context of grocery shopping. They noted that a substantial amount of consumer intention remains unexplained even with the theory of planned behavior due to other relevant measures not included in the model.

As shown in Figure 2, important to Shaw's (2000) comprehensive model of ethical consumer decision making were measures of ethical obligation and self-identity(Shaw et al., 2000; Shaw and Shiu, 2002; Shaw and Shiu 2003). Shaw and Shiu (2003) concluded that subjective norm and control beliefs were less significant constructs to explain Fair Trade



〈Figure 2〉 Modified TPB with EO and SI

grocery buying decisions. Thus, they decided not to include these constructs in the Fair Trade model, whereas they highlighted the usefulness of ethical obligation and self-identity to predict intention. Moreover, NII Ozcaglar-Toulouse, Edward Shlu, and Deirdre Shaw (2006) explored the modified theory of planned behavior in the field of ethical consumerism using Fair Trade products. Deirdre Shaw, Emma Grehan, Edward Shiu, Louise Hassan, and Jennifer Thomson (2005) outlined the results of qualitative research and explored those values pertinent to ethical consumers in decision making and the nature of their influence in grocery consumption contexts. In recent research, Andreas Chatzidkis, Sally Hibbert, and Andrew P. Smith (2007) introduced a new model which added the role of neutralization to explain people's lack of commitment to buying Fair Trade products.

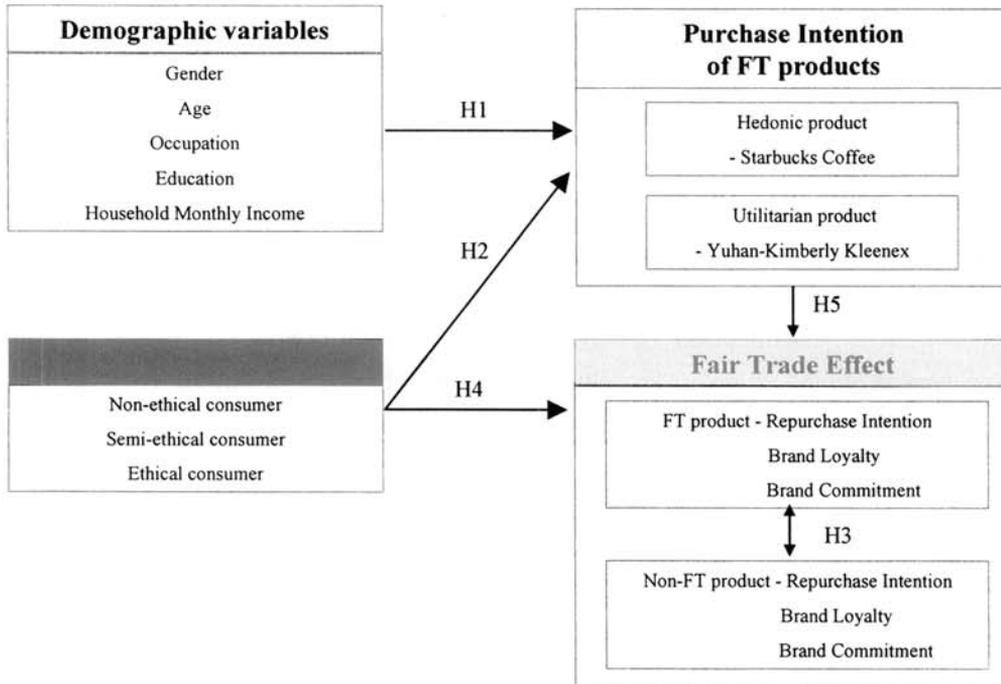
A number of studies have documented that intentions alone are poor predictors of ethical buying behavior and included other

relevant variables in their models. Studies have shown that price, product quality, and shopping convenience are often significant factors that influence decision-making in ethical buying behavior (Browne et al., 2000; Boulstridge and Carrigan, 2000; Carrigan and Attalla, 2001; Roberts, 1996) Hunt and Vitell (1986) identified the significance of situational and product-related factors such as price, convenience, time and availability for ethical buying (De Pelsmacker et al., 2006).

### III. Conceptual Model and Hypotheses

#### 3.1 Conceptual Model

This study investigates the Fair Trade issues in Korea, giving attention to ethical consumerism. Separate measures of consumers' concern about the environment, concern about benefits to the society, and concern



(Figure 3) Conceptual Model

about the goals of enterprises were used to assess consumers' ethical consumerism level. Fair Trade knowledge, purchase experience of Fair Trade products, as well as the purchase intention for Fair Trade products of Starbucks coffee and Yuhan Kimberly Kleenex were examined. Finally, the effect of Fair Trade (named as Fair Trade effect in the paper) was measured using repurchase intention, brand loyalty, and brand commitment. Two product categories of coffee, representing a hedonic product, and Kleenex tissue, representing a utilitarian product, were used to see if there were any differences in consumers' attitude or behavior depending

on product categories.

### 3.2 Hypotheses

As mentioned earlier, Shaw's (2000) comprehensive model of ethical consumer decision making explains that ethical obligation is a significant determinant that shapes one's intention to purchase ethical products. Ethical obligation refers to concerns in which behavior is centered around a concern for others, and it is suggested to be a good predictor of attitude as well as intention (Shaw and Shiu, 2002). On the other hand, brand loyalty is the ultimate goal of marketers,

and brand loyalty includes both behavioral as well as attitudinal loyalty, demonstrated by repeated buying or commitment to a product or service (Chaudhuri and Holbrook, 2001). In addition, researchers have suggested that socio-demographic characteristics, particularly levels of education and income, influenced ethical consumption behavior (Loureiro and Lotade, 2005). Therefore, this study proposes that the level of ethical consumerism is related to both the purchase intention for Fair Trade products and Fair Trade effect, and the level of ethical consumerism and the purchase intention for Fair Trade products are each related to Fair Trade effect. Demographic variables also appear to serve as key determinants of the purchase intention for Fair Trade products.

The following hypotheses were tested:

- H 1: Demographic variables will have a significant influence on the purchase intention for Fair Trade products.
- H 2: The Purchase intention for Fair Trade products differs across consumers' ethical consumerism level.
- H 2a: Ethical consumers' purchase intention for Fair Trade products will be higher than semi-ethical consumers' ( $\mu_{Ethical} > \mu_{Semi-ethical}$ ).
- H 2b: Ethical consumers' purchase intention for Fair Trade products will be higher than non-ethical consumers'

$$(\mu_{Ethical} > \mu_{Non-ethical}).$$

- H 2c: Semi-ethical consumers' purchase intention for Fair Trade products will be higher than non-ethical consumers' ( $\mu_{Semi-ethical} > \mu_{Non-ethical}$ ).
- H 3: Fair Trade effect will differ across Fair Trade products and non-Fair Trade products.
- H 4: The level of ethical consumerism will have a significant influence on Fair Trade effect.
- H 5: The purchase intention for Fair Trade products will have a significant influence on Fair Trade effect.

## IV. METHOD

### 4.1 Subjects

Surveys were administered to students and non-students to measure the effects of Fair Trade on consumers in South Korea. The study was conducted at high schools, universities and enterprises in Seoul and Daejeon, and 564 questionnaires were used for analysis. Table 1 shows the composition of the sample in terms of gender, age, occupation, education, and household income.

〈Table 1〉 Composition of the sample

Characteristics		Percent
Total respondents	(n=564)	100.0
Gender	Male	59.9
	Female	40.1
Age	10-19	17.1
	20-29	42.5
	30-39	22.0
	40-49	13.8
	50 and above	4.6
Job	High school student	15.1
	College or graduate student	33.2
	House wife	6.4
	Self-employed	4.4
	Blue-collar worker	6.9
	Office worker	21.3
	Unemployed	3.7
	Others	8.9
Education	High school student	15.1
	College student	26.8
	Graduate student	7.6
	High school diploma	8.5
	Bachelor's degree	34.8
	Master's degree and above	7.1
Household Income	less than ₩100,0000	3.6
	₩100,0000 ~ ₩200,0000	17.3
	₩200,0000 ~ ₩300,0000	24.4
	₩300,0000 ~ ₩400,0000	24.2
	₩400,0000 ~ ₩500,0000	14.1
	₩500,0000 ~ ₩600,0000	6.9
	₩600,0000 ~ ₩700,0000	4.4
	greater than ₩700,0000	5.1

#### 4.2 Procedure

Respondents were randomly asked to par-

ticipate in the study. If they agreed, the participants were asked to complete the survey which consisted of a self-administered paper-

and-pencil questionnaire that included the scales for the measures relevant to the study.

#### 4.3 Measures

The survey consisted of six sections: respondents' level of ethical consumerism, Fair Trade knowledge and experience, belief in the effectiveness of Fair Trade, evaluation of Fair Trade products, the purchase intention for Fair Trade products, brand loyalty and brand commitment to Fair Trade products as well as non-Fair Trade products, and demographic items.

**Level of Ethical Consumer:** The scales from Loureiro and Lotade (2005) who inquired into the relationship of ethical consumerism with consumers' attitudes towards Fair Trade were employed. Three questions on respondents' concerns about the environment, society, and enterprises were asked to measure their level of ethical consumerism, and they were measured on 7-point scales.

**Fair Trade Knowledge and Experience:** A single measure of Fair Trade knowledge was used. The item, "Do you know about Fair Trade?" was measured on a 4-point scale from 1 (don't know at all) to 4 (Know very well). Purchase experience was measured using the following scale: 1 (yes) and 2 (no).

**Purchase Intention for Fair Trade Products:**

A single measure of purchase intention was used. The item, "If you were to purchase a coffee (kleenex), would you choose a coffee having the Fair Trade mark?" was measured on a 7-point scale. Then, respondents' reasons for purchasing or not purchasing the Fair Trade products and their willingness to pay were asked.

**Repurchase Intention, Brand Loyalty, and Brand Commitment:** Respondents' repurchase intention, brand loyalty, and brand commitment on Fair Trade products and non-Fair Trade products were measured to assess Fair Trade effect. In detail, they first responded to three measures respectively regarding the brands Starbucks and Yuhan Kimberly. Afterwards, they responded to the same three measures regarding each of the brands, after being informed that the brands were providing Fair Trade products. Finally, each of the dependent variables was calculated by subtracting the first measurement from the second in order to control for exogenous variables such as prior preference for each of the brands. The statements, "I would like to continue to use the brand", "I like the brand", "I prefer the brand to other brands", and "I am committed to the brand" were evaluated on a 7-point strongly disagree - strongly agree scale.

Starbucks Coffee and Yuhan Kimberly Kleenex tissue are selected to measure the

Fair Trade effect. The majority of the previous studies on Fair Trade issues employed coffee to measure consumers' attitudes towards Fair Trade products (eg Bird and Hughes, 1997; Pelsmacker et al., 2005; Loureiro and Lotade, 2005; Pelsmacker et al., 2006; Ozcaglar-Toulouse et al., 2006). They used coffee as a measurement because coffee is the second most valuable commodity after petroleum in the global market and the main labeled Fair Trade commodity (Global Exchange, 2004). The reasons consumers purchase goods and services are categorized as consummatory and hedonic versus instrumental and utilitarian (Batra and Ahtola 1990), and Dhar et al.(2000) specified that consumers have different attitudes depending on whether products are hedonic or utilitarian. For this reason, Kleenex tissue was chosen as another good to deal with utilitarian products. In addition, the brands Starbucks and Yuhan Kimberly were selected on account that they are the most well-known brands in each field.

## V. Results

### 5.1 Reliability Testing

SPSS for Windows 12 was used to analyze the study results. Reliability testing was

conducted on 41 questions. To test the reliability, responses on the dimensions of the level of ethical consumerism, belief in Fair Trade products, intention to buy Fair Trade coffee and kleenex, and brand loyalty and commitment (assigned a value from 1 to 7, where 7 is "strongly agree") were calculated and tested using internal consistency testing (Cronbach and Meehl, 1955). Each Cronbach's Alpha value of the level of ethical consumerism (3 questions), belief in Fair Trade products (5 questions), intention to buy Fair Trade products (2 questions), brand loyalty and commitment (10 questions) turned out to be 0.631, 0.825, 0.784 and 0.893, achieving satisfactory levels of reliability. In the case of ethical consumerism, the Cronbach's Alpha value is relatively low, but the measurement is acceptable in that the three indicators become one component as a result of factor analysis.

### 5.2 Hypotheses Testing

#### 5.2.1 The Effect of Demographics on Purchase Intention for FT products

The findings showed that the participants had limited Fair Trade knowledge. Only 24.8% of the respondents had some ideas about Fair Trade. The majority of the participants(51%) were not sure about Fair Trade, and 23.9% had no knowledge at all.

Among the participants who had some ideas about Fair Trade, 69.3% have never purchased FT products. Only 7.6% of all the participants had purchase experiences, confirming that Koreans hardly had purchase experience of Fair Trade products.

H1: Demographic variables will have a significant influence on the purchase intention for Fair Trade products.

For Starbucks coffee, respondents demonstrated different purchase intention depending on their age ( $p=0.011$ ), occupation ( $p=0.000$ ), and education ( $p=0.005$ ). The purchase intention was nearly equal between men ( $M=4.68$ ) and women ( $M=4.65$ ), in line with earlier studies which have shown that ethical buying behavior was not influenced by gender. The purchase intention for FT products increased along with age, and participants in the 50 year age and above group ( $M=5.23$ ) displayed highest purchase intention. The level of education showed mixed results. Participants with high school diploma ( $M=5.04$ ) showed greatest purchase intention, then participants in the Master's degree and above ( $M=4.90$ ) followed the second. Regarding occupation, participants who were self-employed ( $M=5.48$ ) and housewives ( $M=5.14$ ) indicated high purchase intention.

For Yuhan- Kimberly Kleenex, only gender

had a significant influence on purchase intention. More female participants ( $M=4.88$ ) than male participants ( $M=4.60$ ) showed greater purchase intention for Fair Trade products, whereas age, occupation, education, and household income did not have significant effects on purchase intention. Thus, demographic variables did have some significant influences on purchase intention, supporting hypothesis 1. However, the results were different depending on the product categories, and it was difficult to reach an agreement.

#### 5.2.2 The Effect of Ethical Consumerism on Purchase Intention for FT products

Three questions on concerns about the environment, society, and enterprises were asked to measure the participants' level of ethical consumerism. The participants were assigned into one of three groups (Non-E, Semi-E, E) based on cluster analysis of the three measures.

H2: The purchase intention for Fair Trade products differs across consumers' ethical consumerism level.

H2a: Ethical consumers' purchase intention for Fair Trade products will be higher than semi-ethical consumers' ( $\mu_{Ethical} > \mu_{Semi-ethical}$ ).

H2b: Ethical consumers' purchase intention

〈Table 2〉 ANOVA The effect of ethical consumerism on PI of FT products

The level of Ethical consumerism	The number of cases*	Fair Trade coffee		Fair Trade Kleenex	
		Mean	F ratio ( <i>p</i> )	mean	F ratio ( <i>p</i> )
Non-Ethical consumer	159	4.343		4.412	
Semi-Ethical consumer	170	4.504	15.405	4.598	13.257
Ethical consumer	230	5.055	(0.00)	5.068	(0.00)
Total		4.660		4.710	

( \* the number of missing values : 5 )

for Fair Trade products will be higher than non-ethical consumers' ( $\mu_{Ethical} > \mu_{Non-ethical}$ ).

H2c: Semi-ethical consumers' purchase intention for Fair Trade products will be higher than non-ethical consumers' ( $\mu_{Semi-ethical} > \mu_{Non-ethical}$ ).

The level of ethical consumerism was found to be significantly related to the purchase intention for Fair Trade products. For both Starbucks and Yuhan-Kimberly, the mean of the purchase intention for Fair Trade products increased significantly as the level of ethical consumerism increased. As shown in Table 2, the purchase intention for Fair Trade products varied substantially from  $\mu_{Ethical} = 5.055$  for Starbucks and  $\mu_{Ethical} = 5.068$  for Yuhan Kimberly in the ethical group to  $\mu_{Non-ethical} = 4.343$  for Starbucks and  $\mu_{Non-ethical} = 4.412$  for Yuhan Kimberly in the non-ethical group. The result of ANOVA suggests that at least one significant difference between the groups exists ( $\mu_{Ethical} \neq$

$\mu_{Semi-ethical}$ ,  $\mu_{Ethical} \neq \mu_{Non-ethical}$ , or  $\mu_{Semi-ethical} \neq \mu_{Non-ethical}$ ), but it does not imply all mean values differ from others. In this study, therefore, post-hoc comparison was conducted to identify the exact groups between which the difference in means exists. The Tukey HSD (Honestly Significant Difference) method was employed for the post-hoc comparison. Table 3 represents the result of the post-hoc comparison.

The post-hoc comparison indicates that there are significant differences not only between the ethical group and semi-ethical group, but also between the ethical group and non-ethical group in both Fair Trade coffee and Kleenex ( $\mu_{Ethical} \neq \mu_{Semi-ethical}$ ,  $\mu_{Ethical} \neq \mu_{Non-ethical}$ ). However, we can not conclude that there is a significant difference between the semi-ethical group and non-ethical group. To sum up, taking both the ANOVA and post-hoc comparison into account, H2a and H2b are supported, but H2c is not. In other words, the purchase intention for Fair Trade products is higher in the ethical group than

〈Table 3〉 Post-hoc comparison (Tukey HSD)

Purchase Intention (dependent variable)	(I)	(J)	Mean Difference (I-J)	Std. Error	Sig.
Fair Trade coffee	Ethical	Semi-ethical	0.606	0.139	0.00
	Ethical	Non-ethical	0.698	0.142	0.00
	Semi-ethical	Non-ethical	0.092	0.152	0.82
Fair Trade Kleenex	Ethical	Semi-ethical	0.651	0.142	0.00
	Ethical	Non-ethical	0.587	0.145	0.00
	Semi-ethical	Non-ethical	-0.064	0.155	0.91

the semi-ethical and non-ethical groups ( $\mu_{Ethical} > \mu_{Semi-ethical}$  and  $\mu_{Ethical} > \mu_{Non-ethical}$ ), but there is no significant difference between the semi-ethical group and non-ethical group ( $\mu_{Semi-ethical} = \mu_{Non-ethical}$ ).

### 5.2.3 Fair Trade Effect

H3: Fair Trade effect will differ across Fair Trade products and non-Fair Trade products.

Fair Trade effect was compared across regular products and Fair Trade products. For Starbucks, Fair Trade products yielded significantly greater mean values of repurchase intention (M=4.046), brand loyalty (M=3.809), and brand commitment (M=3.023), compared to the repurchase intention (M=3.433), brand loyalty (M=3.153), and brand commitment (M=2.302) of regular products. For Yuhan Kimberly Kleenex, there were significant differences between

the three groups of non-E, semi-E, and E for both regular products and FT products. The higher the level of ethical consumerism, the greater the mean values of repurchase intention (regular:  $p=0.009$ , FT:  $p=0.000$ ), brand loyalty (regular:  $p=0.000$ , FT:  $p=0.000$ ), and brand commitment (regular:  $p=0.001$ , FT:  $p=0.000$ ). For both Starbucks and Yuhan Kimberly, respondents had higher repurchase intention, brand loyalty, and brand commitment for FT products than regular products. Hence, Fair Trade effect was different between FT products and regular products, and hypothesis 3 was supported.

### 5.2.4 Effect of Ethical Consumerism Level on Fair Trade Effect

H4: The level of ethical consumerism will have a significant influence on Fair Trade effect.

〈Table 4〉 The Fair Trade Effect

Fair Trade effect	The level of Ethical Consumer	Starbucks coffee				Yuhan-Kimberly kleenex			
		Normal product		FT product		Normal product		FT product	
		mean	<i>p</i>	mean	<i>P</i>	mean	<i>p</i>	mean	<i>p</i>
Repurchase Intention	Non-Ethical consumer	3.25		3.74		4.43		4.67	
	Semi-Ethical consumer	3.61	0.093	4.18	0.001	4.75	0.009	5.07	0.000
	Ethical consumer	3.52		4.30		4.80		5.32	
	Total	3.43		4.05		4.64		5.01	
Brand Loyalty	Non-Ethical consumer	2.93		3.42		4.09		4.36	
	Semi-Ethical consumer	3.45	0.017	4.12	0.000	4.63	0.000	4.89	0.000
	Ethical consumer	3.22		4.05		4.07		5.19	
	Total	3.15		3.81		4.44		4.80	
Brand Commitment	Non-Ethical consumer	2.12		2.68		2.88		3.47	
	Semi-Ethical consumer	2.39	0.038	3.05	0.000	3.18	0.001	3.85	0.000
	Ethical consumer	2.46		3.37		3.46		4.41	
	Total	2.31		3.03		3.17		3.92	

After clustering the participants into three groups (Non-E, Semi-E, E), the Fair Trade Effect, measured as repurchase intention, brand loyalty, and brand commitment, was compared. In Figure 4, the Fair Trade effect of the three measures was represented, using the difference between the mean of the FT product and the mean of the normal product. For Starbucks coffee, all three measures increased significantly as the level of ethical consumerism increased. The repurchase intention varied substantially from 0.49 in the non-ethical group to 0.78 in the ethical group. Brand loyalty increased from 0.49 in the non-ethical group to 0.83 in the ethical group, and brand commitment in-

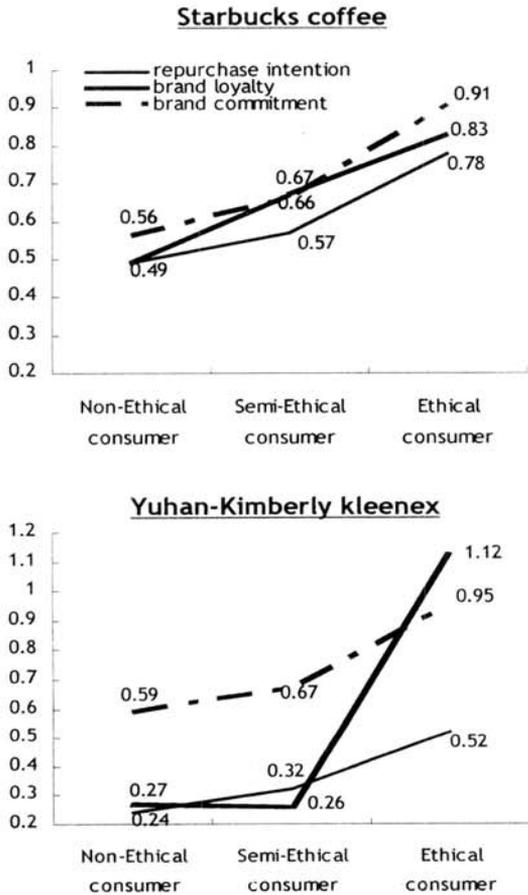
creased from 0.56 in the non-ethical group to 0.91 in the ethical group.

For Yuhan-Kimberly Kleenex, repurchase intention and brand commitment increased as the level of ethical consumerism increased. The repurchase intention varied from 0.24 in the non-ethical group to 0.52 in the ethical group, and brand commitment varied from 0.59 in the non-ethical group to 0.95 in the ethical group. The semi-ethical group showed slight decline in brand loyalty, compared to the non-ethical group, yet the ethical group demonstrated a sharp rise. Therefore, the ethical group showed the greatest Fair Trade effect for both Starbucks and Yuhan Kimberly, and the

level of ethical consumerism had a significant influence on the Fair Trade effect.

### 5.2.5 The Influence of Purchase Intention on Fair Trade Effect

H5: The purchase intention for Fair Trade products will have a significant influence on Fair Trade effect.



〈Figure 4〉 Ethical consumerism and Fair Trade

As expected, the purchase intention had significant effects on Fair Trade effect. For Starbucks, the purchase intention for both regular products and FT products, was significantly related to the Fair Trade effect, measured as repurchase intention ( $p=0.000$ ), brand loyalty ( $p=0.000$ ), and brand commitment ( $p=0.000$ ). In parallel, the purchase intention for Yuhan Kimberly's regular products and Fair Trade products had a significant influence on Fair Trade effect, measured as repurchase intention ( $p=0.000$ ), brand loyalty ( $p=0.000$ ), and brand commitment ( $p=0.000$ ). The substantially higher t-values of both Starbucks and Yuhan Kimberly indicate that Fair Trade products are significantly more related to the Fair Trade effect than regular products.

〈Table 5〉 Regressions of PI on Fair Trade Effect

Fair Trade Effect	Starbucks coffee			Yuhan-Kimberly Kleenex		
	Coefficient	t	p	Coefficient	t	p
Repurchase Intention	.26	6.48	.00	.21	5.01	.00
Brand Loyalty	.18	4.22	.00	.19	4.67	.00
Brand Commitment	.22	5.36	.00	.20	4.79	.00

## VI. Conclusion and Future Research

### 6.1 Findings and Contributions

The significance of ethical consumerism level, the purchase intention for Fair Trade products, and Fair Trade effect was investigated across two product categories, using a sample of Korean consumers. Clusters based on differences in the level of ethical consumerism were defined to examine its influence on the purchase intention for FT products and Fair Trade effect. For both Starbucks and Yuhan Kimberly, participants in the ethical group demonstrated highest purchase intention for FT products, whereas participants in the non-ethical group were characterized by low purchase intention.

The findings of the research also confirmed the assertion that purchase intention for FT products would influence the Fair Trade effect. Using measures of repurchase intention, brand loyalty, and brand commitment, the Fair Trade effect was assessed across FT products and regular products. The results suggested that Fair Trade products produced higher repurchase intention, brand loyalty, and brand commitment. Regarding the Fair Trade effect, the purchase intention for Fair Trade products had a significant influence on repurchase intention, brand loyalty, and brand commitment. Moreover, the level of

ethical consumerism had significant effects on the Fair Trade effect. The higher the level of ethical consumerism, the higher the Fair Trade effect.

In addition, demographic characteristics generated mixed results. For Starbucks, age, gender, and household income were found to be significant factors influencing the purchase intention for FT products, whereas gender was the only significant demographic factor for Yuhan Kimberly. It confirms earlier findings that the effect of socio-demographic factors on ethical buying behavior is tentative.

This study has significant implications in several regards. By demonstrating the effect of ethical consumerism on the purchase intention for Fair Trade products, this study presents empirical evidence that Shaw's (2000) comprehensive model of ethical consumer decision making is applicable to consumers in the Korean market. Despite of the growing Fair Trade movement worldwide, there have been no studies which investigated Korean consumers' attitude and behavior on Fair Trade products. Using a sample of Korean consumers, this study enlightens consumer awareness, attitude, purchase intention, and positive effects of Fair Trade products to Koreans for the first time.

The study not only proved the usefulness of Shaw's (2000) comprehensive model of ethical consumer decision making but also extended the existing model by adding the

long-term effects of ethical buying. The results proved that high purchase intention for FT products lead to high repurchase intention, brand loyalty, and brand commitment, which in turn contribute significantly to market share. The findings lead to the encouraging conclusion that there is a large market potential of Fair Trade products. Targeting ethical consumers and promoting the market segments and potential of Fair Trade in different product categories and markets are expected to bring long-term effects and positive outcomes.

Moreover, previous studies on Fair Trade issues tended to rely heavily on Fairly Traded coffee. Past research has shown that hedonic and utilitarian products generate different effects on consumer attitude and behavior (Dhar et al., 2000). Counting on only coffee, which is a hedonic product having regular users, may produce misleading results. This study recognized the limitations of earlier studies on Fair Trade and extended the product categories to incorporate hedonic/utilitarian dimensions. The findings indicated that consumers' attitude and behavior toward Fair Trade products were similar across the two products, proving that the results are highly generalizable.

## 6.2 Limitation and Further Research

This research has traditional limitations

related to self-report survey research (Kacen and Lee, 2002). There is a possibility of social desirability bias. Participants of the study, rooted in ethical issues, could have provided socially desirable answers to present themselves in a manner that will be considered favorably. Using a single-item measure to assess participants' purchase intention for Fair Trade products could have also generated errors in the measurement of the construct.

There are several directions in which this research could be extended. One direction for future research is to explore the significance of culture on ethical consumerism and the purchase intention for Fair Trade products. Comparing the Western-individualist culture, which gives emphasis on the self, with the Eastern-collectivist culture, which highlights interdependence and group needs, may generate different results. It will provide more insight into the effect of culture on the attitude and behavior of consumers toward Fair Trade products.

A second direction for future research may focus on incorporating different product categories. Instead of the hedonic/utilitarian dimensions, high involvement vs. low involvement products can be used. Consumers may show different attitude and behavior toward Fair Trade products depending on the degree of involvement, time, and effort they invest in. In addition, it would also be

interesting to compare Fair Trade with CSR(Corporate Social Responsibility). Since Fair Trade is related to CSR, a study that compares the effects of FT with other CSR activities can yield meaningful results in the area.

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## 윤리적 소비주의 관점에서 Fair Trade가 소비자 행동에 미치는 영향

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### 요 약

소비수준이 상승하고 의식 있는 소비자가 증가함에 따라, Fair Trade(공정무역)가 세계적으로 도입 및 확대 되어가고 있는 상황이다. 이런 추세와 함께, 유럽 및 미국을 중심으로 Fair Trade의 마케팅 접근 및 소비자행동에 미치는 영향에 관한 연구가 활발히 이루어지고 있다. 한국에도 Fair Trade가 도입된 바 있지만, 이를 경영학적으로 접근하는 연구가 국내에는 전무하다. 본 연구는 Fair Trade의 이러한 추세를 반영한 경영학적 통찰력을 찾고, 이것이 한국 내 소비자 행동에 어떻게 영향을 미치는지를 확인하도록 한다. 한국소비자의 Fair Trade 제품에 대한 구매의도와 윤리적 소비수준을 조사하고 그 관련성을 중점적으로 논의토록 한다. 본 연구는 무작위 선출된 564명이 설문에 참여하였다. 연구 결과, 소비자의 윤리적 소비주의 수준이 Fair Trade 제품의 구매의도에 긍정적인 영향을 미치며, Fair Trade제품의 구매의도 수준은 Fair Trade 제품의 재구매의도와 상표충성도 및 상표몰입에 긍정적인 영향을 미침이 확인 되었다. 본 연구는 한국 소비자를 대상으로 한 최초의 Fair Trade연구이며, 다양한 연구 가능 방향을 제안해 준다는 점에서 학문적 공헌 점을 찾을 수 있겠다. 실무적으로는 Fair Trade가 확대 되어가는 이머징 마켓에 대한 이해를 가져다주며, Fair Trade 제품의 도입을 통해 기업의 이윤과 소비자의 만족을 동시에 향상시켜 줄 수 있는 새로운 방법을 제안해 준다.

주제어: Fair Trade(공정무역), 윤리적 소비주의, 구매의도, 재구매의도, 상표충성도, 상표몰입

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