

**“CORPORATE SOCIAL RESPONSIBILITY AS A SOURCE OF COMPETITIVE ADVANTAGE FOR MNC: THE CASE OF ADVERTISING FAIR TRADE COFFEE”**

Professors Chauncey Burke, Carl Obermiller, Gareth Green, and Erin Talbott

Albers School of Business, Seattle University  
901 12<sup>TH</sup> Avenue  
P.O. Box 222000  
Seattle, Washington 98122-1090

Contact:  
Chauncey Burke (ph# 206-296-5707)  
[burke@seattleu.edu](mailto:burke@seattleu.edu)

**KEYWORDS:** *Corporate Social Responsibility, MNC Marketing, Fair Trade, Competitive Advantage of Corporate Social Responsibility*

## **ABSTRACT:**

Fair Trade coffee is prominent in the consumer movement to encourage socially responsible consumption. Coffee roasters purchase high cost Fair Trade labeled beans in hope of meeting this customer preference. However the extent of customers' understanding, preference and willingness to pay for socially responsible coffee is not well understood and roasters are unsure of the message strategy to use in their advertisements. This study examines the comprehension, preference and price that consumers will pay for Fair Trade coffee and tests the effectiveness of advertising socially responsible consumption as the prime benefit. This study found that consumers believe that Fair Trade coffee is inferior in taste but this belief does not affect actual taste perceptions, consumers are willing to pay a premium price for Fair Trade coffee and consumers have a poor understanding of the meaning of the Fair Trade label. A test of advertising message strategy found that a socially responsible consumption message was more effective than a superior taste message for MNC brands but for unknown companies a superior taste message was more effective than a socially responsible consumption message. The implications for managing MNC communication of social responsibility for Fair Trade coffee are discussed. Suggestions are given for advertising strategy and management of Fair Trade label practices.

## *Introduction*

In global markets multinational corporations are challenged to find brand positions that can achieve competitive advantages. One option is to pursue socially responsible product positions. However managers are uncertain if such strategy can yield economic returns. Positioning strategies based on social responsibility are inherently ambiguous. Due to multiple stakeholders, varied community objectives, tradeoffs with other valued attributes (e.g. durability and cost) and the multiple objectives (e.g. influence regulation, improve corporate culture) companies are challenged to determine a social responsibility strategy that will secure superior competitive performance (Porter and Kramer, 2006).

The objective of any marketing strategy is to attain a position that is *desirable*, *different* and *defensible* (Ries and Trout 1993, p. 35). The product must offer the most

avored benefits, be unique from competitors and inimitable in order to maintain its superiority. The question of customer preference for sustainable or socially responsible products and the likelihood of a MNC's brand achieving such a distinction are addressed in the following study of consumers' willingness to buy socially responsible Fair Trade Coffee and the impact of MNCs brand advertising on consumers' attitudes and behavior.

### *Fair Trade Coffee*

The premium coffee market is filled with competitors who are passionate about their product. All of these coffee roasters are diligent in their efforts to offer a high quality brew. Another concern for roasters is the poverty that many coffee growers suffer. They care about the people in Central and South America, Africa, and Asia who grow the beans they sell. These roasters are considering selling high quality Fair Trade coffee because it is the best known for returning a just wage to coffee growers. One question facing these roasters is how to advertise: Is it better to position the coffee as high quality or as socially responsible?

The origin of "Fair Trade" has been traced to the 19<sup>th</sup> century in Italy and the United Kingdom. It began as an effort to develop a cooperative trade partnership from raw material production through retail. Agreements on competitive wages and democratic trade policies were the key aspects of early cooperatives. In the 1950s, these cooperatives evolved to Alternative Trading Organizations (ATOs), non-governmental development organizations that promote economic equality in developing countries. To expand the scope and monitor Fair Trade with universal standards and labels the Fair Trade Labeling Organizations International (FLO) was formed as an umbrella organization in 1997. Fair trade goods that display the FLO inspection label ensure the customer that farmers in

developing countries are paid a minimum Fair Trade price and earn a decent standard of living. TransFair USA is the only licensed organization in the US that certifies Fair Trade products (Powell, 2002).

To receive the Fair Trade certification growers must meet a set of standards and importers must abide to FLO policies:

1. Producers must be small, family-based growers.
2. Producers must be organized into politically independent democratic associations.
3. Producers must pursue ecological goals by conserving natural resources and limiting chemical use.
4. Purchases must be made directly from grower organizations using purchasing agreements that extend beyond one harvest cycle.
5. Importers must guarantee the FLO minimum price (\$1.21/lb for Arabica coffee) and pay a social premium (\$.10/lb) above this minimum, or pay the world market price, whichever is higher; certified organic coffee receives a further premium (\$.20/lb).
6. Importers must offer pre-financing equal to 60 percent of the contract value upon request (Transfair USA, 2006).

TransFair expects to certify 44 million pounds of coffee in 2005. Transfair also certifies include bananas, cocoa, tea, sugar and rice. Coffee volume, however, accounts for two-thirds of the total Fair Trade certified produce. The growth of Fair Trade coffee (FTC) is remarkable, 76% growth in 2004 which is consistent with its annual growth since the inception of certification in 2000. FTC is 6 percent of the total US specialty coffee market and contributed \$26.2 million income to Fair Trade farmers (Rice, 2005).

Unfortunately, there is currently more Fair Trade coffee being produced than demanded. It was estimated that half of the coffee produced under Fair Trade conditions was sold in the commodity market in 2004 (Lewin, 2004). Which means that coffee growers are receiving a lower average price for their product that they would if there were sufficient demand for Fair Trade coffee. Producers receive Fair Trade price only on coffee sold in the Fair Trade market. Nearly half of coffee eligible for Fair Trade is sold through conventional channels that generally bring a much lower price. The blended price of these markets is substantially lower than the Fair Trade price.

The limit on Fair Trade coffee sales is not capacity; it is demand. The lack of demand is a barrier to new Fair Trade producers entering the market. One of the criteria for becoming Fair Trade certified is proof that demand exists for the product (Transfair USA, 2006).

The lower price to growers and the barrier to entering the Fair Trade market point to the importance of advertising Fair Trade goods as a means of increasing demand. Further, Fair Trade eligible coffee that is not sold in Fair Trade markets increases supply in conventional markets. Although this increase in supply is insignificant in the coffee commodity market, it has lead some to object to using a minimum Fair Trade price as a solution to the coffee crisis. Our perspective is that the increase in supply is trivial, compared with the \$4.5 billion annual estimated loss to small coffee producers that results from selling in conventional markets. Moreover, that increase in supply could be eliminated if demand for Fair Trade coffee were increased.

If the benefits of the Fair Trade movement are to expand, demand for certified Fair Trade coffee must be increased. Unfortunately, existing coffee markets provide

many substitutes—a wide range of types and quality of coffee, including instant, gourmet, specific geographic origins, and organic and ecologically certified. The only additional benefit Fair Trade coffee can offer the consumer is the knowledge that a larger portion of the proceeds are going to the small producers and their communities (Powell, 2002, p.21).

Most Fair Trade coffee has been positioned on the social responsibility attribute (Powell, 2002, p. 2), but social responsibility may not be the key to expanding demand for Fair Trade coffee. Fair trade coffee typically competes most closely against gourmet coffees. In part, this is due to the similarity of prices. Plus, the socially conscious consumer segment may be part of the larger target for gourmet coffees, given their higher socio-economic status (Scott, 2001, p. 25). The bulk of Fair Trade coffee is imported by countries that are also large importers of high quality gourmet coffee (Lewin, 2004). Gourmet coffee is usually positioned on the taste dimension of quality.

To the extent that consumers are unwilling to trade off taste for the “do good” attributes, Fair Trade coffees will fail to expand much beyond the segment that buys based primarily on the social responsibility aspects. Most consumers who want to buy on the basis of social responsibility already identify Fair Trade coffee as the front-runner on that dimension. Further expansion may be possible by persuading additional consumers to value social responsibility, but not to the detriment of taste. A key marketing question, therefore, is whether Fair Trade coffees can benefit more from stressing their social responsibility position or by challenging consumer skepticism about taste.

Initially, Fair Trade coffee was sold by small, relatively unknown coffee roasters, so it was not associated with well known gourmet brands. As the Fair Trade coffee

market has expanded, however, better known gourmet brands, including Starbucks (a multinational coffee roaster headquartered in Seattle, Washington), have begun offering it. We designed our experimental research to test the hypothesis that Fair Trade coffee brands will benefit more from advertising their social responsibility position when the brand is a well known premium brand but more from a good taste appeal when the brand is unfamiliar. This hypothesis is based on the presumption that consumers hold the prior belief that Fair Trade coffee does not taste as good as other premium coffee brands. Thus, for an already familiar premium brand, a good taste appeal would be redundant; but, a social responsibility appeal would marginally enhance perceived value by clarifying the implication of “Fair Trade”. On the other hand, for an unknown brand, the “Fair Trade” tag would suggest lower taste quality. Given the greater importance in coffee choice to consumers of taste relative to social responsibility, for unfamiliar brands, a good taste appeal would be more beneficial than a social responsibility appeal. The ultimate objective of the study is to assist Fair Trade coffee roasters to position their product, depending on their current brand strength, with the goal of increasing demand for Fair Trade coffee.

Pre-tests were conducted to test key assumptions. First, we wanted to confirm that consumers do hold an expectation that Fair Trade coffee tastes worse than well established gourmet brands. Second, we wanted to investigate the extent to which an *a priori* belief that Fair Trade coffee is of lower quality might bias experience of taste. That is, would a Fair Trade label defeat a legitimate high quality taste. Our research was conducted at a Jesuit institution with a focus on social justice, and we expected our

sample to be more aware of and favorable toward Fair Trade coffee than the general population.

*Pre-test 1: Prior belief that Fair Trade coffee tastes worse*

A sample of 107 subjects, mostly MBA students, responded to a survey with seven Likert scales. The statements reflected opinions about the quality of national (versus local) brands, products with higher recycled content, Fair Trade coffee brands, large national firms (versus small local), organic foods, hand made (versus mass produced) products, and products from firms with a social responsibility focus. Table 1 shows the average response to the seven items.

(Put Table 1 here.)

Results suggest that respondents believed the following:

1. Multi-national brands were not higher quality than local brands.
2. Brands with high recycled content were not lower quality than other brands.
3. Fair Trade coffee tastes worse than regular coffee.
4. Large national firm brands are not lower quality than small local firm brands.
5. Organic foods are not lower quality than non-organic foods.
6. Hand-made products are higher quality than mass-produced products.
7. Firms with social responsibility focus are lower quality or higher priced than other firms.

**Conclusions from Pre-test 1:** For present purposes, the most important result is the relatively high prior belief that Fair Trade coffee brands taste worse than other



premium brands, which confirms our presumption. Our initial belief was that consumers would have similar beliefs about other socially responsible product characteristics, which was partially confirmed. In this survey, we did not see similarly strong beliefs about the quality of products with higher proportions of recycled content or organic foods. On the other hand, a factor analysis indicated that items 1, 2, 3, and 5 loaded most highly on the first factor, indicating strong inter-correlations between beliefs about the quality of Fair Trade coffee, recycled content products, organic foods, and national brands. Of these, however, the belief that Fair Trade coffee is lower quality appears to be the strongest expectation. (T-tests indicate that belief in the lower quality of Fair Trade coffee brands is statistically significantly higher ( $t(133)=4.63$ ,  $p<.01$ ) and the belief that products with recycled content are lower quality ( $t(132)=8.62$ ,  $p<.01$ ), both relative to the “average” belief score in the survey).

The pre-test confirmed our presumption that consumers expect Fair Trade coffees to have lower taste quality than other premium brands. This prior belief is likely based either on experience with Fair Trade brands whose strategies were dominated by the social responsibility factors, to the detriment of their quality control or on the “no pain—no gain” type advertising claim discussed above.

#### *Pre-test 2: Effect of Fair Trade label on perceptions*

Pre-test 1 suggested that, in general, consumers are skeptical about the quality of Fair Trade coffee. In order to specify the effect of the Fair Trade label on impressions of taste, we conducted an additional study in which the actual coffee was the same but

presented under different labels. Participants were students subjects from the same general population as Pre-test 1, and the study was conducted in the same location.

We set up a table in a high traffic area, with two coffee urns, labeled “Starbucks House Blend” and “Starbucks Fair Trade Blend” (labeled with 8.5 x 11 inch paper sign and 1-pound packages of the beans with Starbucks labels for “House Blend” and “Fair Trade”). After agreeing to the study and before tasting the coffee, participants indicated their coffee consumption and expressed a preference for one of the two blends.

To isolate the Fair Trade label effect, we kept the brand constant. After indicating preferences, participants tasted each of the coffees and rated them on a 7-point scale (terrible-perfect). They also indicated how much they were willing to pay for Starbucks Fair Trade per pound and per cup (given \$9.99 and \$1 as the standards for Starbucks House Blend) and asked to define the terms “Organic,” “Shade Grown,” and “Fair Trade.”

One hundred and nine people participated. Of these, 79 were coffee drinkers (as reported by non-zero cups per day consumption). Of the coffee drinkers, 58% reported an initial preference for the House Blend. After tasting, however, the ratings of the two coffees were nearly identical ( $M=4.49$  for House,  $M=4.43$  for Fair Trade). The taste ratings were only slightly affected by the initial preferences. Those who initially preferred House Blend had slightly lower ratings of both coffees, but there was no interactive effect. These results suggest an initial biasing effect of the label, but that bias failed to influence the taste experience.

Sixty-five coffee drinkers responded to the willingness to pay measures.

Coffee drinkers were willing to pay a premium for Fair Trade coffee—\$10.08 per pound (versus \$9.99) and \$1.23 per cup (versus \$1). We partitioned the willingness to pay responses by initial preference. The 35 people who initially preferred the House Blend indicated a lower willingness to pay more for Fair Trade (\$9.82 for a pound of Fair Trade, but \$1.17 for a cup). The 30 people who initially preferred the Fair Trade coffee were willing to pay \$10.38 and \$1.31.

Definitions of the labels were evaluated by two of the researchers. Correctness was agreed upon initially for 94%, with the differences all resolved after discussion. The labels were not well understood: 75% of the coffee drinkers correctly defined “Organic”; 36% “Shade Grown”; and 38% “Fair Trade.” (These percentages were nearly identical when non-coffee drinkers were included.)

**Conclusions from Pre-test 2:** The initial preference for House Blend rather than Fair Trade was consistent with our presumption of an *a priori* bias against Fair Trade coffees. It is interesting to note that the bias did not affect the taste experience. (As discussed above, we suspect that the sample’s inclination toward social responsibility in general may have influenced this result. In the general population, we might observe an effect of an *a priori* bias on taste experience.) The practically identical ratings after tasting, again, confirms the high quality possible for Fair Trade roasts and the potential for using taste as a basis for positioning.

The observed higher willingness to pay a premium for Fair Trade is consistent with previous research. It is this expressed willingness to pay more that encourages Fair Trade competitors. On the other hand, the fact that the majority of respondents initially preferred the other brand may suggest that for most people, a stated willingness to pay

more may be merely a social desirability artifact that would not result in actual sales.

Still, even a minority of 42% represents a sizable market potential.

### *Advertising Study*

This study was designed to test the hypothesis that Fair Trade coffee brands will benefit more from advertising their social responsibility position when the brand is a well known premium brand but more from a good taste appeal when the brand is unfamiliar. This hypothesis is based on the presumption that consumers hold the prior belief that Fair Trade coffee, which may be objectively equivalent does not taste as good as other premium coffee brands. Thus, for an already familiar premium brand, a good taste appeal would be redundant; but, a social responsibility appeal would marginally enhance perceived value by clarifying the implication of “Fair Trade”. On the other hand, for an unknown brand, the “Fair Trade” tag would suggest lower taste quality. Given the greater importance in coffee choice to consumers of taste relative to social responsibility, for unfamiliar brands, a good taste appeal would be more beneficial than a social responsibility appeal. The presumption of equivalent quality was supported by Pre-test 1. The presumption of prior belief that Fair Trade does not taste as good was supported by Pre-tests 2 and 3. These pre-tests supported the expectation that Fair Trade had some value as a product positioning label, although the term was not well understood. Student subjects were relatively responsive to a social responsibility appeal and expressed a willingness to pay more for a Fair Trade brand.

### **Design and Procedure**

The research design was a between subjects two factor experiment. The two factors were brand familiarity and advertising appeal. Ads were constructed for the resulting four experimental conditions:

- a well known brand of Fair Trade coffee (Tully's Compadre Blend) promoted with a *good taste* appeal,
- a well known brand of Fair Trade coffee (Tully's Compadre Blend) promoted with a *social responsibility* appeal,
- an unfamiliar brand of Fair Trade coffee (Brown Bag Beanery Compadre Blend) promoted with a good taste appeal, and
- an unfamiliar brand of Fair Trade coffee (Brown Bag Beanery Compadre Blend) promoted with a *social responsibility* appeal.

Other than the brand names and logos and relevant sections of the text, the ads were identical. In all four conditions, the control brand was Tully's Madison Blend, with no statement about either taste or social responsibility.<sup>1</sup> The ads were designed and produced by a professional advertising layout employee of Tully's. The Tully's Compadre Blend is an actual Fair Trade brand, sold in all Tully's outlets. The Brown Bag Beanery brand was fictitious, created for this study, with the name selected to be believable as a small, independent coffee roaster.

The good taste appeal was executed with the tag line, "Finally a Fair Trade Coffee with Fantastic Flavor!" and the following text:

*A great tasting coffee from the famous coffee regions of Mexico, Guatemala  
and Ethiopia who take pride in cultivating and harvesting the most flavorful*

---

<sup>1</sup> Tully's is a multinational competitor to Starbucks, with over 125 stores in five states, second to Starbucks in the region and with stores located in Japan, Korea and Sweden. Well-known to all participants in the study.

*beans on their independent farms. Because these farmers are paid the highest prices for their crops they devote extra work to pick the best quality beans for your coffee enjoyment. We guarantee this coffee tastes great!*

The social responsibility appeal was executed with the tag line, “Your Purchase Guarantees Fair Trade Benefits to Farmers” and the following text:

*A coffee and that helps break the cycle of poverty for small family, independent farmers from the famous coffee regions of Mexico, Guatemala, and Ethiopia. Because your coffee is bought from farmers who are guaranteed the highest price for their crops you will help them move from poverty to a better life. Take satisfaction in knowing that your purchase will do good for others.*

(See a copy of one of the ads in the appendix.)

The dependent measures were attitude toward the ad and brand choice. Attitude toward the ad was measured with five seven-point scales: very unappealing—very appealing, very unfavorable—very favorable, very negative—very positive, and strongly agree—strongly disagree with the beliefs that the ad would be successful in getting attention and that the ad would make most people want to buy the product. Brand choice was measured as the proportion of the subjects who selected the experimental brand versus the control brand. The ad for the control brand had the following text:

*A balanced blend of our estate-quality South American coffee and a touch of French roast create a coffee that is wonderfully smooth with intensity and depth. Madison Blend is the perfect coffee for any occasion.*

Subjects were 193 students who participated either individually or in small groups. During classes, small groups of students were separated from classes to participate in a study described as assistance to a local advertising agency that wanted reaction to proposed print ads for two coffee clients. Before viewing the ads, participants

were told that they would see two sample print ads and respond to a few questions for each ad. They were also told that they would receive, as a thank you gift, one package of coffee—their choice of either of the brands. All subjects saw the control condition ad first, then the experimental condition ad. The ads were projected onto a screen, each for about 90 seconds, during which participants responded to the five attitude items. After the second ad, subjects were reminded that, as a gift for participation, the sponsors had made available 12-ounce packages of the coffee brands and that they could select a package of the brand of their choice. Packages of coffee were displayed. Subjects were told that they could have a sample of either, but only one, of the two brands, and that they could select the brand by placing their questionnaire booklets in the appropriate box. The boxes were labeled with the brand names and logos identical to those used in the ads. Subjects did not put their names on the response forms. Thus, choice was measured anonymously and unobtrusively.

## **Results**

Attitude toward the ad scales were constructed by summing the five measures. Assessment of internal reliability was done with Cronbach's coefficient alpha. The scales showed acceptable internal reliability for both the control brand ( $\alpha=.90$ ) and the experimental brand ( $\alpha=.90$ ). Factor analysis of the scales confirmed uni-dimensionality: For the control brand, a one-factor solution to a principle components analysis accounted for 72% of total variance, and all five variables had correlations of .80 or above with the single factor. For the experimental ad, the results were similar—72% variance explained and all variables correlated at .82 or above.

Brand choice was measured by placement of the booklets. Results for the ad attitudes and choice are presented in Table 2. The attitude scores are an average of the five ad-attitude scale items. the choice scores are the percentages of subjects who chose the experimental brand (over the control brand) in each of the four conditions.

(Put Table 2 here.)

The results support the hypothesis. There was little difference in either attitude or choice of the Fair Trade brand in response to brand or ad appeal independently. But, when the two are considered together, it is clear that a taste-based appeal was superior for the unknown brand, Brown Bag Beanery; whereas, the social responsibility appeal was superior for Tully's. Analysis of variance indicated a statistically significant brand x appeal interaction for attitude scores ( $F(1,188)=7.23, p<.01$ ).

For choice, the supporting statistical test was a chi-squared analysis of the contingency table. The continuity-corrected chi squared value was 13.37,  $p<.01$ . When Compadre was presented as a Tully's Fair Trade brand and positioned on the basis of taste, subjects chose it at nearly the same rate as the control brand (49% selected Compadre vs. 51% for the control). But, when Compadre had the well-known Tully's brand name and was positioned as socially responsible, it was selected by 81% of the subjects. In contrast, when Compadre was presented as the unknown brand, Brown Bag, it was selected far more frequently when positioned on taste (86%) relative to social responsibility (34%).



### *General Discussion and Conclusions*

The findings of this study have important implications for both MNCs and small local coffee roasters for how Fair Trade coffee should be positioned, whether on taste or social responsibility. The majority of Fair Trade coffee roasters are small, local producers; whereas, the largest sellers of Fair Trade coffee are large, well recognized gourmet coffee roasters.<sup>2</sup> Most small firms appear to position Fair Trade on the social responsibility dimension; most large firms on the taste dimension. We believe the reason is that small producers tend to be passionate about social responsibility and see that as their distinction. Gourmet coffee producers are responding to consumer demand for good taste.

The best opportunity for expanding demand for Fair Trade coffee lies with appropriate positioning by roasters. Small firms should recognize the need to establish taste first and foremost. MNCs, who already have a reputation for gourmet quality for all their roasts, should promote social responsibility as the distinguishing characteristic of Fair Trade.

Our findings confirm anecdotal observations from marketing practitioners and academic research studies. Previous research has found that consumers are unlikely to favor socially responsible consumption to the detriment of personal benefits in product choices: “In fact, a number of corporations have seen their efforts to sell socially responsible products fail because consumers failed to buy them in significant number”(Devinney, 2006, pp. 30-36). This assessment was made by a quartet of social scientists after an extensive review of empirical studies and concluded that “consumers

---

<sup>2</sup> Starbucks sells 10% of Fair Trade coffee. ([www.starbucks.com/aboutus/StarbucksAndFairTrade](http://www.starbucks.com/aboutus/StarbucksAndFairTrade))

purchase products to fulfill specific needs and wants. They will not sacrifice functional features to socially responsible ones.”

Though such an assessment may be disheartening to “Corporate Social Responsibility” advocates, our findings imply that the role of social responsibility must be intrinsic to the strategic focus of an entire enterprise. There are four imperatives for the promotion of social responsibility in consumer marketing activities. First, the benefit of responsible consumption augments the consumer choice decision but should not supersede the hedonic desire that impels the consumer to pursue the product category. As demonstrated in our Fair Trade coffee research, socially responsible benefits will change attitudes and behaviors after consumers are confident of the premium taste quality of the respective coffee brands. The opportunity to augment a quality differentiation advantage allows superior brands to sustain their advantage. Conversely emerging brands with no distinctive image should not pursue a primary position of superior social responsibility. This understanding will not only help dominant brands to gain and maintain market share but also, since increased sales generate social value, mitigate the wary oversight of activists and regulators due to the increasing market power.

The next three imperatives relate to the management of socially responsible labels by non-profit certification associations. First, certifying associations (such as Transfair USA) should target leading brands as their prime prospects. As shown from our experiments “quality augmentation” is the key value of social responsibility and as previously noted the dominant firms in the respective consumer category will benefit most. A corollary to this targeting imperative is to selectively accept co-labeling partners. Since the certification label is not associated with high quality it is important to

enhance the label reputation by restricting it to quality differentiated products. For Fair Trade coffee this could require the coffee roaster to demonstrate unique processing resources and skills.

The third imperative compels certifying associations to participate in the education of consumers with their co-label partners. Emerging coffee roasters should adhere to the creative strategy of superior taste in promoting its Fair Trade blends. Leading brands (such as Starbucks and Tully's) should collaborate with the Fair Trade association in educating consumers of the social value of Fair Trade coffee. This will not only enhance the positions of the leading brands but also improve consumer understanding of Fair Trade.

**References:**

- Devinney, Timothy; Auger, Patrice; Eckhardt, Giana; and Birtchnell, Thomas, "The Other CSR," *Stanford Social Innovation Review* (30-36), Fall 2006.
- Lewin, B., D. Giovannucci, and P. Varangis, "Coffee Markets: New Paradigms in Global Supply and Demand," Washington, DC: World Bank Publications, 2004
- Fairtrade Labeling Organizations International, Generic Fairtrade Standards for Small Farmers' Organizations. [http://www.fairtrade.net/fileadmin/Generic\\_Fairtrade](http://www.fairtrade.net/fileadmin/Generic_Fairtrade)
- Porter, Michael and Kramer, M., "Strategy and Society: the Link Between Competitive Advantage and Corporate Social Responsibility", *Harvard Business Review*, December 2006.
- Powell, Greg, "TransFair USA", Stanford Graduate School of Business, SI-39, 2002.
- Ries, Al and Trout, Jack, *The 22 Immutable Laws of Marketing* (New York: HarperBusiness, 1993).
- Rice, Paul, president and CEO of TransFair USA to Specialty Coffee Association Conference, Seattle Wa., 2005.
- Scott, Mary, "Fair Trade: Something Good Is Brewing," *LOHAS Journal*, Fall 2001, p. 25.
- Transfair USA, Fair Trade Overview, <http://www.transfairusa.org/content/about/overview.php>.

Table 1  
Prior Beliefs\* about Quality

item	average
1. multi-national brands are higher quality	3.72
2. brands that are made with high proportions of recycled content are lower quality	2.81
3. coffee brands that are labeled “Fair Trade” generally taste worse	4.23
4. brands from large national firms are usually of a lower quality	3.73
5. product is grown organically, it is likely to be of lower quality	2.39
6. brands that are hand made are of higher quality	4.41
7. firms that focus their efforts on doing good things for poor people or for the environment either have to charge a higher price for the same quality product or charge a similar price for a lower quality product	4.09

\*All scales were 7-point Likert, with higher numbers indicating stronger agreement.

Table 2  
Ad Attitude<sup>a</sup> and Choice<sup>b</sup>

brand	appeal	n	ad attitude	brand choice
Tully’s	taste	43	4.52	49%
	soc resp	48	5.06	81%
Brown Bag Beanery	taste	49	4.93	86%
	soc resp	53	4.52	34%


<sup>a</sup>Attitude was measured as average of 7-point scales; higher numbers indicate more positive attitudes.

<sup>b</sup>Choice is the percentage of the sample that selected the Fair Trade brand over the control.

**Appendix:** (Copy of advertisement used to promote social responsibility for fictitious brand)

BROWN BAG BEANERY'S COMPADRE BLEND

*Every Purchase Assures Fair Trade Benefits to Farmers*



SEATTLE, WASHINGTON U.S.A.

100% CERTIFIED ORGANIC

**COMPADRE BLEND**

FAIR TRADE CERTIFIED

FLORAL + SWEET + CITRUS

**BALANCED**

A coffee that helps break the cycle of poverty for small family, independent farmers from the famous coffee regions of Mexico, Guatemala, and Ethiopia. Because your coffee is bought from farmers who are guaranteed the highest price for their crops you will help them move from poverty to a better life. Take satisfaction in knowing that your purchase will do good for others.

BROWN BAG BEANERY

*Sold exclusively to Certified Free Trade Roasters.*