

**FAIR TRADE
IN CSR
STRATEGY
OF GLOBAL
RETAILERS**

**EDITED BY
MAGDALENA STEFAŃSKA
& RENATA NESTOROWICZ**



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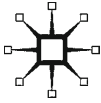
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*To my husband, Ryszard, and children: Piotr, Anna, and Marcin,
and my parents, Maria and Ludwik*

—Magdalena

*To my children: Mateusz and Wiktoria, and my parents,
Urszula, and Józef*

—Renata

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INTRODUCTION

The concentration and integration that have taken place in the retail sector, with the internationalization of business has meant that traders have gained an unprecedented position. On the one hand, they determine what kind and range of products and services will be offered to buyers, while on the other, they educate consumers by offering products and new services from the whole world. Their role is now not only to coordinate supply and demand but also to shape the offer. As a result, they moderate ways of meeting the needs of consumers. The multidimensionality of the functions performed by modern retailers gives them a significant influence on the stakeholders, but also imposes new obligations on them, which are now referred to as corporate social responsibility (CSR). The opinion is becoming increasingly common that trade companies should take economic, ethical, and legal responsibility for the consequences of their activities with respect to stakeholders and the environment. This responsibility is all the greater since as a result of globalization and internationalization, we can observe a significant decoupling of production from the places of consumption. The inhabitants of the Global North—Europe and North America—purchase products produced in the countries of the Global South—Africa, Asia, Oceania, and South America. They expect attractive prices, but often do not think about the conditions of production. International exchange is on the one hand an impulse for the development of the countries of these regions and it improves the quality of life of their inhabitants, but on the other hand, it may encourage the uncontrolled exploitation of resources of the countries where the usual standards of production, safety, and protection of human rights and the environment are at a much lower level than in the North. This creates a special place for CSR and fair trade in supply chains.

Maintaining the status quo is primarily a way of acquiescing to the uncontrolled exploitation of natural resources by global corporations and the destruction of the environment. It is also a tacit acquiescence to the violation of human rights, or child or employee rights. While demand

from global enterprises represents an impulse for creating jobs and sustaining the livelihoods of families in developing countries, creating conditions for supply raises more, and more frequent, objections. With the popularization of the Internet, mobile communication, and thus easy access to information, the knowledge of inhabitants of the rich North on the growing conditions, the harvesting of crops, and labor conditions is much better than, say, 20 years ago. And with this increase in awareness, consumers' expectations are growing regarding the marketing offers of shops. Their attitude has obliged global retailers to redefine their strategy and include CSR and fair trade in it. For some of them, CSR has set new standards in collaboration with stakeholders. These issues are addressed in this collection of articles.

This volume makes reference to the results of research carried out under a research grant funded by the National Science Centre, No. of the decision DEC-2011/03/B/HS4/03576 and by the Polish Scientific Association of Marketing (PNTM). The book consists of seven chapters. Their contents are as follows. The first chapter explains the essence of CSR and points to the link between CSR and the strategy of retailers, especially the functional-marketing one. The importance of CSR for traders is stressed and this idea is placed within the theory of stakeholders and strategic management, including the school of positioning. The application dimension of CSR among retailers is expressed mainly in the appropriate planning of assortment and introduction the ethical products, in particular: fair trade, pricing, the availability of retail outlets, and the means of marketing communication. This is developed in the final point on CSR and marketing instruments in the first chapter. In the second chapter, devoted primarily to fair trade, the growing importance of modern sales channels for the increasing popularity of Fairtrade products is highlighted. Two types of channels of distributions are presented—traditional and modern. Consumers' awareness and expectations of the supply chain as the essence of the fair trade movement are developed in this part. The next chapter in the book, in turn, discusses the critics of fair trade. The authors point to the negative effects of fair trade, whose roots lie in protectionism and not in purely market mechanisms. As long as fair trade is under special protection, it will be difficult to spread the idea and compete with other offers of producers and retailers. Moving away from economic liberalism to the manual control of production and demand causes *de facto* that the group that should be mostly supported—farmers from the Global South—do not gain as much as might be expected by the final consumers, who strongly want to support them. Since this support is not so high, there is a question of how to make this brand more recognizable and preferred by customers. No better idea than fair trade been created

thus far to support the Global South, but in the last chapter, the authors point to the trends in the development of fair trade.

In the next chapter, the idea of CSR and fair trade in supply chains is developed. It was necessary to present the history of changes in retailing in the last 30 years to explain the bargaining power of retailers in the channels of supply and the competition between traditional and modern channels of sales. Global retailers influence the structure of the retail sector, and also the quality of competition. What is more, they operate as “gatekeepers” who control which offer will be accessible for consumers. Suppliers with the low bargaining power are in a weak position. In order to build a socially responsible image under pressure from consumers, retailers are obligated to support both producers from remote countries and the local ones. This may create some confusion since the retailers are obligated to promote both local producers (due to the ethnocentric attitude of buyers) and those from the Global South. But the choice belongs to the customers.

Therefore, the fifth chapter examines consumers’ point of view on CSR and fair trade. We assume that modern consumers are more aware than ever of the origins of many products, the conditions in which they were manufactured, and the consequences of their own consumption for society and the environment. Although we do not have in mind the whole market, because socially responsible consumers represent a small part of societies, we think that the segment of socially conscious consumers will grow in comparison with those who are not aware of these issues. In the authors’ opinion, the main problem nowadays is the low level of awareness among customers of the social and environmental responsibility of retailers. This problem concerns mainly the countries that are not as developed and as rich the North American and European countries.

The third group of key stakeholders of retailers are employees. In the sixth chapter, the meaning of CSR for managing employees is developed. Knowledge about the role of fair trade for building the internal image of the organization is low, because it is part of CSR. We developed the idea of internal communication about CSR to build satisfaction with the job and the employer. We also take into account the idea of diffusion of CSR since we believe that satisfied employees will transfer their attitude to customers.

The last chapter refers to the trends of CSR and fair trade in the future. We believe that when societies become richer, the awareness and socially responsible behavior of customers will also be more visible, and then retailers will modify their strategy toward one based on CSR. Fair trade will be a tool that supports their efforts. The growing number of fair trade producers, and also socially responsible retailers, and the greater

awareness of consumers suggests that social purposes will be of concern to a larger number of enterprises and societies in the future.

The need to distinguish one retailer from another on the basis of such criteria as ethics on the one hand, and the responsible consumption of customers on the other, are the main driving forces for creating sustainable channels of supply based on the new quality of relations.

We would like to thank all the authors for their contribution to the book and the preparation of the articles for this book—Prof. Ewa Jerzyk, Prof. Henryk Mruk, Prof. Grażyna Śmigielska, Prof. Tomasz Wanat, Dr. Anna Rogala, and Dr. Ryszard Stefański. We hope that this book will bring the readers closer to the issues of CSR and fair trade in the retail sector. The main barriers to the development of CSR and fair trade that we see are both ignorance of the idea and a lack of knowledge about the social benefits it brings through the reorientation of the strategy of retailers and the entire supply chain. Another barrier is the lack of innovative solutions that could better support producers from the Global South. We hope that the popularization of both the concept of the social engagement of stakeholders and the integration of efforts to improve the quality of life for both the Global South and the rich North will bring the expected results.

MAGDALENA STEFAŃSKA

RENATA NESTOROWICZ

CHAPTER 1

THEORETICAL FOUNDATIONS OF CSR IN RETAILING

Magdalena Stefańska and Grażyna Śmigielska

The Origins of Corporate Social Responsibility

The development of the concept of corporate social responsibility (CSR) is connected, among other things, with the evolution of ideas that emerged in ancient times and was related to such issues as ownership, control, and wealth that divided society into two classes: the owners (or managers) of property who derived benefits from this position, and those who did not possess property. Moral concerns relating to the idea of ownership and the consequences of this fact for both owners and nonowners have been pondered by eminent philosophers throughout the ages. More on this topic can be found in Harry Landreth and David C. Colander (1998). Thus in this chapter we will not focus on philosophical considerations or the religious context of CSR, since these aspects have already been extensively described in the literature. Instead, we will focus on more contemporary activities, arising from management theory and practice. The origins of the current approach to CSR can be traced back to the charitable activities of some entrepreneurs as early as in the eighteenth and the nineteenth centuries. People such as Robert Owen, George Cadbury, and Titus Salt implemented social programs and introduced practices that were contrary to those commonly used at the time (for example, they did not employ children, and they provided education for children and workers). These are examples of the missionary approach and a recognition of the need to tackle social problems (Bhattacharya, Sen, and Korschun 2011, pp. 27–28).

In the late nineteenth and the early twentieth century, when production on an industrial scale started to develop and the process of the accumulation of capital in the hands of a small group of entrepreneurs began, a disparity between the rich, those deriving benefits from the work of others, and the workers started to appear. At that time, a discussion began regarding the responsibility of the wealthy for their business activities and for the thousands of workers employed in their factories. A response of the owners was to undertake image-building activities, which became the foundation of modern public relations. Good examples are the great philanthropists of the late nineteenth and the early twentieth century, such as Andrew Carnegie and John D. Rockefeller, who donated their wealth for social purposes. Analyzing the roots of CSR from a historical perspective, the nineteenth century and the turn of the century marked the beginning of the development of ideas relating to the role of companies in developing free-market economies, thus providing the foundation for the modern understanding of CSR.

The actions by the precursors of CSR resulted from the fact that for many years the concept of corporate social responsibility was located in the area of public relations and treated as a necessary tool for building a corporate image. This approach is justified, considering the roots of the idea, although the contemporary relationship between business and society means that CSR is seen in a much broader perspective than being just a public relations (PR) tool. A breakthrough in the development of this idea was a publication by H. R. Bowen, named the father of CSR by A. Carroll. In 1953, Bowen in his book *Social Responsibilities of the Businessman* defined CSR as “an obligation to pursue policies, to make decisions and to follow lines of action which are compatible with the objectives and values of society” (1953; Douglas et al. 2004, pp. 378–395). His followers believed that business, due to the nature of its functions and tasks, is accountable to the public and that it should serve the public in an active way, which means conducting CSR activities. Bowen drew attention to the impact of hundreds of large companies on the social and economic environment and posed important questions concerning the responsibility of managers for the consequences of this interaction. In his paper he referred to a survey conducted by *Fortune* magazine, which showed that 93.5 percent of managers agree with the statement that the responsibility of managers involves more than just generating a profit for the owners. His approach created a new dimension in CSR: it is not only an element of PR but a comprehensive image-building system based on the relationships with stakeholders.

Another new dimension in social responsibility (SR) was associated with rapidly increasing mass production after World War II, which was

quickly followed by environmental degradation. This problem was raised, among others, in the “Limits to Growth” report published by The Club of Rome in 1972, showing a vision of the future in which growth would be inhibited. This aroused public concern and prompted calls for to take measures to prevent this phenomenon. In this period the issue of CSR was fairly narrow and was restricted mainly to issues related to environmental protection and charitable activities. This approach has left its mark on the modern approach to CSR, which is still understood in this way by many companies. Expenditure on such activities was treated as costs, while the main aim of companies at that time was to maximize profits. CSR was often a reaction of large industrial companies to the social criticism directed at them. The principal aim of CSR activities conducted by companies was to prevent this criticism and build a positive corporate image through, for example, allocating funds for charitable purposes or undertaking actions to protect the environment. Philip Kotler and Nancy Lee defined SR strategy as the “long-term implementation of the objectives of a company and at the same time the company’s commitment to ethical actions, economic development, improving the quality of life of employees and society as a whole” (2005, p. 3).

The concept of CSR increased in popularity at the turn of the twentieth century because of the increasing number and the scope of the risks connected with the rapid progress of civilization and the development of consumerism on the one hand, and the increasing awareness and social pressure manifested through boycotting the products of companies that did not comply with ethical principles or that contributed to environmental destruction on the other. In many countries, consumer organizations emerged that protected the rights of shoppers. Also, social movements whose aim was to protect animals and the environment or to promote health and healthy lifestyles were gaining importance. These trends became so significant that some issues began to be formally regulated, and a company’s noncompliance could lead to lawsuits and severe financial penalties. The situation was similar in developed countries as regards workers’ rights, which were upheld by trade union organizations. However, the existing, and indeed deepening, disparity between social needs and the pressure on the part of companies to reduce costs and maximize profits is nowadays so large that the activities of enterprises very rarely extend beyond the minimum required by law in the area of human rights, workers’ rights, children’s rights, or environmental protection.

For the followers of M. Friedman, however, the sole purpose of business is to make a profit, “to make as much money as possible for their stockholders” (1970). Later he slightly softened this view, adding that

a company should also provide jobs and pay taxes (1970). At the same time he emphasized that a company should make a profit in a legal, honest, and ethical manner. He believed that altruism, as promoted by Bowen, is the responsibility of governments, social security systems, and individuals, not businesses. During this time, a very similar view was also expressed by the marketing theorist Theodore Levitt (1958), who warned companies against CSR activities because in his view devoting too much attention to social problems could have an adverse impact on profitability (Carroll and Shabana 2010, pp. 85–105). He argued that resolving social problems should be the responsibility of the state and that companies should not be burdened with this issue because they are supposed to pursue other objectives. On the other hand, many social problems are generated by companies. Examples of such problems include the devastation of the environment, or unemployment resulting from transferring production to countries where human labor is cheaper. Moreover, business investment in nondemocratic countries often supports totalitarian systems by providing export revenues. However, as stated by Moir, business can only fully enrich society if it is both profitable and socially responsible. Society and business cannot be considered separately because there are too many connections between the two (2001, p. 2).

The factors behind the development of the CSR concept in its contemporary meaning include the following:

- globalization (this leads to a separation between the places of production and consumption; contributes to the transfer of knowledge, organizational culture, technology, and capital between countries, and, in accordance with the transaction cost theory, businesses reduce costs and generate higher profits; it also leads to social and cultural change, and consequently to the unification of consumption and lifestyles on the one hand, and a stronger orientation toward local traditions, customs and culture on the other);
- concentration and integration of enterprises (manifested through mergers and takeovers, as well as the organic growth of organizations; capital and organizational concentration of enterprises means that companies are able to achieve a dominant position in the market);
- economic crisis brought about by delinquencies in the housing and banking sectors in the United States (the collapse of Lehman Brothers, which started a series of bankruptcies and a crisis in the banking and capital investment sector; this dented social confidence in the financial sectors and triggered intense public debate regarding

the profits of financial institutions and the astronomical, compared with other sectors, salaries of the chief executive officers (CEOs) of large corporations);

- concentration of global income in a group of several hundred companies in the world (a group of only several hundred people in the world own about 80 percent of global capital);
- increase in greenhouse gas emissions, leading to global warming;
- raising of environmental awareness in societies (for example, ecological disasters such as those in Alaska or in the Gulf of Mexico drew people's attention to environmental pollution and the degradation of the natural environment);
- changes in the environment caused by the operations of business enterprises (unprecedented natural phenomena in some geographical areas, which are attributed to climate change, brought about by human activity);
- growing importance of social movements promoting equality and protecting human and workers' rights; and
- development of new communication technologies and new platforms for the exchange of knowledge and opinions (for example, access to the Internet, development of mobile communication, emergence of social networking sites).

The phenomena described above also concern retail companies, which both contributed to their emergence and are influenced by them. Globalization, internationalization, integration, and concentration are concepts strongly associated with retail firms. These phenomena were co-created by the world's largest retail companies, which now operate in several and even dozens of countries around the world: for example, in 2011 Walmart Stores, Inc. operated in 28 countries; Carrefour SA, in 33; Tesco PLC, in 13; and Metro AG, in 33. The ten largest retailers in terms of sales (Walmart, Carrefour, Tesco, Metro AG, Kroger, Costco, Schwarz, Aldi, Walgreens, The Home Depot) had a retail revenue of 1,237,710 million USD. The processes of trade internationalization were significantly accelerated in the 1980s and 1990s because retailers were able to develop resources that made it possible for them to effectively compete in foreign markets (such as information and communications technology [ICT] as well as experience in terms of marketing and cooperation with suppliers). On the other hand, at that time many previously inaccessible markets became open to foreign investment, including markets in Central and Eastern Europe, but also in the Far East (India, China). Through expanding into new markets, organizing transnational supply channels, and exploiting the opportunities created by the opening

of European and Asian markets, global retail chains contributed to the reorganization of local retail structures and created a new quality of competition in the sector—based on innovation, cost and image. In addition, they created a new style of consumption by offering customers goods from around the world.

For European international retail companies the opening of the markets of Central and Eastern Europe in the early 1990s was particularly important. Postcommunist European markets at the time were characterized by an outdated retail structure, high demand for goods and services, as well as a lack of those legal restrictions that can often constitute barriers to growth in the markets of developed countries. High demand, low competition, a lack of legal barriers and even some tax incentives meant that these countries became important targets for the expansion of foreign retail chains. A special role in this process, which since the 1990s has been very dynamic, was played by large retail chains, mainly in the Fast Moving Consumer Goods (FMCG) sector, which are often referred to as transnational corporations. Their main aim is to get a substantial share of a foreign market; therefore, they try to reach large segments of the market and use a range of retail formats, as is the case with Carrefour, Walmart, Tengelmann, and Metro (Leknes and Carr 2004, pp. 29–49). The marketing strategies of these retailers determine the strategies they use in terms of supplies—global retailers concentrate on managing the global supply chain.

The reason behind the need for retail enterprises to expand into new territories was the high level of saturation in their domestic markets. The collapse of communism and the opening of the countries of Central and Eastern Europe to foreign capital resulted in a rapid expansion of European retailers into these markets, which had more than 70 million potential shoppers. At the turn of the twentieth century, in some countries, including Poland with its market of nearly 40 million people, a battle was fought by companies from France, Germany, Denmark, Sweden, the United Kingdom, Portugal, and Spain, which challenged not only local businesses but also companies well known in their own markets. As a result, such retail chains as Auchan, Carrefour, Intermarche, Tesco, Marks and Spencer, Zara, H&M, Deichmann, Biedronka, Netto, Praktiker, Media Markt, Saturn, Bricomarche, Leroy Merlin, Castorama, Yula, Obi, and IKEA became established in Poland. However, intense competition on the market today has forced some retailers, for instance, Real, to withdraw from the Polish market. The success of retail chains in Poland can be attributed to both a favorable state policy toward foreign investors who brought modern technology, organizational culture and management style, but also to the weakness of local competition, which

possessed obsolete technology and was completely dependent on very often poor quality supplies from domestic producers.

Modern retailing is therefore a dynamic, innovative, and significant sector of the global economy, the functions of which go far beyond passive participation in the distribution of goods. In the modern economy, referred to as a network economy, retail companies with large capital assets play the role of supply chain coordinators, and the rules that they implement directly affect all partners; both the end users of goods and services, and suppliers. These features, combined with the “omnipresence” of retail trade, offer great opportunities for implementing activities in the area of CSR and show that this sector has a great potential for mobilizing resources and identifying ways of solving social problems.

Retail companies, being entities that integrate demand and supply, exert an influence on suppliers, shoppers, the competition, and employees. The strong position of retailers in the supply channel means that suppliers often yield to their bargaining power and adapt to their standards and requirements. Only those suppliers who operate on a transnational scale or who are market leaders have sufficient power to develop partnership-based rather than transaction-based relationships with retail chains.

Shoppers, in turn, are becoming increasingly diverse. On the one hand, they are becoming more dependent on the offers of global retailers who dictate trends in fashion and consumption; on the other hand, they are looking for ways to express their individuality through a unique style. As employers, retailers determine the level of pay for the workers employed in this sector. With regard to competitors, they define the sources and the scope of competition by focusing on strategies based on cost or differentiation. The significant impact of retailers on a number of stakeholders means that their responsibility toward the environment and employees takes on a special dimension. The networks that they form determine the nature of their relationships with stakeholders and the values on which the relationships are based. The more retailers concentrate on transactions and costs, the more difficult it is for them to incorporate into their business activities different standards that are based on social responsibility and that take into account the expectations of society. However, customers’ knowledge about the origins and manufacturing conditions of many products, together with their desire for conscious and ethical consumption, can significantly influence the strategies of retailers, forcing them to revise sales targets and meet the expectations of shoppers. Additionally, supranational organizations encourage companies to focus on sustainable business development and integrate a broad range of stakeholders.

The Notion of CSR

In order to explain the nature of CSR it is necessary to define some basic concepts such as social responsibility, social value and, finally, CSR. While the concept of economic value is generally understood in the world of economists, this is not necessarily the case when it comes to social value. Social value can be understood as a belief that is recognized in certain collectives and that concerns standards of social behavior and a hierarchy of values. In fact, social values determine the directions of activity for the members of a given society. They are important and valued by society, and thus striving to create them is bound to be met with appreciation and acceptance on the part of individuals. A business enterprise, increasingly referred to as a corporate citizen, can within the core of its activities create social value by, for example, preventing unemployment, promoting the education of employees and their families, cultivating a healthy lifestyle, encouraging volunteer work, undertaking initiatives for the needy, and promoting equality, as well as employing people who are discriminated against or excluded from society. However, for this to happen the owners of companies and their managers need to understand what role, beyond the economic (creating profit and value, the production of useful goods and services, creating jobs), the organizations that they run play in societies and how their decisions can help improve the quality of life for the general public.

Therefore, when talking about corporate responsibility the following aspects ought to be considered:

- who is responsible (company, managers, employees);
- who or what is the responsibility toward (a company's stakeholders, the natural environment);
- what is the source of the responsibility (in the context of management, this can be viewed from a functional perspective, referring to M. Porter's value chain, and include research and development; supplies; production; sales and after-sales services; human, physical, and financial resource management; as well as output, i.e. the products of a company's operations).

A definition that has provided a basis for the contemporary meaning of CSR was given by A. Carroll in the book *Corporate Social Responsibility: Evolution of a Definitional Construct* (1999, pp. 268–295). In this definition he included four components of CSR that indicated the types of responsibility borne by companies. This means that social responsibility is perceived at various levels: economic, legal, ethical, and “so-called discretionary, i.e. philanthropic.”

A thorough examination of the concept of CSR was conducted by A. Dahlsrud (2006). He analyzed 37 definitions of CSR and pointed to such common elements as responsibility toward stakeholders, social responsibility, economic responsibility, voluntary work, and responsibility toward the environment. The definitions focus on both the beneficiaries of CSR and on the type of responsibility. An interesting point is that ecology was not included in every definition, whereas today eco-friendly attitudes are a prominent element of companies' CSR policies. There is even a separate term—Corporate Environmental Responsibility (CER), listed by the World Business Council for Sustainable Development (WBCSD). There are a number of reasons why ecology is included in the concept of CSR. First of all, investment in environmental solutions can help reduce costs and business risk. For example, by using renewable energy, companies become independent of energy suppliers; they can also reduce logistics costs by optimizing transport operations and avoid empty runs by providing transport services to other entities. In addition, companies can enjoy a range of tax benefits resulting from the implementation of environmentally friendly technologies. The investment by retailers in ecology can have legal grounds (a statutory requirement, such as the introduction of energy saving light bulbs), or it may be their voluntary commitment that goes beyond legal regulations. The potential financial and image benefits lie at the core of these changes in attitude toward environment and ecology activities.

In 2001, the European Commission developed a definition that defines CSR as a concept that integrates social and environmental issues in companies' business operations as well as their interactions with stakeholders on a voluntary basis (Commission of the European Communities Papers, 2001, No. 366). According to this definition, CSR is “a concept whereby companies integrate social and environmental concerns in their business operations and their interactions with the stakeholders on a voluntary basis.” This definition emphasizes the following:

- Social responsibility is not the same as philanthropy.
- Relationships with stakeholders are a key aspect of socially responsible activities.
- Activities relating to social and environmental issues have a significantly greater scope than what is required by law.

In 2011, a new definition was developed, which stressed that CSR refers to corporate actions affecting society and the environment that go beyond legal requirements. Enterprises, according to the European Commission, should be equipped with tools for solving social, environmental, and ethical problems, and problems concerning human rights,

as well as consumer problems, which ought to be integrated with its operations and strategy. This will enable them to maximize the creation of shared value (for their owners/shareholders, other stakeholders, and society as a whole), as well as identify, prevent, and mitigate any possible adverse consequences of their actions (European Commission 2011, p. 7). This approach indicates that it is time to operationalize CSR as it has begun to be perceived in a systemic rather than a selective way.

Based on the studies conducted to date, it is evident that there are a number of reasons why companies are interested in CSR activities. Among them are the merits of implementing a strategy based on the concept of CSR. These include the following:

- reinforcing a positive image of a company,
- spreading a favorable opinion by word of mouth (Bolton and Drew 1991, pp. 1–9),
- inspiring confidence in the company and its offerings (Morgan and Hunt 1994, pp. 20–38),
- increasing the resilience of companies to negative information in crisis situations (Jones, Wynn, Comfort, and Hillier 2007, p. 246; also: Bevan, Isles, Emery, and Hoskins 2004),
- improving competitive position through new market positioning,
- increasing customer loyalty,
- lowering the customer churn rate,
- supporting the long-term stable development of the company and its employees,
- attracting workers with better qualifications,
- increasing attractiveness for investors, and
- increasing the level of customer satisfaction with a retailer.

In comparison, M. Marcinkowska distinguishes three types of benefits that can be gained through adopting the concept of CSR:

- general business benefits such as increasing the value and goodwill of companies,
- operational benefits (improved quality, greater loyalty of employees and customers, greater employee efficiency, increased innovativeness), and
- financial benefits (greater savings, cost reduction, greater ability to raise capital) (2010, p. 9).

The benefits that result from implementing CSR policies can also be viewed from the perspective of corporate image, relationships with stakeholders, and attitudes toward competitors (Table 1.1).

Table 1.1 Main benefits derived by companies from CSR

<i>Image-building</i>	<i>Relationships with stakeholders</i>	<i>Competitors</i>
Better employer	Easier negotiations	Greater attractiveness
Trusted supplier	Stronger relationships	Preference over other companies
Desirable member of local community	Greater trust	Stable development
Greater resilience to crises	Attractive investor	Stronger competitive position
Greater customer confidence in a company and its products	Secure cooperation with partners	

Source: Own work.

CSR Models

Over recent decades, several models have been developed, the aim of which was to clarify the concept of CSR and create theoretical foundations. Providing a normative framework for the deliberations on CSR would help in determining the directions of research. In particular, this would help identify the relationships between CSR activities and corporate performance, which in the case of positive verification would be a very effective incentive for business owners to invest in CSR.

The first model that attempted to order the concept of CSR was Carroll's pyramid model, based on the works of Sethi (Carroll 1979, p. 503; Carroll 1991, pp. 268–295). According to this model, social responsibility imposes four types of responsibility on companies: economic, legal, ethical, and philanthropic. The first type is strictly associated with business operations and the desire to create a profit. However, the concept of profit itself, especially its size and the ways of achieving it, is a subject of debate among researchers in which the following notions appear: profit, reasonable profit, and the maximization of profit. These terms are not very clear cut, and are dependent on the internal or external perspective in relation to the enterprise. The definition of reasonable profit is therefore fairly relative and may vary depending on the region of the world, the level of economic development, and the culture of the society in which a company operates. It is important to differentiate between what profit is reasonable, and what profit results from greed, that is, when greed makes profit unreasonable. Although the slogan "greed is good" was perhaps justified in the 1980s, the current level of awareness among entrepreneurs, combined with the knowledge and attitudes of consumers, means that companies are not very eager to admit to greed for fear of losing their reputation.

In a sense, fair trade is the answer to the question about what constitutes reasonable profit. It can be assumed that it is a kind of profit in which all the participants of the supply channel are fairly rewarded for the work they have done. And “fairly” means that the income they receive ensures security and a proper standard of living for their families. A responsible business, therefore, is one in which transactions are fair and work is reasonably rewarded. Perhaps it was because of the philosophical context and the complexity of CSR that Carroll did not explicitly settle this issue, leaving it to company managers. Nor did he determine the level of this type of responsibility. It may be helpful at this point to quote P. Drucker, who said that CSR must not endanger the existence of a company. Thus, a limit is set as to what a company can offer without jeopardizing its existence and future.

Another kind of responsibility is manifested through observing the law and going beyond legal requirements in order to attain social objectives (not breaking the law, but doing more than the minimum specified by it). According to A. Carroll, socially responsible entities should act in accordance with the law and go beyond existing rules and regulations to show their commitment. The law determines the framework for actions, but it is not able to regulate all the aspects of company operations. Thus, legal responsibility means respecting the law and not using it to one’s advantage in legally and morally ambiguous situations.

The third area concerns ethics and ethical responsibility. This stems from the accepted social norms and principles that determine the extra-legal framework of responsibility.

The last type of responsibility is associated with philanthropic activities, and is a manifestation of the commitment of organizations in terms of sponsorship or patronage. In companies in which CSR is seen primarily as a component of corporate image, it is often this kind of responsibility that is the most prominent and the most evident in the strategies of communicating with the market. It frequently takes the form of public relations activities and often remains at this level, not expanding its scope and system of values to include other stakeholders and spheres of the company’s operations. This lack of consistency means that CSR is sometimes equated with PR, and it is often neglected as a concept that could be used for determining the overall strategy of a company.

The second CSR model resembles a cube formed by three dimensions (Carroll, 1979, p. 503): stakeholders, kinds of responsibility, and the strategies resulting from the attitudes of companies (or levels of commitment) toward CSR. Of particular interest here are the attitudes of companies toward social issues, which can one of be the following:

- reactive (a company reacts when achieving its goals becomes difficult),
- defensive (acting to remove a threat),
- adaptive (adapting to legal requirements and public opinion), or
- proactive (anticipating demands before they are communicated to the company) (Stoner, Freeman, and Gilbert 1999, p. 117).

The concept of the four types of corporate strategies in terms of attitudes toward CSR has been used to develop business models and corporate strategies. In the first type of strategy a utilitarian disposition predominates, which is oriented inward within an organization. This approach is related to the views of Friedman and represents a relatively narrow perception of CSR. Enterprises react, but only when they are prompted by signals from the environment, usually taking the form of criticism. The second type of attitude is also associated with adaptation and responsiveness to the expectations of the environment. Compared to the first type of attitude, this one is characterized by the desire to avoid irregularities, but this desire arises from the expectations of the environment rather than from internal needs. An example of this attitude is philanthropy as a response to the expectations of stakeholders. The third type of attitude assumes greater involvement as well as an integration of corporate and social objectives. In this case CSR is understood more broadly as a multidimensional activity. The last type of attitude involves the interactivity of businesses and stakeholders as well as building relationships based on symmetrical communication. This type is most commonly found in companies with the most advanced CSR strategies.

The second dimension of the model covers the previously mentioned areas of responsibility—economic, legal, ethical, and philanthropic. By combining these dimensions, companies, when analyzing and developing their own strategies, can clearly define the areas that are crucial to their business, both those that are most developed and those that are neglected. This kind of an internal audit will reveal the weaknesses of the organization and indicate the directions for development.

The third dimension of the model relates to the stakeholders, and they are both the beneficiaries and the initiators of actions that retail companies should implement as part of any socially responsible measures. They benefit from companies' actions, but they also indicate the future types and courses of action in order to maximize benefits.

The list of authors who made an important contribution to conceptualizing and modeling this includes such names as W. Frederick, W. Visser, M. Porter, and M. Kramer. It was Frederick who introduced the concept of Corporate Social Responsiveness and the acronyms CSR₁

and CSR₂. The concept of CSR₁ was associated with trying to explain the essence of the concept of corporate social responsibility. On the other hand, CSR₂ denotes whether and how a company responds to social challenges, to what extent and with what consequences. In this sense it is closer to corporate management and the management of a company's relationships with society (Frederick 1994, pp. 154–155). Also, W. Visser used the terms CSR_{1,0} and CSR_{2,0}, but proposed a different interpretation (Visser 2010, pp. 8–9; *Rewolucja w CSR* [Revolution in CSR] 2001, p. 7). In his opinion, the following stages can be distinguished in the development of understanding regarding the essence of CSR: greed, philanthropy, marketing, management, and responsibility. These are also the keywords that define the perception of CSR in a narrow or a broad perspective.

M. Porter and M. Kramer, who represented the positioning-based approach to creating and sustaining a competitive advantage, developed a model that allows companies to assess the social consequences of their actions and use those opportunities that may be beneficial both to society and to themselves through strengthening their competitiveness (2006, pp. 77–92). In their view, the basis for the development of the CSR concept is defining the economic and social value, that is, procedures and operating practices that will increase the competitiveness of a company while at the same time improving the economic and social conditions of the community in which it operates. The value itself is understood by them as a benefit–cost ratio rather than as the sum of benefits alone (2011, p. 40). Creating customer value is a consequence of an organization's adopting a strategy based on the concept of CSR, which should be interpreted as its contribution to the creation of economic and social value. In their view, in each of the areas of responsibility described in A. Carroll's model, significant value for society can be created that will benefit communities in the following ways:

- contributing to improvements in the quality of life in a given location through investment projects, environmental protection, and education;
- helping prevent pathologies such as alcoholism or drug use; supporting youth education programs; preventing drug abuse and teenage pregnancies;
- promoting healthy lifestyles; and
- supporting initiatives for the integration of local communities.

The authors identified the activities in the area of CSR in which companies should get involved. They suggested how companies should

integrate CSR into their strategy. To this end, a company should identify its priorities and address certain social tasks, as arranged in three groups:

- general social issues: important for society but not significantly affecting either the current activity of a company or its long-term competitiveness;
- social impact of the value chain: social issues that are closely connected with a company's value chain; and
- social dimensions of competitiveness: social issues existing in the external environment that can significantly affect a company's competitiveness in the place where it operates.

They postulated that companies should choose activities that can contribute to their competitive advantage and incorporate them into their strategies. The most important of them are social activities that can differentiate one's company from those of one's competitors and create a unique proposition for the customer. In contrast, the implementation of activities within the supply chain can render the following effects:

- minimize the damage resulting from supply chain activities and
- promote changes in the supply chain so that society can benefit from the implemented strategy.

The model distinguishes primary activities and secondary (support) activities (Porter and Kramer 2006, p. 7). The first group includes activities related to production and marketing, as well as sales and after-sales activities; the second group comprises actions that permeate all the functions of a company, such as those related to human resources, infrastructure, technology, and supplies. Because the primary and secondary functions intermingle, all the employees are responsible for the effects of the social and environmental commitment of a company; thus, they are the main recipients but also the initiators of CSR activities. Their potential in terms of CSR depends on the specific characteristics of a given function. Significant opportunities can be observed in the field of logistics, purchasing, and sales, and their direct beneficiary is the environment. Activities such as reducing CO₂ emissions by investing in greener vehicles, optimizing the distances traveled by vehicles, and avoiding empty runs, as well as reducing waste are good examples. As concerns sales, particular attention should be paid to relationships with employees, because they have the abilities to create economic and social value.

The involvement of companies in any CSR initiatives in the value chain ought to provide it with an advantage over its competitors in

terms of lower costs or differentiation, in accordance with the strategies distinguished by M. Porter. In some cases social value is, in a way, derivative of efforts to create economic value. An example would be the policy of the Spanish Zara chain, which in contrast to many European retailers contracts the production of garments in Europe, close to the place of “consumption,” whereas it is common practice to move production to factories located in Asia because of lower costs. In this way, on the one hand the company reduces its business risk, while on the other hand, it builds an image of a firm that works with local suppliers and creates jobs in the European market, which fits squarely into a business model based on CSR (Girotra and Netessine 2013, p. 115).

The economic and social value chain model integrated with the concept of CSR shows managers the directions and methods of development for their enterprises, creating a logical system of internal motivation to follow its principles. Finally, it is worth noting that there are not only numerous benefits but also some limitations associated with the implementation of CSR (Table 1.2).

Table 1.2 The opportunities and limitations related to the implementation of CSR by retailers

<i>Opportunities</i>	<i>Limitations</i>
<ul style="list-style-type: none"> ● Positive image ● Strong positive reputation ● Attracting better employees ● Higher employee loyalty ● Higher customer loyalty ● Easier to attract investors ● Better relations with suppliers ● Better relations with local communities ● Similar range of products and price level ● Employee satisfaction with employer ● Standing out from the competition 	<ul style="list-style-type: none"> ● Intense competition discourages firms from formulating any other objectives than those directly related to business ● Pressure to reduce costs while maintaining quality: impossible to fulfill ● Little or no pressure from consumer organizations ● Weak or no incentives from legislators ● Lack of internal motivation in companies ● Perception of CSR only at the instrumental and operational levels ● Low consumer awareness ● Price as the most important criterion for choosing suppliers ● Price as the most important criterion for choosing products by customers ● Pressure to reduce costs connected with the economic crisis ● Low confidence of consumers in the declarations of retailers

Source: Own work.

In conclusion, the idea of CSR is nowadays becoming more and more clearly normative in character. So far, the main weakness of CSR has been the imprecision of the term and the concept itself. This is very important for practitioners because the excessive generalization of the concept restricted their understanding of the idea and hindered converting it into practice.

When the types of responsibility, the recipients, the levels of responsibility, and their operationalization have been defined, it will be easier for managers to incorporate CSR into the management of their organizations as the main guideline in the formulation of objectives and methods for their implementation so as to emphasize social responsibility and commitment.

Stakeholder Theory and CSR

Viewing CSR from the perspective of business enterprise theory, and especially the strategic management approach, has a number of strategic implications. Firstly, social responsibility can be a part of a company's strategy either at the corporate, the strategic business unit, or the functional levels. For this reason, it should be treated as a strategic investment because it determines decisions concerning production, human resource management, sales and marketing, logistics, technology, financial management, and investments. It should be emphasized that even if CSR activities are not directly related to the product or production process, they build a company's image. Secondly, one can use the resource-based view of CSR to determine the set of the expected features of strategic investments, both in terms of individual companies and whole sectors. This approach is very interesting and compelling for managers, who, driven by the neoclassical concept of doing business, aim to maximize the value of the company without regard to social issues beyond simply caring about the reputation of the company.

The overall aim for the implementation of a CSR based strategy seems to be not so much meeting social needs but achieving economic goals through creating social value. Such a perspective changes the priorities of companies and makes them seek alternative ways of achieving goals. Overall, from the perspective of neoclassical theory, the most important strategic goal of firms is to increase the value of the company and build a sustainable competitive advantage. However, there is no consensus among theorists as to how a company should create a strategy for competitive advantage. Generally, one can distinguish two basic trends: external analysis (positioning-based, Porter's) and internal analysis (resource-based), which define the spheres in which the strategy should be focused. They

also can underpin the development of CSR in the context of competitive advantage, which is based on the model devised by Porter and Kramer.

An interesting view on the theoretical foundations of CSR is presented by Garriga and Melé, who point to four streams of thought regarding CSR from both the macro and the micro perspective (Garriga and Melé 2004, pp. 51–71). These are instrumental theories (which refer to strategic management and the positioning-based approach); political theories (which refer to the alternative theory of the social contract); integrated theories (based on the stakeholder theory); and ethical theories. The group of instrumental theories includes the agency theory and the position-based approach, which perceive the company as an instrument for creating wealth, claiming that it is wealth that determines the company's obligation to society. The second group of theories focuses on the broad context of companies' operations and highlights the strength of their impact on society. According to these concepts, enterprises can both create and solve social and economic problems (for example, they can alleviate unemployment by opening a factory in a region, but they can also contribute to unemployment by closing a plant and moving production to another location). For this reason, companies are under an obligation to shape social relationships and to responsibly use the power they possess by reason of their business operations. The third group, integrated theories, refers to relativized situations, according to which an organization should respond to public expectations through actions that are consistent with the values recognized by a given community. Companies can identify social needs and adapt their strategies or decide on the direction of changes. This approach is relative in nature as it stipulates that the approach to CSR depends on a specific situation and context (Aniszewska 2012, p. 98). The last group of theories concerns ethics and the perception of CSR as a social obligation arising from ethical values. The classification presented by Garriga and Melé, which places the concept of CSR in the various streams of the economic sciences, indicates the variety of conditions that oblige companies to assume social responsibility.

The modern approach to the concept of CSR, however, is most firmly embedded in the stakeholder theory developed by R. E. Freeman (1984). In this theory of organizational management the objective of maximizing profit was replaced by the objective of creating value for all the stakeholders. First of all, however, it is essential to determine who the stakeholders are and what expectations they have toward companies. Stakeholders are classically defined as any group or individual who can affect or is affected by the achievement of the organization's objectives (Freeman 1984, p. 25). Thus specified stakeholder groups, including shareholders, employees, suppliers, customers, entities operating in the environment, and local

communities, began to appear in the definitions of social responsibility. Because of the varying intensity in the relationships between companies and the external environment, stakeholder groups can have different degrees of significance for corporate strategic objectives. According to Mitchell, Agle, and Wood (1997, pp. 853–886), the key stakeholders are those who have power (bargaining power), are legitimate, and are pivotal for the continuation of the business. Sometimes conflicts of interest can arise between stakeholders, resulting from their different relationships with the company. For example, shareholders will expect high profits and dividends because companies are their sources of income. Also, business owners can manifest social responsibility as individuals rather than doing this in an institutionalized form in their enterprises. On the other hand, consumers expect firms to put responsibility before profit (expressed, for example, through product safety, ensuring proper working conditions for employees, not using child labor, etc.) (de Wit and Meyer, 1998, p. 812). B. de Wit and R. Meyer also emphasize the following:

- Social responsibility is no longer merely a concern of individuals but has become an important issue for whole organizations.
- Responsibility takes precedence over profit.
- The aim of organizations is to meet the expectations of all stakeholders, not just shareholders.

The number of corporate stakeholders has expanded as a result of globalization, as many large corporations have moved their production to underdeveloped countries, where production costs are much lower and there are often no restrictions relating to child labor or environmental protection. Internationalization processes, instead of contributing to the growth of national income and improvements in the standard of living in these countries, have often led to the devastation of the environment and even greater impoverishment. These countries did not have institutions that could protect the interests of workers and local communities. As a result, the violation of ethical standards in these countries could be prevented only by the voice of public opinion. This voice was becoming more and more prominent because the development of communication technology meant that unfavorable information about a company could quickly spread and adversely affect its image. These measures, however, seem to be insufficient. The implementation of CSR prompted a change in companies' approach to responsibility and their business operations in developing countries. This happened partly as a result of the impact of public opinion and the media, which initiated a debate on how businesses should treat poor and marginalized communities, and partly because of

the variety of tools and models created to manage social and environmental operations (Blowfield 2005, pp. 515–524). Companies have also been forced to comply with social and environmental standards in the countries where production was located, not only in their own developed countries, because it is the companies that manage the supply chain that ought to take responsibility for the social and environmental activities of suppliers.

Activities in the area of CSR are usually analyzed in the context of stakeholder groups (Consolidated European Report 2007). When it comes to retail, it can be assumed that the key stakeholder groups include employees, consumers, suppliers, and local communities. Employees, because of their competences and skills, are a key corporate asset without which it is impossible to build a competitive advantage. Taking into account the concept of CSR, this resource should include not only the people employed directly in a given enterprise but also the employees of the company's suppliers and other business partners. A company is obviously not able to take responsibility for other entities, but it can put some pressure on its partners regarding employee management. A socially responsible company should include the following principal practices in its employment and human resource management policies:

- caring about employment equality,
- observing health and safety standards beyond the standard requirements,
- preventing all forms of discrimination,
- supporting people who are discriminated against because of age, gender, sexual orientation, or for any other reason,
- involving employees in community initiatives that contribute to the development of their own social/civic attitudes,
- not restricting employees' freedom of association and their right to form trade unions,
- ensuring transparency on issues relevant to employees, and
- developing and implementing a code of good practices, including a whistleblowing policy, the aim of which is to assist individuals who raise concerns about irregularities in the organization.

Implementing a CSR based strategy with regard to employees requires, above all, the engagement of managers in this process. Their attitudes and behavior will largely determine how other employees interpret the rules and whether they are going to observe and promote them. This kind of responsibility is implemented through the following means:

- a recruitment process in which the competences of applicants are the only selection criterion,
- internships,
- training,
- employee benefits packages, and
- employee integration programs.

Most of these activities are conducted within human resource management and are becoming standard practice in retail chains that aspire to reach a leading position in the Polish market. An example might be the discount chain Biedronka, established in Poland in the 1990s. Since the beginning of its operations in Poland, it has been strongly criticized for its mistreatment of workers. The company, currently under a Portuguese owner, is now trying to build an image of a trustworthy employer through undertaking initiatives to increase safety, offering employee benefits packages, and increasing employees' satisfaction with their work.

Retail companies also take an active part in the labor market activation of people with disabilities. For example, the French retailer Carrefour employs around 400 people with disabilities in its Polish hypermarkets and supermarkets (www.carrefour.pl). This is a result of a project, initially implemented in cooperation with the Mazowieckie Association of the Deaf, under which Carrefour began to employ people with hearing and speech impairments in one of its Warsaw stores. This initiative involved the need to introduce a number of adjustments (<http://www.carrefour.pl>). Despite the large expenditure that this involved, the program has continued throughout the country.

Consumers constitute the next key group to whom retailers dedicate CSR programs. Their attitudes and behavior toward socially responsible businesses have been the subject of many studies, an analysis of which can be found in chapter 5. It is worth mentioning that more and more shoppers expect retail companies to be socially responsible and to inform the public about their involvement in CSR. Consumers want to know how companies fulfill their "civic role." In the literature one can find the term "corporate citizen" to describe companies, which is sometimes equated with CSR, although it is difficult to assign to companies the same role as to citizens, if only because citizens have certain rights that businesses do not have. Customers have a better perception of socially responsible companies, they trust them more, they are more loyal to them, and they are more willing to stand by such companies in a crisis situation. However, it must be said that not all shoppers attach great importance to the extent to which companies use CSR instruments. Valor mentions two main barriers that prevent shoppers from responding in the

ways in which companies expect: motives and cognitive barriers (2008, pp. 315–326). The more consciously shoppers perceive their role in society, in the opinion of the author, the more motivated they are to make decisions that take into account social benefits rather than just individual ones. Public welfare is as important to them as their own. It should be noted, however, that such an attitude among shoppers is not very common, and the rather small proportion of “conscious consumers” among the total number of shoppers means that retailers do not particularly focus on advertising their CSR activities. As a result, the second type of barrier, a cognitive one, appears because consumers have difficulty in obtaining information about CSR. Shoppers will be willing to seek this information if their ethical principles and awareness of “consumer responsibility” prompt them to do so (one must be well informed to be able to shop consciously). At the same time, the awareness and attitudes of shoppers will be influenced by the information they receive, whether positive or negative. Negative information triggers sharper responses from consumers in the form of criticism, than does positive information in the form of praise. However, strong loyalty to the brand and a belief in its value weakens the impact of negative information.

With regard to consumers, retailers have an obligation not only to provide good quality products and services but also to promote patterns of consumption compatible with a healthy lifestyle and to educate customers in this respect. For example, in the United Kingdom the biggest retail chains offer their customers products arranged into new categories. This is connected with a social program aimed at promoting healthy eating and supporting the diet of people with diabetes (Jones, Comfort, and Hillier 2006, p. 841). Retailers also target such actions at children, who in recent years have been faced with an increased risk of obesity and related diseases. Another solution introduced in some stores was removing snacks that were tempting for children from check-out areas (Piacentini, MacFadyen, and Nadie 2000, pp. 464–466).

Another manifestation of the socially responsible attitude of retailers is informing customers about their corporate values and the actions that reflect their commitment to issues that are important to society and the community. Customers’ awareness relating to products and their origin has increased significantly in the past three decades. Customers seek such information more often than they did in the past. They are increasingly aware of the fact that many goods are manufactured in countries that offer cheap labor, which reduces the price of those goods. They also know that strong global clothing or technology brands outsource production to such countries, thus accepting conditions that by the standards of their own countries are unethical or dishonest.

Another key stakeholder group of retail firms are suppliers. Being the stronger partners in the distribution channel, retailers have particularly responsibility with regard to the suppliers of goods, which are often small and medium-sized firms that do not have high bargaining power. The main components of this responsibility include

- specifying such terms of cooperation that can be met by local or regional suppliers;
- promoting those suppliers and enabling them to expand into new, also foreign, markets; and
- providing suppliers with the tools for effective competition through the transfer of knowledge and technology to improve manufacturing and management processes.

The expectation regarding the cooperation of retailers with suppliers from both developed and developing countries is that this cooperation should be based on the principles of fairness or fair trade. During the period when the retail sector was undergoing structural changes in the countries of Central and Eastern Europe, retailers (mostly foreign) were often criticized for imposing on manufacturers strict contractual requirements in terms of product quality, price, terms of delivery, or deferred payment, which were very difficult to meet and which sometimes led to the bankruptcy of financially weak producers. In time, however, the situation started to improve, and by the middle of the last decade manufacturers tended to favorably assess their cooperation with foreign retail chains, pointing out such advantages of this cooperation as, for example, knowledge transfer (Kłosiewicz-Górecka, 2008).

An example of a company that promotes its suppliers by involving them in the global supply chain is IKEA. Poland is the second-largest supplier of IKEA furniture in the world, and the volume of exports generated by the company accounts for 1.5 percent of total Polish exports (in 2006, it amounted to 4 billion PLN). Polish producers are also able to propose their own designs, which are then introduced into the company's product range. When outsourcing production, IKEA provides the manufacturers with cutting-edge technologies as well as educational opportunities. Thus it transfers knowledge, which is the basis of competition in the modern world.¹ In the years 2010–2012, as part of enhancing competences, IKEA implemented a program entitled “IKEA—the factory of core competences.” Its aim was to develop the core competences of employees in accordance with the long-term development strategy and values of IKEA. This training program is an expression of the company's responsibility toward employees throughout the IKEA supply chain.

Another example is the actions of the French retail chain Intermarche, which introduced “Recommendable supplier” certificates for its suppliers. Also, the British Tesco and the German Lidl implement cooperation programs with suppliers and encourage them to expand by distributing their products in other countries through their own chains of shops.

When it comes to developing countries, whose assets include agricultural crops and low labor costs, fair trade as a CSR instrument in the supply chains becomes particularly important. All the participants in the supply chain of fair-trade products are united by the idea that the producers are fairly rewarded for their work and produce, and that the consumers who buy certified fair-trade goods are aware that in this way they support the producers. Nowadays retail chains, especially when they offer products under their own brands, very often control the entire supply chain from producer to consumer, and sometimes even have their own logistics centers and production facilities. Consequently, they become socially responsible for the functioning of each link in the distribution channel that they control. This often involves specifying the standards of social responsibility for each link in the chain and monitoring their observance. In this way they encourage the creation of a supply chain based on fair trade. It is worth noting that those channels, provided all the participants meet the required standards, can create a competitive advantage. Because they limit access to suppliers that do not comply with the specified requirements, they can request premium pay for quality products, and their high credibility means that they can forge lasting relationships with partners.

Retail companies also organize activities for local communities and participate in all kinds of charity actions and events, such as food collections or helping children, the elderly and/or the disabled, as well as victims of natural disasters. Retailers implement such actions individually or participate in them as partners. An example of work for local communities is the implementation of the Tesco for Schools program, which is a manifestation of socially responsible marketing. In Poland, this program was launched by Tesco in 2002 (ten years later than in the rest of the world). Its aim is to provide better equipment for Polish schools and improve development opportunities for children and young people in the modern world. Initially, it was closely associated with purchases made at Tesco stores. When doing their shopping, customers received points that they could donate to a school of their choice. Each school that collected a certain number of points received awards (TESCO DLA SZKÓŁ [Tesco for Schools] <http://tescodlaszkol.pl/>). Since 2008, the Tesco for Schools program has been focused on the environmental education of children and young people, and promoting active citizenship attitudes among them. In 2011, for a project entitled Ekomania filmowania [Filming eco-mania], which was a competition of

pro-environmental films created by schools, Tesco Poland won a Stevie Award in the prestigious International Business Awards.²

Retail chains also undertake various actions aimed at protecting the environment, such as organizing collections of difficult or hazardous waste (batteries, light bulbs) and initiating various types of environmental action. For instance, IKEA is involved in forestry projects. Environmental protection also plays an important role in the activities of Tesco Poland. As part of its efforts to protect the environment and combat global warming, the company has increased recycling, reduced water usage, and cut CO₂ emissions by 10 percent. In addition, energy-efficient stores powered by “green” renewable energy from the sun, the wind, and the ground were built in Zdzeszowice, Garwolin, Lubartów, Nowe Miasto Lubawskie, and Grudziądz. In other facilities, sensors have been installed to control indoor lighting and refrigeration appliances. Also, the system of transporting goods from the central warehouse to the stores has been optimized, which has reduced the fuel consumption of the transport fleet.

Social Responsibility as Part of a Retailer’s Strategy

Global retail corporations seem particularly predisposed to undertaking actions that benefit societies. Such companies have a significant effect on the environment around them—the labor market, the local community, the infrastructure, the environment, and the local suppliers of products and services, as well as competitors. A noticeable increase in the impact of external factors (in particular, the intensity of competition and changes in consumer behavior) on retailers’ strategies has prompted them to analyze more thoroughly the processes occurring in the environment. Some of the most significant ones include the following:

- an increasing role of local communities in shaping the business activity of retailers. Local residents are increasingly aware of the possibility of influencing the strategies of companies that operate in their area; thus, retailers must demonstrate a greater sensitivity to the needs and expectations of local communities;
- changes in the attitudes of consumers, who are more than ever interested in the extent to which companies’ operations affect the environment. They are more aware of the origin of goods and the conditions in which they were produced. They are willing to participate in the initiatives of enterprises that aim to improve the quality of life of selected social groups, such as the fair trade movement;
- changes in the relationships with suppliers. Along with an increase in the bargaining power of retailers, the negotiating position of

suppliers, both producers and wholesalers, has weakened. The situation becomes particularly difficult when they do not have their own strong brands. If retailers adopt policies for building proper relationships with suppliers, the two sides can more effectively work together toward meeting their goals. This also means incorporating the concept of fair trade into the supply chain;

- changes in the relationships with competitors. Retail enterprises, especially large organizations, have an impact on the structure of local trade. As a result, the balance of power in the local market and the competitive behavior of retailers change. Competition takes on a new dimension, based not only on price but also on other positioning features, such as, for example, ethical values.

These phenomena indicate the necessity for a strategy formulation that will to a greater extent take into account the expectations of stakeholders. It must be said, however, that this is a difficult task, given the primacy of the transaction cost theory in the strategies of retailers. Global retailers adhere to this theory and outsource production to countries with low labor costs, whereas the final products are usually sold in European countries or in the United States. There are both positive and negative effects of such policies. The negative effects include the illegal or unethical actions of global retailers. These relate primarily to abuses against workers, who are not adequately reimbursed for their work or do not receive overtime pay. Consumers are also concerned about the fact that a large volume of clothes sold on the European market has been manufactured in places of dubious reputation. Global clothing chains commonly offer goods produced in countries where the manufacturing costs are very low, mainly in Asian countries such as Afghanistan, Bangladesh, China, India, Indonesia, Pakistan, and Vietnam. These countries produce shoes, clothing, toys, and electronics, as well as food, while the designs and marketing strategies are developed in the home countries of the retailers. International retailers declare a socially responsible attitude, but at the same time they are accused of outsourcing the production of goods to Asian sweatshops, which do not respect human, children's, or workers' rights. Thus there is an inconsistency in their actions, which causes anxiety and distrust among consumers.³ This applies in particular to clothing retailers, although the situation is also similar in the electronics sector.⁴ This puts such retailers in a somewhat dubious light. On the one hand, in their home countries where their products are consumed, they often have elaborate CSR programs about which they inform stakeholders in their annual reports. On the other hand, in the countries where production takes place, the fundamental standards regarding working conditions and human right are

violated. Such hypocrisy by global retailers reduces confidence in the sincerity of their intentions regarding CSR initiatives in developed countries, as well as undermines confidence in the concept of CSR in general.

The above phenomena relate to the environment of enterprises. However, there is also growing demand for social responsibility within organizations because of the effectiveness of CSR in protecting employees against the undesirable practices of employers,⁵ and also because employees are encouraged to engage in socially responsible behavior through, for example, taking part in employee volunteer programs.⁶ Employees expect from employers not only compliance with the law but also fair and equal treatment, the ensuring of safety in the workplace, protection against mobbing, compliance with a code of ethics, and promotion of employee self-development, as well as help in difficult situations related to illness or other misadventure. CSR in relation to employees means that employers must meet the minimum standards required by law, as well as take initiatives to improve the quality of working conditions that go beyond these minimum legal requirements.

Marketing Instruments as Tools Used by Retailers to Implement Marketing Strategies Based on CSR

Combining a company's strategy with the concept of CSR takes place at the level of formulating the company's mission, and is manifested through the key values that companies declare in relation to stakeholder groups or the environment. The mission determines the subsequent goals, and thus it is reflected in the strategy, including the marketing strategy, of a company. What distinguishes retail companies from other types of business activity in terms of orientation toward CSR is their direct contact with end users, who are usually the consumers of purchased goods and services. This lack of distance between the retailer and the shopper means that companies from this sector affect many aspects of consumers' lives, not only in terms of supplying consumer goods but also by influencing the process of decision-making regarding purchases; the ways in which consumers meet their needs and choose the time and place for doing their shopping; as well as the level of consumption.

Thus, retailers are not only the providers of goods but they also fulfill other functions:

- education (e.g., offering new products, product demonstrations) and
- culture and entertainment (these functions are now characteristic of shopping centers that offer a wide range of services, not necessarily related to retail).

Table 1.3 Determinants of a retailer's image in the context of CSR

<i>Determinants</i>	<i>Actions</i>
Product range	<ul style="list-style-type: none">● safe products● comprehensive and credible product information● safe sources of supplies● ethical sources of supplies● ethical products● fair trade products● ecological packaging● cause-related campaigns
Packaging	<ul style="list-style-type: none">● choosing more environment friendly packaging material● packaging that guarantees optimum space utilization during transport● clear and understandable information on the packaging
Price	<ul style="list-style-type: none">● includes a fair remuneration for producers and intermediaries● transparent price information
Location	<ul style="list-style-type: none">● a choice of location that does not antagonize local communities● building or upgrading the road infrastructure around shops● opening retail outlets in areas where the retail network is poorly developed
Promotion	<ul style="list-style-type: none">● organizing promotional activities to support local needs● participating in promotional activities for the benefit of local communities● offering products that support the needy
Brand	<ul style="list-style-type: none">● creating brands that have social value
Extra facilities	<ul style="list-style-type: none">● baby care rooms● defibrillator● parking spaces for families with children, not only for the disabled
Sales personnel	<ul style="list-style-type: none">● employing people discriminated against because of their age, gender, sexual orientation, ethnicity, etc.● providing flexible forms of employment that take into account the time preferences of employees● providing employee benefits packages● introducing solutions that improve work efficiency beyond those required by law● improving health and safety standards● fair play
Others	<ul style="list-style-type: none">● using eco-friendly materials in the construction of retail facilities● using green energy sources● recycling programs● reducing CO₂ emissions

Source: Own work.

A strategy based on CSR requires a new approach to marketing instruments. CSR can be expressed in the classic approach to marketing instruments—the 4P's as well as the 4C's of marketing. However, it seems more reasonable to position CSR activities within the framework of image-building determinants rather than just marketing instruments. Table 1.3. shows the actions undertaken by retailers as part of marketing instruments that derive from the concept of CSR.

Conclusions

The concept of CSR has become an integral part of the global strategy of retailers. However, it is not a strategy in itself, but a strategy determinant—it indicates a wider context for business decision-making: the social or the environmental context. Given the market mechanisms and the laws governing the market, it is very difficult to persuade managers, especially in times of economic crisis or strong pressure from competitors, to assume the perspective of sustainable development and strive to improve the world for future generations. Ascribing a normative character to the concept of CSR and accepting the thesis that CSR incorporated into the functions included in the value chain will contribute to the creation of a competitive advantage, provide an effective rationale for investing in CSR. One of the most significant instruments of CSR is fair trade, with its underlying idea that unites all the participants in the supply channels with the desire to create economic and social value. The ideological context of CSR and fair trade means that these two concepts rather slowly penetrate into the strategies of retailers, but the benefits connected with their implementation can gradually persuade retail enterprises to include these concepts in the methods that they use to affirm the values that are important to them.

Notes

1. In 2006, the suppliers of the Swedish chain employed a total of 17,000 people, with 6,000 working in Swedwood and 2,500 in distribution; Dobrzy jak Szwedzi—tani jak Chińczycy [Good as the Swedes, cheap as the Chinese], http://www.korona.info/index.php?option=com_publicacje&view=one&id=12&r=2006&Itemid=371&lang=pl
2. Stevie Award for the *Tesco for Schools* program; <http://www.portalspozywczy.pl/handel/wiadomosci/stevie-award-dla-programu-tesco-dla-szkol,54938.html>
3. An example that illustrates that retailers do not always fully control the supply chain is information relating to factories in Bangladesh, disclosed after an industrial disaster. In April 2013, a building that housed a garment

factory collapsed. The disaster killed about 1,200 people employed in the production of clothes for such retail chains as the Spanish Zara (owned by Inditex), the Swedish H&M, and the Polish company LPP. As another example, at the end of 2012 information appeared about a fire in a factory producing clothes for H&M in Pakistan that killed dozens of people because the fire escape routes were blocked. The media gave extensive coverage to these disasters, forcing the companies involved to explain the situation and declare what steps they planned to take in the future. As a result, Inditex, the owner of the Zara stores, and H&M signed a document in which they pledged to more closely scrutinize their suppliers in terms of working conditions. At: http://wiadomosci.gazeta.pl/wiadomosci/1,114871,13993470,Metki_polskiej_firmy_odziezowej_w_ruinach_fabryki.html (Accessed: May 20, 2013) A similar commitment was made by the American retail chain Nordstrom. Also, in terms of environmental protection, requirements have been imposed on companies with regard to production standards. In 2011, companies such as Nike, Walmart, Gap, J. C. Penny, and Target formed a coalition called SAC (Sustainable Apparel Coalition) and developed the Higg index for assessing the impact of their activities on the environment and the community. At: <http://www.nytimes.com/2013/05/09/business/global/fair-trade-movement-extends-to-clothing.html?pagewanted=all&r=0> (Access: January 6, 2013)

4. As an example there is Apple, whose image suffered after a Foxconn plant producing Apple components was accused of violating labor and human rights. At: http://wyborcza.biz/biznes/1,100896,7936750,Samobjstwa_w_Foxconn__Apple_jest__zasmucony_.html (Access: May 26, 2013)
5. For example, in 2004 the media reported that one of the discount chains did not pay for overtime work, and violated health and safety regulations as well as employment law. Available at: <http://wiadomosci.gazeta.pl/wiadomosci/1,114873,4151177.html> (access May 25, 2013)
6. For example, CSR Report, Tesco Polska 2011.

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CHAPTER 2

DEVELOPMENT OF THE FAIR TRADE IDEA IN EUROPE AND THE UNITED STATES

Magdalena Stefańska and Renata Nestorowicz

Fair trade is both a consumer movement and a form of organizing the supply chain of products from the place where raw materials are produced to the place of consumption of the final products. In a narrow sense, fair trade means the buying of products from producers in developing countries on terms that are more favorable than free-market terms, and the marketing of those products in developed countries at an “*ethical price premium*” (De Pelsmacker, Janssens and Mielants 2005, p. 51). According to FINE¹ (2001), fair trade is a trading partnership based on dialogue, transparency, and respect, which seeks greater equity in international trade. (Ballet and Carimentrand 2010, p. 317). Alexander J. Nicholls also wrote that fair trade is a concept defining the terms and rules of cooperation between producers, intermediaries, and final buyers. It is linked with ethical consumerism and corporate social responsibility (2002, p. 7). According to this author, the main elements of fair trade are

- minimizing the number of intermediaries in the distribution channel (if possible, buying directly from producers),
- ensuring transparency of trade terms and long-term business partnership,
- engaging in cooperation instead of competition between producers and intermediaries,

- offering Third World farmers fair prices for their products (respecting minimal prices, which are normally higher than market prices),
- focusing on the development and the support for farmers through the payment of the social premium for their products (usually at least 10% over the product cost), and
- providing producers and consumers with market information.

Products certified with the Fairtrade logo must meet the following conditions:

- workers employed in their production were decently paid,
- labor rights were respected in their production,
- children were not employed in their production,
- an extra premium was paid for the development of the local community infrastructure,
- the influence of intermediaries abusing their bargaining position was eliminated, and
- pesticides were not used in their production, which is why they are often associated with ecological products.

In publications about fair trade in English, two different forms of this term are used: “fair trade” and “fairtrade,” which is justified by two different interpretations of these concepts. Fair trade refers to broadly understood activities related to fair trade as an idea, described by the FINE organization as an idea popularized by various entities and organizations. FINE, founded in 1998, is an association of the four biggest organizations dealing with fair trade (Fairtrade Labelling Organizations International, FLO Int.; World Fair Trade Association, IFAT; Network of European Worldshops NEWS!; European Fair Trade Organization, EFTA), which is involved in the coordination and harmonization of activities of the associated organizations, as well as in lobbying for the idea of fair trade on the international arena (Huma, Szambelan, and Żwawa 2008). As for Fairtrade, it refers to certified products, that is, those that have been approved by FLO and dependent certifying organizations. This article respects this distinction.

In the process of development fair trade, Pousa and Nuñez (2014, p. 4) identified the following fair trade stages:

- the solidarity era of fair trade (1970–1990)—the time of campaigns of raising awareness on social issues,
- the niche market era of fair trade (1990–2000)—when the processes of the consolidation of labeling initiatives, expansion, and distribution took place, and

- the mass market era of fair trade (2000–onward)—when fair trade products were present in on mass market, a shift toward commerciality (mainstream) with great market orientation.

All these stages are strongly connected with the evolution of channels of distribution of fair trade products.

Development of the Distribution System of Fairtrade Products in Europe

Generally, there are many types of channels of distributions of products. However, Ballet and Carimentrand (2010, p. 321), identified three types of fair trade commodity chains:

- specialized commodity chains based on alternative networks, which are organized around specialist importers and distributors;
- labeled commodity chains organized around nonspecialist players; their products are labeled “fair trade” by a third-party certification body, and these chains are associated with the FLOs; and
- hybrid commodity chains—bring together specialist importers and nonspecialist distributors. In France, the Alter Eco and Jardin Bio-Equitable ranges of fair trade products are representative of this new trend.

The last type was developed in last few years, as a result of mass sales of fair trade products.

Distribution of fair trade foods in Europe takes place via conventional and alternative channels. We characterized both distribution channels, indicated the significance of fair trade certification in both channels, and presented buyer behavior toward fair trade foods and their impact on the development of traditional and alternative distribution channels.

The concept of fair trade in Europe originated in the 1950s (Bowen 2001, p. 2). It was initiated by nongovernmental, charity, and church organizations and other social entities, which started to popularize the idea of solidarity with producers from the so-called Third World countries. This activity was supported by the prosocial action of Oxfam UK management, which established the Alternative Trading Organization (ATO) in 1964, as well as by the foundation of the Dutch organization dealing with import—S.O.S. Wereldhandel (at present, the Fair Trade Organization). Also political activities laid the foundation for the development of fair trade. For example, in 1968 the United Nations Conference on Trade and Development was held in Delhi under the motto “trade,

not help,” at which the attention of the international public opinion was drawn to the necessity of introducing new solutions in the international distribution of raw materials from the poor countries to the developed Western countries.

Until the 1980s, the distribution of fair trade products had been rather marginal and had taken place within the framework of the ATO. Its driving force was the idea of supporting producers from the developing countries. Only since the end of the 1980s have the two main channels of distribution been developed: the alternative channel and the so-called mainstream one (Figure 2.1). Their distinction is based on the supply sources and the certification process: presently the channels overlap, with the aim of intensifying sales (Bezencon 2009, pp. 60–70).

The first channel of distribution is focused on organizations and institutions whose aim is to promote the idea of fair trade and to strive to ensure the market growth and include other producers in the system. In this channel of distribution, products were offered to customers mainly in shops with exclusively fair trade assortment (NEWS! shops, Worldshops). The first fair trade shop was opened in 1969, and 25 years later in 1994 appeared NEWS!—European World Shops, which represents 2,700 shops in 13 countries in Europe (Bowen 2001, p. 2). The other stream of fair trade distribution (which is pragmatic, unlike the first one, which was ideological) is concerned with sales through hypermarkets and supermarkets, as well as through conventional retailers. It is

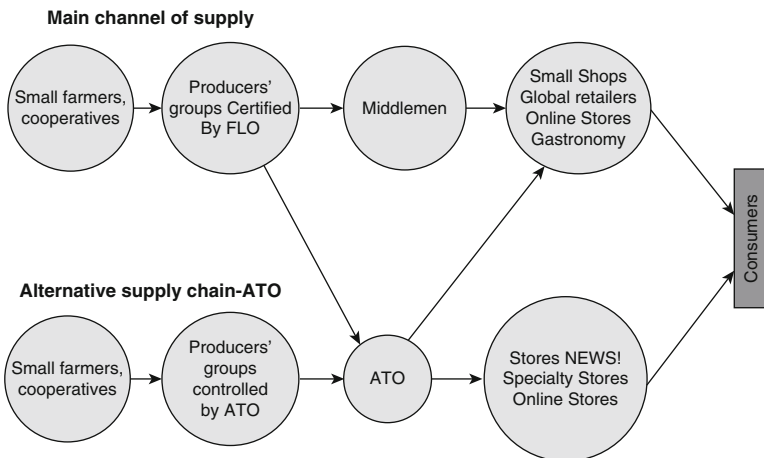


Figure 2.1 Basic distribution channels of Fairtrade products.

Source: Own work based on (Bezencon 2009, p. 62).

particularly the development of this channel of distribution that necessitates the sorting out of the certification issues and making fair trade products distinct from others through, for example, fairtrade certification. The introduction of fairtrade products to the channels of mass distribution changed the availability of these products in retailers' offer. It should note that both distribution channels at one point overlap, which means that the sides' expectation of intensifying sales is so high that the selectiveness of distribution must be replaced by the intensification of sales. It gives rise to ethical dilemmas of people and organizations involved in fair trade, resulting from the fact that retail companies offer products from different sources, not all of which meet the conditions of fair trade (e.g., are from countries known to violate labor rights or to employ children).

In the classical channel of distribution there is the producer, the intermediary—the wholesaler and/or retailer and the consumer. In the case of fair trade products, the structure of distribution channels presents itself in the following way: small producers comprise the first link of the given product or raw material, which are a part of voluntary unions. The second link consists of organizations of importers that establish cooperation with the producer unions. They perform advisory functions related to marketing, supervise the establishment of a “fair price,” and provide support in the field of organizational management. They function as wholesalers, retailers, or as both simultaneously (Krier 2007). Importer organizations, on the other hand, offer fair trade products in various types of stores and food service outlets. In the case of products with fairtrade certification, there are also organizations involved in the certification and overseeing the commercial exchange (Figure 2.2).

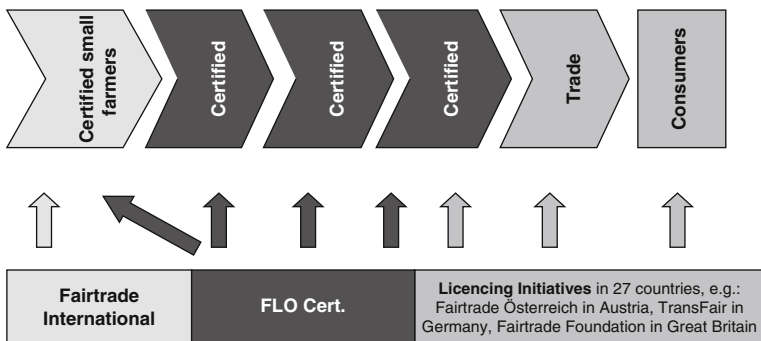


Figure 2.2 International Fairtrade network.

Source: Own work based on FAIRTRADE Österreich 2011, p. 3; TransFair 2011, p. 4.

All the links in the distribution system of fairtrade products must undergo certification. The following institutions perform various functions in the certification process: Fairtrade International, the association of certifying initiatives and producer networks (setting, developing and checking standards, providing counseling and help for small farmers in achieving those standards); FLO Cert. International Certification Company, an independent certifying organization (verifying standards, control, and certification of producers, exporters, importers, and distributors); licensing initiatives, which grant producers (brand owners) licenses for the use of Fairtrade mark on the packaging of their products. If the licensing initiative does not function in a given country, licenses are granted by FLO Int. Domestic initiatives are also responsible for monitoring the fair trade mark, spreading information about the idea of fair trade, educating consumers, and giving information to the parties involved in the process of certification and licensing, collecting, and sharing up-to-date information about the fairtrade product market, participating in fairs and events promoting fair trade, as well as fundraising.

The number of certified producer organizations has been systematically increasing (Table 2.1). Since the global economic slump (2009–2010) and the resulting fall in the growth dynamics, the number of producer organizations has been on the rise again. Examples of organizations associating small farmers are: Mchinji Area Smallholder Farmers Association from Malawi (MASFA, 3.5 thousand members—peanut producers) or Finlays Outgrowers Group from Kenya (10,780 members, was founded as a cooperation of five organizations—tea producers) (Fairtrade Foundation 2012). In total, in 2012 the number of countries with fairtrade certified organizations was 70. At the same time, revenues from the sales of fairtrade products are growing. In 2010–2011, their value was 673 million euro and in 2011–2012 it rose by 36 percent, to reach the level of 913 million euro (Fairtrade International 2013, pp. 7–8). “In 2011–2012, Fairtrade producer organizations reported receiving a total of €86.2 million in Fairtrade Premium income. This was an increase of

Table 2.1 Number of certified producer organizations in years 2005–2012

Items	Years							
	2005	2006	2007	2008	2009	2010	2011	2012
Number	508	569	632	745	827	905	991	1149
Change in %	–	12	11	18	11	9	9.5	15.9

Source: Fairtrade International 2010, 2012, 2013.

41 percent over the figure reported for 2010–11” (Fairtrade International 2013, p. 52). The income growth encourages new producers to join the producer organizations.

Fair trade products are a symbol both of solidarity with small-scale producers in the South and of equity in trade. But there are some extraordinary examples of fair trade in other sectors. Products offered under the Fairtrade brand are mainly produce: coffee, cocoa, or bananas, but other branches have also been included recently. For example, Bas van Abel invented Fairtrade smartphones, the so-called fairphones, which are financed by means of crowd funding—customers ordering the yet non-existing product. They are produced in China, which is not known for decent working conditions, but this project shows that improvement in working conditions is possible everywhere. Unfortunately, in spite of its initiators’ intensive efforts, it is not certain that the fairphone is 100 percent fairtrade (Majos 2014, p.15). If we analyze the share of fair trade products consumed in, for example, the United States by category, fruits and vegetables represent only 0.1 percent and fabric care also 0.1 percent, but hot beverages 33 percent, skin care products 12 percent, and chocolate confectionery 11 percent (www.statista.com). Such companies as Starbucks or Dunkin Donuts have great input into fair trade sales. Even Walmart has joined the movement of fair trade, launching six fair trade coffee lines in 2008. Also top-end clothing brands such as Laura Ashley and TK Maxx have launched clothes made from fair trade cotton (Stenzel 2011, pp. 1–2).

Examples of international organizations that import fairtrade products, process them, and sell ready products with the Fairtrade mark are Ben and Jerry’s, Sainsbury’s, Barry Callebaut, and Coop and Divine Chocolate Ltd. (Fairtrade International 2011, p. 20). Some countries do not buy fairtrade products directly. For instance, the majority of fairtrade products sold in Poland are imported from Germany. In 2010, in Germany the number of licensed importers of fairtrade products grew to 190 (by 29), 36 of which offer exclusively fairtrade products. The most important of these are: GEPA The Fair Trade Company, EL PUENTE, dwp, BananFair, GLOBO—Fair Trade Partner.

The Sales of Fairtrade Products in Europe and the United States

Nowadays on the European food market, fair trade food market is one of the most dynamically developing segments. In the European Union (EU), the fair trade market has a 20 percent of annual growth. However, Europe as one of the main markets of fairtrade products is not homogeneous in

the distribution methods, the market value, the growth dynamics, or the volume of sales per capita, which are different for different countries (Table 2.2). For example, in Poland this segment is in its early stage of development, while in Western European countries it is in the growth phase. The fair trade foods market in the country was estimated at EUR 2.1 million (2010), and its growth in 2011 at 10 percent, while, for example, in the United Kingdom sales of such products exceeded £ 1 billion in 2010 (*W Polsce . . .* 2012) and in Switzerland in 2012–450 million Swiss francs (*Der Faire Handel in der Schweiz* 2013). In Germany, the market of fair trade products in 2012 was estimated at EUR 650 million (growth about 36 percent in compare to 2011 (Forum Fairer Handel 2013). Such a gap is a result of several factors: product availability (for example, customers

Table 2.2 Sales of certified Fairtrade products in selected countries in years 2008–2012

Country	Sales in million euros					Dynamics of sales growth	
	2008	2009	2010	2011	2012	2012/2011	2008=100
Austria	65,20	72,00	87,00	150,66	188,045	1,25	288
Belgium	45,78	56,43	60,24	70,998	85,83	1,21	187
Czech Rep.	–	0,56	2,70	2,86	2,74	0,96	–
Denmark	51,22	54,44	61,84	74,90	71,80	0,96	140
France	255,50	287,74	303,31	315,42	345,83	1,10	135
Germany	212,80	267,47	340	400,54	533,06	1,33	250
Ireland	94,50	118,57	138	158,86	174,95	1,10	185
Italy	41,23	43,38	49,4	57,54	65,43	1,14	159
Luxemburg	4,30	5,33	6,2	7,49	10,32	1,38	240
Holland	60,91	85,82	119	147,31	186,10	1,26	306
Norway	30,96	34,69	43,76	53,62	64,40	1,20	208
Spain	5,48	8,03	14,89	20,03	22,27	1,11	406
Sweden	72,80	82,66	108,48	134,34	178,95	1,33	246
Switzerland	168,77	180,16	219,92	264,75	311,59	1,18	185
Great Britain	880,62	897,32	1 343,97	1 531,54	1 904,89	1,24	216
Total worldwide (without USA)	2 196,64	2 592,01	3 424,23	3 953,37	4 749,20	1,20	216

Source: Own work based on Fairtrade International 2010, p. 12; Fairtrade International 2011, p. 12, Fairtrade International 2012, p. 12.

in Switzerland can buy the fair trade products in 500 specialized shops, 7 online shops, and 3,000 supermarkets across the country, and in Germany they can buy fairtrade products in 42,000 shops, supermarkets, discounters, and approximately 800 *Weltläden* [worldshops] [*Der Faire Handel in der Schweiz* 2013, Forum Fairer Handel 2013]; consumer awareness and their trust in certified foods (see the results of researches presented on the end of the chapter); and the ratio between the income level and the price level of fairtrade foods. In comparison, in the United States retail sales of fair trade products in 2010 were estimated at 936.97 million euro and in 2011: 1030.67 million euro (www.statista.com).

Most ethical brands and ethical-label products in 2001 had market shares of less than 1 percent (De Pelsmacker Janssens and Mielants 2005, p. 51). Products introduced to the market through fair trade organizations accounted for only 0.01 percent of the global trade. In Europe, the sales of Fairtrade products were conducted through 64.8 thousand shops. The sales value was estimated as 260 million euro. In 2005, the number of outlets selling fairtrade products was 78.9 thousand (Bezencon and Blili 2011, p. 96). In 2007, their number exceeded 100 thousand. At present it is difficult to estimate the number of conventional shops in Europe where fair trade products are available, but it is possible to define the number of shops selling exclusively fair trade products—the *Weltläden*. There are 3,000 such shops in Europe, as one of the major market outlets of fair trade products is heterogeneous in terms of ways of distribution, value of domestic markets, their growth dynamics or sales volume per capita in particular countries (Fairtrade International 2011; Krier 2007). The biggest European market outlet is the United Kingdom. Estimated retail sales of fair trade products in the United Kingdom in 2013 reached £1.78 billion, a 14 percent increase on sales of £1.53 billion in 2012 (*Fairtrade Foods to Be Served in Schools* 2014). The biggest spending per capita is recorded in Switzerland (in 2012: more than 41 euro, whereas at the same time an average Brit spends ca. 30 euros) (*Fairtrade Foods To Be Served in Schools* 2014; *Der Faire Handel in der Schweiz*, 2013).

Major differences appear also in formats of commercial outlets used in the distribution of fair trade foods. In countries such as Denmark, Sweden, or the United Kingdom, sales of fair trade goods in supermarkets are several dozen times greater than the turnover of worldshops. In Holland or Germany, however, the differences are decisively smaller. Diversification of commercial policies of enterprises in particular countries is also related to the fair trade product range on offer. The less mature the market, the narrower and shallower the available range. Such is the

situation in Poland, and it resembles the situation in Germany or Austria a dozen or so years ago.

The fair trade movement has developed also in the United States, although in the last few years some fundamental changes have occurred. In September 2011, Fair Trade USA (FTUSA) decided to leave Fairtrade International (FLO) and found the new organization Fair Trade For All. As the main reason, the chief executive officer (CEO) of FTUSA announced that FTUSA has different point of view on how best to achieve this common mission—empowering producers and workers around the world to improve their lives through better terms of trade. The new organization decided to concentrate on innovations by

- strengthening farming communities by investing in cooperatives and partnering with others to provide support services, with concentration on quality, which will help achieve the scale of operations and the power of cooperatives;
- engaging consumers due to their interest in fair trade products, although their shopping behavior does not reflect this fully—this goal will reflect a pull strategy in supply chains; and
- including more farmers, employees and local communities in the benefits of fair trade (http://fairtradeusa.org/fair_trade_for_all).

Table 2.3 Development of Fair Trade in USA in years 2008–2012

	2008	2009	2010	2011	2012
Sales in million \$	1 114.50	1 187.53	1 241.80	1 434.69	–
Annual growth in %	11.27	6.55	4.57	15.53	–
Import in million Pounds	137.90	186.32	193.42	259.82	317.42
Annual growth in %	57.87	35.11	3.81	34.33	22.17
Premium Payments to Fair Trade Producer Organizations in mln \$	10.81	13.63	13.85	21.83	37.13
Annual growth in %	77.50	26.09	1.61	57.62	70.09
The share of premium paid to fair trade producers in value of sales in %	0.97%	1.15%	1.12%	1.52%	–

*The 2011 sales figure is calculated by Fairtrade International on figures from 2008–10 and market knowledge

Source: Own work on the basis of Fairtrade International 2010, p. 12; Fairtrade International 2011, p. 12; Fairtrade International 2012, p. 12; Fair Trade USA, Almanac 2012, pp. 12–13., Eurostat.

Since FTUSA's secession from Fairtrade International in 2012, the sales revenue in the United States has not been included in the Fairtrade International reports. The data for the United States for 2011, shown in Table 2.3, were estimated by Fairtrade International on the basis of the data for the period 2008–2010 and the market knowledge in terms of US dollars. Fair Trade USA does not reveal the data on the sales value of products certified by this organization in the United States. The dynamics of the sales growth on this market was lower than it was globally. The United States' share in the global sales of fairtrade products fell steadily in 2006–2010 from 30.75 percent to 21.48 percent. On the basis of both

Table 2.4 Benefits and limitations of Fair Trade from the perspective of retailers

<i>Benefits</i>	<i>Limitations</i>
Ensuring the market through modern distribution channels	Low level of knowledge about fair trade
Guarantee of sale at price higher than market price	Focus on the ideology of fair trade instead of business interpretation (social movement vs. a supply channel)
Protection of environment in the case of ecological products	Low tendency to associate among farmers
Integration of small producers	Difficult conditions of acceptance to fair trade
Support for villages and their inhabitants (e.g. cofinancing schools)	Insufficient pressure from consumer movements
Development of the region	Lack of incentives or too weak incentives from local authorities in the local producer markets
Creating workplaces in production	Creating prices artificially instead of market mechanisms
Creating workplaces in distribution	Fairtrade products are often more expensive than "ordinary" ones, which diminishes their attractiveness
Creating workplaces in managing the process of granting and monitoring the Fairtrade mark	Violation of rules governing the supply channel may undermine trust in all Fairtrade products
Including ethical products in the market offer	Excessive premium for selling Fairtrade products in the developed market
Building social awareness and social solidarity	Lack of noticeable benefits on the local/global scale compared to other forms of help for poor agricultural countries

Source: Own work.

the published data on the import volume of certified agricultural raw materials (in pounds) and the bonuses for farmers from the Global South countries paid by Fair Trade USA, it can be estimated that since the organization left Fairtrade International, the sales of certified products have been still dynamically growing. Nevertheless, due to the lack of specific data from the American market, it is difficult to compare the development of the fairtrade market in this country with other developed countries. Yet it is worthwhile to point out that in 2011, the ratio of bonuses received by the producers to the sales value increased from 1.12 percent to 1.52 percent in relation to the previous year (Table 2.3). In the following year this ratio rose again (the bonus value rose by 70%, whereas the import volume grew by 22%).

To sum up, in the authors' opinion, retailers generally are interested in offering fair trade products because they receive the long list of benefits, which help them build a competitive advantage. But at the same time one can identify some limitations. Both sides of this from the retailers' point of view are presented in Table 2.4.

Distribution of Fairtrade Products in Germany and Austria²

In the target countries, fairtrade food is sold in various shop formats. Depending on a country, conventional or specialty shops may prevail. For example, in Germany fairtrade food is available in 50 thousand points of sales, including 42 thousand retail outlets, among others

- supermarkets, for example, REWE, Keiser's Tengelmann, Dohle (HIT), EDEKA;
- hypermarkets, for example, Kaufland, Real, Toom;
- discount shops, for example, LIDL, ALDI, Penny, Netto;
- cash & carry, for example, Handelshof, METRO, Fegro/Selgros;
- department stores, for example, Kaufhof, KaDeWe;
- drug stores, for example, Rossmann, dm;
- chains and shops with ecological food, for example, Denn's Bio, Basic, (ecological market chains), Naturkostladen (shops with ecological products, including ecological food), including over 2,000 markets with ecological food;
- over 800 shops offering exclusively Fairtrade products—*Weltläden*; and
- mail order and Internet trade (<http://www.fairtrade-deutschland.de/produkte/fair-einkaufen/>; <http://www.csr-in-deutschland.de/csr-in-deutschland/aktivitaeten-der-bundesregierung/bmz/fairer-handel.html>).

Moreover, fairtrade food products are available through out-of-home sales, that is, in planes, eating places such as coffee shops, restaurants, cake shops, cafeterias, and canteens, as well as in public institutions, or municipal administrations. Fairtrade products are available in public institutions mainly in towns that either have or are aiming for the Fair Trade Town title (FTT). The increase in the number of Fair Trade towns in a country means the growth of availability of fairtrade products, as such towns aim at ensuring availability of these products in local shops, coffee shops, educational institutions, nongovernmental organizations, and companies. What is more, events promoting and supporting the idea of fair trade are organized in these towns. Presently, there are over 1,500 FTTs in 24 countries, of which over 500 are in Great Britain and 250 in Germany (*Celebrate 1,500 Fair Trade Towns...* 2014, *Fairtrade-Towns weltweit* 2014, Bremer 2012). As for Poland, Gdańsk and Poznań are the cities aiming for the FTT title; therefore, one of the initiatives undertaken in Poznań was opening the first shop with fair trade products in Poland. In October 2012, Poznań received the title FTT (*Poznań –pierwszym...* 2012).

The most significant sales channel of fairtrade products in Germany are *Weltläden*. Shops of this type were the main sales channel for importers of fairtrade products in 2012 (43% share) (Forum Fairer Handel 2013). *Weltläden* offer both food and nonfood products, but all of them of fair trade origin. They sell their products both in high street shops and online. They also participate in a variety of events, such as the fair trade week, Christmas fairs, and so on.

The second biggest sales channel for importers of fairtrade products are food shops (18% share in 2012) including super- and hypermarket chains. This sales channel is growing most rapidly (Forum Fairer Handel 2013). Grocery shops sell two-thirds of products with the Fairtrade mark (Forum Fairer Handel 2010). Broadening the distribution of these products to include conventional shops means the growing significance of the Fairtrade mark placed on packaging, as it enables customers to identify products of fair trade origin. In Germany, products with this mark account for 82 percent of all products of fair trade origin. A new trend, somewhat competitive to the fairtrade certification, is the introduction of retailer chains' own labels, certified by other fair trade organizations. For example, Aldi and Lidl created their own brands of fair trade products: One World (Aldi) and Fairglobe (Lidl) (Schäfers 2010). The Fairglobe brand, introduced by Lidl in Germany in 2006, comprises such products as coffee, tea, orange juice, chocolate, rice, or sugar (<http://www.lidl.de/de/Fairglobe>). The sales in supermarkets significantly raise the availability of fairtrade products to a big number of potential customers. In

the majority of countries, the increase in the sales of fairtrade products resulted from the introduction of these products to the supermarkets' offer (http://www.traidcraft.co.uk/about_traidcraft/faq/supermarkets/why_work_with_supermarkets).

Ecological food shops have a considerable share in the Fairtrade products sales (7% share in the importers' distribution channels in 2012) (Forum Fairer Handel 2013). The share of the ecological food shops in the distribution results from the fact that over half (53%) of fair trade food sold in Germany comes from ecological farms, and in the import share 77 percent (e.g., 76% fair trade coffee was ecological in 2011, and as for tropical fruit, mainly bananas—almost 100%, chocolate products 80%) (*Geschätzter Umsatz . . .* 2012; Forum Fairer Handel 2013) is organic. This is due to the extra subsidies for farmers from the fairtrade cooperatives that switch to ecological production.

Also, the sale of fairtrade products in gastronomy outlets is growing in significance (from 10 million euro in 2011 to 15 million euro in 2012, which gives 10 percent of all sales of fair trade products) (Forum Fairer Handel 2013). In 2010, the sale of fairtrade products was held in 18,000 eating places in Germany, which meant a 20 percent increase in relation to the previous year, whereas the number of outlets increased by 10 percent in the same period (Forum Fairer Handel, 2011). Not only is the number of eating places (coffee shops, restaurants, cake shops, cafeterias) growing but also their offer is broadening. Beside coffee—the most popular product in these places—the following fairtrade products are available there: tea, drinking chocolate, juices, wines, ice cream. Moreover, eating places are expanding their range of fairtrade products. Some of the products that are offered are made from fairtrade raw materials (ingredients are exclusively or partially fair trade products). For example, since 2010 Starbucks has been making all the espresso-based drinks from fairtrade coffee. Apart from the conventional eating places, there are approximately 150 *Städtekaafees* in Germany, coffee shops where fair trade products are served and whose purpose is to make customers aware of the issue of fair trade exchange with the Third World countries. These coffee shops are initiated and supported by local or regional fair trade associations, communities, and *Weltläden* (<http://forum-fairer-handel.de/#1>).

In Austria, the distribution of fairtrade food products takes place in similar shop formats and eating places to those in Germany. Fairtrade products are available in such shops as

- supermarkets, among others: Billa, EUROSPAR, ADEG, SPAR, Merkur, MPREISE;
- hypermarkets, for example, Interspar;
- discount shops, such as: Hofer, Zielpunkt;

- cash & carry, for example, METRO, Pfeiffer, Kastner, BIOGAST, Wedl, Eurogast Nussbaumer, AGM;
- other markets, for example, Maximärkte (a part of SPAR, focused on regional products), Unimärkte, Winkler Märkte;
- drug stores, for example, dm;
- chains and shops with ecological food, for example, Naturkostläden, Basic;
- delicatessen, for example, SPAR Gourmet;
- approximately 100 *Weltläden* (shops with fairtrade products exclusively);
- mail order and Internet sales, including *Weltläden* online shops, or Internet sections of markets, such as Merkur-Direkt-Zustellservice; and
- gas stations, for example, VIVA Tankstellen-Shops

As in Germany, the sales of fairtrade products are also conducted in eating places of such chains as Starbucks, Ströck bakeries, Tchibo/Eduscho, or *Städtecaffees*. *Weltläden* and Winkler Märkte have the broadest product range, which is natural, taking into account their philosophy. As for shops of the cash-&-carry type, their product range is quite broad, but available only temporarily or in selected outlets. It should also be noted that the product range policy may differ within a trade group, depending on the shop format. For example, in the SPAR group delicatessens have the broadest range, whereas smaller markets have the narrowest one (Fairtrade Österreich 2011, p. 8).

The most significant channels of sales of fair trade products in Austria in 2012 were grocery stores (71% share). The second biggest sales channel for fair trade products were specialized shops, including *Weltläden* (19% share in 2012) (*Fakten & Zahlen: Fairtrade in Österreich* 2013).

The main difference in the sales of fairtrade products in these two countries is the sales revenues generated by particular fairtrade products. Coffee is the sales leader among the fairtrade products in Germany. It accounts for 42 percent of all imported fairtrade products (including non-food items), whereas in Austria bananas have the biggest share (25%). This is conditioned by importers' and distributors' involvement and their market position in a given country. In the case of the biggest importer of fairtrade products in Germany, GEPA, their product portfolio is dominated by coffee. Likewise, the most significant coffee producer in the German market, Tchibo is also strongly involved in the sales of fairtrade products. Tchibo sells its fair trade coffee to, among others, airlines, and serves it in its own chain of coffee shops. In Austria, like in Switzerland, bananas are sold in super- and hypermarket chains, which have a leading position in the sales of this fruit (Fairtrade Österreich 2011, p. 9), and

at the same time are involved in the idea of fair trade.³ These examples show the significance of distributors for the development of fair trade. These are importers and distributors who have the biggest influence on consumers' interest in fairtrade products.

Nevertheless, it should be stressed that retailers that offer fairtrade products must face numerous problems connected with the sales of such products (Jones, Comfort, and Hiller 2003, p. 808). Retail trade requires continuity of deliveries; therefore, associations of producers must accept the obligations related to the number of delivered goods and their quality, and they also must ensure the continuity of deliveries, especially if these goods are meant to reach all the outlets of a given chain, even in different countries. Moreover, fierce competition may force retailers to strictly control the cost, which, in turn, may go against the accepted obligation to buy a product at the minimal price set for the certified product delivered by a given association of producers.

The Impact of Buyer Behaviors on the Development of Distribution of Fair Trade Food Products

As mentioned earlier, in the target countries fair trade food is sold in various formats of points of sale (Table 2.5). Depending on the country, conventional shops or specialized shops may dominate.

With the expansion of distribution, more and more important in conventional shops is the fairtrade label on packaging, which enables customers to identify fairtrade products.

The dynamic development of fairtrade products, including those certified, led to more and more retail networks introducing private brands of fairtrade products. An example are the Lidl and Aldi discount store networks and the Tesco supermarket and hypermarket network. Tesco offers some products under a brand of its own (private brand), Tesco Fairtrade (for example, teas), and some under other producers' brands (for example, cocoa Divine Fairtrade). To enhance the credibility of their fair trade brands, the distributors use products certified by, among others, FLO. The Fairtrade mark is very well known and inspires great confidence in committed consumers; therefore, it can have a positive effect on consumers' choice of products. A retailer's using an own brand may be difficult to accept for customers if they do not associate the retailer with the idea of fair trade, with a socially responsible firm. Then there may occur cognitive dissonance also possibly resulting in lack of trust in the certified fair trade products. What is more, many consumers are convinced that these ethically attractive products do not deliver what they promise in terms of social and economic benefits for farmers. The bottom line is that large

Table 2.5 Types of points of sale of Fair Trade foods

<i>Type of point of sale</i>	<i>Examples</i>	<i>Comments</i>
supermarkets and hypermarkets	REWE, Kaiser's Tengelmann, Dohle (HIT), EDEKA, Kaufland, Real, Toom (Germany); Billa, EUROSPAR, ADEG, SPAR, Merkur, MPREISE, Interspar (Austria); Tesco (the UK, Poland)	<ul style="list-style-type: none"> ● introducing fair trade products into this distribution channel resulted in a major growth of their sale (Nicholas 2002) ● possible diversification of assortment in different points of sale within the same network (e.g. Tesco in Poland offers fair trade goods only in some stores).
discount stores	LIDL, ALDI, Penny, Netto (Germany); Hofer, Zielpunkt (Austria)	<ul style="list-style-type: none"> ● unlike in, for example, Austria or Germany, in Poland fair trade products are not available in discount stores, due to the high prices of such products and the early phase of the market development
Cash & Carry	Handelshof, METRO, Fegro/Selgros (Germany); METRO, Pfeiffer, Kastner, BIOGAST, Wedl, Eurogast Nussbaumer, AGM (Austria)	<ul style="list-style-type: none"> ● rather wide assortment, although available temporarily or in selected points of sale
department stores	Kaufhof, KaDeWe (Germany);	—
delicatessens	SPAR Gourmet (Austria); Alma, Piotr i Pawel (Poland);	<ul style="list-style-type: none"> ● in Polish delicatessens, Fairtrade products are positioned as premium brands
drugstores	Rossmann, dm (Niemcy, Austria);	—
other self-service stores	Maximärkte (belonging to SPAR, focused on regional products), Unimärkte, Winkler Märkte (Austria)	—
organic food networks and stores	Denn's Bio, Basic (networks of organic supermarkets), Naturkostladen (shops with ecological products, including organic foods)—more than 2000 self-service stores with organic foods (Germany)	<ul style="list-style-type: none"> ● a large part of the Fairtrade goods has organic certificates, e.g. 53% of fair trade foods sold in Germany comes from ecological farms (e.g., 76% of coffee, almost 100% bananas, 80% of chocolate products) (<i>Geschätzter Umsatz...</i>, 2012) ● a high share of Fairtrade products with organic certificates results from additional bonuses for fair trade cooperatives that have switched their production to an organic one

Continued

<i>Type of point of sale</i>	<i>Examples</i>	<i>Comments</i>
shops with solely Fair Trade goods	Worldshops (<i>Weltläden</i>) – over 3,000 shops all over Europe, including more than 800 in Germany, about 100 in Austria, and 1 in Poland; these are shops offering foodstuff and nonfoodstuff, but always Fairtrade goods	<ul style="list-style-type: none"> ● the widest assortment of Fairtrade goods compared to other points of sale ● sales made in traditional shops, own Internet shops, during all kinds of events like Fair Trade Week, pre-Christmas fairs, etc.
mail-order and Internet trading	www.sklep.sprawiedliwyhandel.pl www.szczytaswiata.pl , www.jarmarkiswiata.pl (Poland); www.thefairtradestore.co.uk , www.traidcraftshop.co.uk (the UK)	<ul style="list-style-type: none"> ● wide assortment ● mainly shelf stable products and non-foodstuff
food service points	cafés, restaurants, confectioneries, canteens, e.g. Starbucks, bakeries–confectioneries Ströck, Tchibo/Eduscho or <i>Städtekaufees</i> (cafés serving Fair Trade products. They were established to make customers aware of and sensitive to issues of Fair Trade with the Third World countries. They emerged at the initiative of local or regional associations dealing with Fair Trade, communes, worldshops. At present there are about 150 of such cafés in Germany (http://forum-fairer-handel.de/#1)	<ul style="list-style-type: none"> ● dynamic growth of the number of food service points offering fair trade products (e.g. a 20% increase in 2010 in Germany, while the number of points of sale grew by 10%) (Forum Fairer Handel 2011). ● widening assortment (besides coffee—also tea, hot chocolate, juice, wine, and ice cream are available) ● deepening assortment ● using to an increasing extent or using only Fairtrade resources (e.g. Starbucks, Tchibo)
petrol stations	VIVA–Tankstellen–Shops (Austria); Orlen (Poland)	–
other out-of-home points	– air-planes, – public institutions – Fairtrade Schools (there are 50 Fairtrade–Schools in Germany, 1 in Austria, and 1,350 in the UK) (<i>Fairtrade Foods</i> . . . 2014, <i>Erste Fairtrade–Schools</i> . . . 2014, <i>Fairtrade–Schools</i> . . . 2014)	<ul style="list-style-type: none"> ● availability of fair trade products in public institutions is related mainly to cities that have been granted or are applying for the title of Fair Trade Towns—FTT (Bremer 2012) ● one of the 5 criteria for Fairtrade–Schools is the sale and consumption of fair trade products (www.fairtrade-schools.de)

Source: Own work.

multinationals are using the fairtrade system to “fairwash” their brands (Johannessen and Wilhite 2010, pp. 525–544).

Buyers of Fairtrade Food and the Development of Traditional and Alternative Channels of Distribution

Over the last few decades, buyers’ interest in products’ origin—the place and conditions of their production and sales—has grown significantly. The sales growth of fairtrade products would not have been possible without having recognized new needs and expectations toward the commercial offer in buyer attitudes and behavior. Factors contributing to the increase in demand include

- a higher than before consumer awareness of product origins,
- higher requirements from trade products on offer,
- awareness of the impact of own buying decisions on producers at the beginning of the supply chain (GlobeScan 2011),
- worker solidarity, and
- ecological movements.

Moreover, due to the development of communications and access to new technologies (and thus also to information sources), as well as social media, development of knowledge about fair trade and its popularity have grown.

Segments of buyers interested in purchasing fairtrade products can be characterized by means of demographic, economic, and sociocultural as well as behavioral and psychographic variables. De Pelsmacker, Janssens, and Mielants (2005, pp. 65–66) discovered that personal values appear to be extremely relevant in explaining differences in attitudes and behavior with respect to fair trade. Also, they identified in this research segments of consumers: value-conscious consumers, ascetic idealists, hedonic self-seekers, and value skeptics, who show that they have a fairly good knowledge of fair trade and a positive general attitude toward the fair trade issue. But some of the detailed factors within the criteria may prove insignificant in identifying the profile of a socially responsible consumer, that is, some examined features may not affect buyer’s attitudes and behavior, whereas others may prove to be of key importance. Research conducted so far, for example, by Dickson, revealed that age, education, or income level are not variables that make it possible to predict membership in the segment of ethically or socially responsible consumers in the context of clothing. However, other studies question that finding, indicating that an ethical consumer is characterized by a higher income, social

class, and higher education (De Pelsmacker, Janssens, and Mielants 2005, pp. 50–58). Yet another study showed that the segment of buyers of fair-trade products is represented by people aged 30–40, with a higher income and a better education. Considering gender, it is more often women who reach out for ethical products, although this is not always confirmed by studies (Bondy and Talwar 2011, pp. 365–383).

Such diversification of conclusions from research on buyers of fair-trade products indicates that adopting only demographic criteria to describe a responsible consumer is insufficient. Other criteria related, for example, to the values and convictions determining buyer behaviors have grown in significance (De Pelsmacker, Janssens, and Mielants 2005, pp. 50–58). This is why in another study related to segmentation of ethical product buyers, the buyers' level of commitment was used (Bezencon and Blili 2011, pp. 682–708), consisting of the perceived value of fair trade, such as product usefulness, risk involved, and hedonistic values (related to pleasure and satisfaction). The adopted criteria for segmentation were the distribution channel and the gender of buyers, as well as education and income. The research that was conducted led to the conclusion that two variables are significant in segment differentiation: the place of purchase and the age. As for the distribution channels, buyers with different levels of commitment were divided into three groups: supermarket shoppers, supermarket and worldshop shoppers, and only worldshop shoppers. As far as the age is concerned, two categories of buyers were distinguished: aged less than 55 and more than 55.

It was very interesting to verify whether ethical values are a long-lasting factor motivating buyers to purchase fairtrade goods and whether such values still determine their purchasing behavior when they are faced with an economic crisis. Bondy and Talwar (2011, pp. 365–383) attempted to answer the question in a study conducted after 2008, that is, after the economic crisis began. It appeared that with regard to the intensity of purchasing fairtrade goods, in the face of the crisis occasional buyers reduced consumption and became more sensitive to other factors influencing the product choice. Product quality or value became more significant for the buyer. In crisis times, among the group of occasional buyers, the price grew in importance and the ethical value lost importance. The segment of committed buyers reacted differently. Their attitude and behavior did not change in comparison with the period preceding the crisis. There was no considerable decrease in their purchasing fairtrade goods. It is true that more than 36 percent agreed that the price became more important for them, but at the same time 92 percent admitted that the ethical aspect in their purchases did not lessen (Bondy and Talwar 2011, pp. 365–383).

Size-wise, the decisively smaller group of buyers of fairtrade goods is comprised of committed buyers, who are regular users and not occasional buyers. However, it is the committed buyers who purchase more goods. With regard to the observed differences in purchasing behaviors of the two buyer groups, one can indicate the impact of these differences on the development of distribution channels of fairtrade food in Poland, where the market of such food is still in the early stage of development. Which kind of distribution channels will develop most dynamically depends, for example, on the level of Polish consumers' awareness of fairtrade goods. The higher the level of awareness of potential buyers, the greater the chance for development of distribution in specialized shops like worldshops.

The development of distribution of fairtrade goods via traditional worldshops is not very likely. So far (since December 2011) in Poland there only one shop that specializes in fair trade goods has operated. It was opened in Poznań, the first Polish fair trade city. One should not expect that the number of specialist fair trade shops will grow dynamically. In this respect the distribution in Poland differs significantly from the one observed in the Western European countries like, for example, Austria or Germany (Stefańska and Pilarczyk 2010, p. 1–20). *Weltläden* in Germany are the most significant fairtrade goods merchandising channel (45% of sales of fairtrade goods in the years 2009–2010 was through this merchandising channel [Forum Fairer Handel 2010]). Establishing worldshops in Poland is theoretically possible; however, their Internet counterparts hold greater prospects for development. In the case of traditional trade, factors responsible for low profitability of such shops may include

- a very small segment of committed buyers;
- a geographical dispersal of the committed buyers' segment;
- a weaker, compared to Western European consumers, spending power of Polish consumers;
- low awareness of Polish consumers regarding fair trade;
- the necessity to locate the shops in venues demanding high rent costs (shopping malls or other venues with high customer flow), which would make it possible to attract occasional buyers. Location of such stores is crucial, because only a low percentage of consumers is so committed to the idea of fair trade as to make an effort to come specially to the shop where such goods are sold. Most customers expect shopping convenience, that is, the products' availability in a place where they normally shop. Therefore, they can reach out for a fairtrade product on the way; and

- the necessity to compete in such a location with stores that already operate there and that are perceived by customers as similar in terms of product range. Examples are Kuchnie Świata or Organic Farma Zdrowia. In fact, in the offer of both networks, one can find fair-trade products, although they are not their primary items.

The majority of occasional buyers in the group of buyers of fairtrade food influences the growth in the significance of conventional, also large-format retail outlets in the products' distribution. Studies conducted thus far regarding Polish consumers clearly show that their level of awareness of fair trade is low, which suggests that the conventional channel of distribution has greater prospects for development. If in the group of consumers the majority consists of people who purchase fair trade products occasionally, they rather do so in places where they shop on an everyday basis, for example, in supermarkets. If these were to be specialized stores, it would rather be stores with ecological food or healthy food, located in shopping malls.

Since the majority of customers are occasional buyers, it is important to display the products in a conventional supermarket in such a way that they are visible not only to persons searching for fair trade products but also so that, for example, fair trade coffee is visible on the coffee shelf and so that a customer intending to get coffee reaches out for the fair trade coffee. Special shelves for fairtrade goods may not produce the expected results, since persons searching for specific fairtrade products might rather buy them in specialized shops or on the Internet, whereas supermarkets should above all try to reach people buying such products occasionally.

The development of distribution of fairtrade food in conventional distribution channels requires introducing special labeling of such foods, their certification, and developing marks that will be recognizable, credible, valued, and, consequently, purchased by customers.

Buyers' Attitudes toward Fairtrade Certified Food

Depending on the distribution channel of fairtrade food, the significance of the fairtrade certification differs. When food is purchased in specialized shops such as worldshops, confidence in the shop and its reputation are of greater significance than a fairtrade certificate. A list of results of research on the effect of reputation of a retail outlet on buying preferences of customers can be found in a monograph by Wanat (2010).

Worldshop customers most often represent a higher level of awareness of fair trade. In such outlets one may find fairtrade goods that are not necessarily labeled as such. The place of purchase authenticates the source of the products and the way they are transported from the producer to the retail outlet.

In a situation in which the final link of the distribution channel is a discount store, a supermarket, or a hypermarket, the significance of certification increases. Adding fairtrade products to their offer, which does not have a confirmed ethical attribute, creates the need to make this part of the offer different from others—having a distinct characteristic. Moreover, faced with an overload of products in a given category, consumers seek reasons for choosing a specific foodstuff. The Fairtrade mark visible on the packaging may provide one. The impact of the mark as an external sign and product attributes on consumers' buying decisions was studied, for example, by Richardson, Dick, and Jain (1994, pp. 1–6) and by Wanat (2010).

If the Fairtrade mark is to influence consumers' buying decisions, the group of potential customers must be very familiar with it and have great confidence in it. Based on results of research conducted by GlobeScan (2011), one can conclude that both variables vary greatly in particular countries. In Poland, both of them are among the lowest in comparison with other countries. Only every fourth Pole recognizes the mark. The observed trend, however, is positive since still in 2009 only 3 percent of Poles knew the label (Rawa). In the group of all the respondents in 24 countries, the percentage of people familiar with the Fairtrade mark is 57 percent. The biggest numbers of such respondents are in the United Kingdom (96%), Ireland (91%), and Switzerland (90%), which indicates in countries where the market is well developed. The Fairtrade mark is least recognizable in South Africa (20%), the Czech Republic, and Poland (20%).

Aware consumers familiar with the problem and recognizing the Fairtrade mark are in some way sensitized to notice such products in the store. However, if they, like the majority of Poles, do not know the Fairtrade mark, then even if they see products with such a label, they do not register them in their memory. The authors conducted a study⁴ that should answer the question to what extent customers of two stores belonging to different commercial networks, representing different formats (a traditional supermarket and a quality supermarket), recognize the presence of fair trade products in the offer of these outlets. In order to achieve this aim the respondents were asked to take a stance on the opinion "Store X offers some products with a fair trade label, which supports producers/

farmers of for example, coffee, tea or bananas from the Third World countries.” The respondents could choose one out of three responses: yes, no, I don’t know. Information concerning this investigation is included in the Appendix. In the studied stores, fairtrade products were on offer, but the majority of consumers failed to notice them. Less than 13 percent of the respondents stated that the store at which they buy food offers some products with the Fairtrade mark (Chart 2.1). The group distinguished as “socially responsible” (persons declaring that they separate the garbage from the recycling, transfer 1 percent of tax on social causes, participate in charity actions, and conserve water) could evaluate a little more specifically whether the store they visit offers fair trade products. This may result either from paying more attention to the purchased products or greater knowledge about the Fairtrade mark, which makes it easier to assess whether the products are on the store’s offer or not.

On the other hand, it is important, how many customers trust the brand Fairtrade. According to GlobalScan (2011) research, 64 percent of the respondents from 24 countries have confidence in the Fairtrade

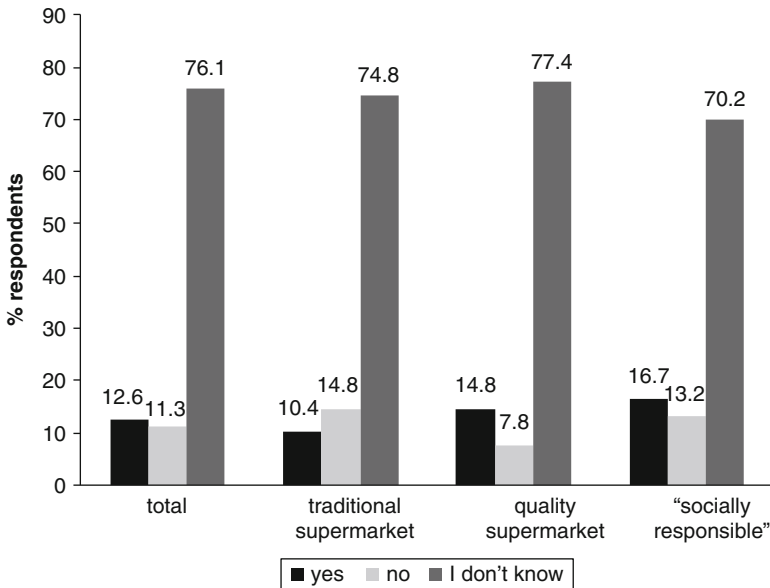


Chart 2.1 Structure of responses to the question: “Store X offers some products with a fair trade label, which supports producers/farmers of e.g. coffee, tea, or bananas from the Third World countries.”

Source: Own work based on a survey.

certification. The biggest number of those trusting the certification are in the United Kingdom (90%), Ireland (88%), Switzerland (87%), Holland (85%), Finland (84%), and Austria (81%). Poland is twentieth in the ranking (44% of the surveyed Poles declared confidence in the Fairtrade mark). A lower level of confidence than in Poland was recorded in Italy (21%), South Africa (29%), the Czech Republic (40%), and Japan (41%). The results obtained by GlobeScan (2011) confirm earlier studies indicating that Polish consumers generally do not trust foodstuff certification (Krajewski and Świątkowska 2006, p. 8; Nestorowicz and Nowak 2010, pp. 241–247).

Confidence in certification to some extent depends on how respondents perceive the rigor of certification standards. In most countries, perceiving standards as rigorous translated into confidence in the certification, and, vice versa, in countries where standards were regarded as not too restrictive, confidence in them was low. An exception was Italy, where 69 percent of the respondents perceived the fairtrade standards as rigorous or very rigorous, and at the same time a low percentage of the respondents declared confidence in the certification. Out of all the respondents, 63 percent regarded the Fairtrade certification standards as rigorous or very rigorous. The highest percentage of persons holding such views was in Holland (82%), Ireland (81%), Switzerland (79%), Austria (78%), and the United Kingdom (78%), and the lowest in South Africa (33%), Japan (38%), Poland (44%), and the Czech Republic (49%) (GlobeScan 2011).

Conclusion

Undoubtedly, following the trend in other EU countries, fair trade products will also become popular in countries like Poland, and will be actively sought and purchased more often. This will be facilitated by higher consumers' awareness of the purchased products and development of sales in the mainstream channel, that is, through conventional retail outlets. It is crucial for the development of this market that fair trade products are available in stores at which customers shop most often. If availability of these products does not increase, customers, including the ones aware of the fair trade issue, will not buy them. Studies conducted in 2009 in Germany revealed that consumers' main reason for not buying fair trade products is their limited availability (Forum Fairer Handel 2010). In the course of consolidation of conventional channels on the fair trade market, the importance of certification, including the Fairtrade certification, will grow. At present, the Fairtrade mark is scarcely recognizable, and like other foodstuff certification systems, not very trusted. What is positive, however, is the observed trend that Polish consumers' awareness of fair trade grows dynamically every year.

Appendix: Information on trial

The research embraced 230 people. It was conducted in one of the districts of an average size Polish city. The district was chosen due to the existence of (only) two big retail outlets in proximity. The limitation was advisable as in the questionnaires the questions were related to CSR activities undertaken by specific trading companies. This means there were only two types of questionnaires differing only in the name of the sales network whose CSR activities the questions were about.

The age of the respondents ranged from 18 to 76 (the age median equalled $M_{age}=35$). The two studied populations did not differ significantly in terms of age $t(228)=1.515$ $p>0.1$ –statistically invalid. The majority (70%) of the respondents was women, as earlier research had showed that women much more often make the food buying decisions (Baranowska-Skimina, 2013). Most respondents ranked their material standing as good at 39 percent or average at 46 percent. The definite majority were employed, 75 percent. More than half were persons with a university degree (54%), and the share of respondents with a secondary education was 37 percent.

Notes

1. FINE is informal umbrella Fairtrade network, which includes the Fairtrade Labelling Organization International (FLO).
2. Based on: R. Nestorowicz, M. Stefańska, 2012, Stan i perspektywy rozwoju dystrybucji żywności Fair Trade w Polsce na tle wybranych krajów europejskich, w: Nowe trendy w dystrybucji produktów żywnościowych: determinanty i kierunki ewolucji, ed. Z. Waškowski, M. Sznajder, Published by UEP, Poznań, pp. 130–147.
3. It is not the time when a given category of products was introduced to the market, which matters, but rather the strength of the distributor. Fairtrade bananas were introduced in Germany in 1998 and in Austria—in 1999, coffee in 1992 (Germany) and 1993 (Austria) (Fairtrade Österreich 2011; TransFair, 2011 p. 14).
4. The investigation was financed by the National Science Centre as part of project No. DEC–2011/03/B/HS4/03576.

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CHAPTER 3

A CRITICAL LOOK AT THE APPLICATION IN PRACTICE OF FAIR TRADE

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As economics is one of the social sciences, it is hardly possible to separate economic processes from social issues. Also, the fact that social sciences use everyday language makes it difficult to define concepts precisely, which may lead to a varying reception for the issues that are being discussed here. Another problem is that it is not always possible to clearly distinguish what is real and what is desirable. In the domain of wishful thinking, one can develop concepts that may be impossible to implement. The search for ideas that give some meaning to human activity is an essential feature of rational human beings. Usually, meaningful ideas determine the direction of activities on which the attention of economic and social organizations is focused. In terms of change, the development of societies is also determined by how people perceive reality. Analyzing the leading topics discussed in Davos by the representatives of the richest countries in the world, it can be noticed that at different periods of time the discussion is dominated by certain specific or even fashionable subjects. The 2014 meeting in Davos was devoted primarily to the issues of corporate social responsibility (CSR). Judging from this, one could come to the conclusion that in the years 2015–2018 the attention of companies and organizations will focus on implementing the concept of CSR. Prior to that, the focus was on environmental protection, ecology, and the development of China's economy. Undoubtedly, in due time it will be various issues concerning the behavior of economic and social organizations that will be considered as critical.

The complexity of the socioeconomic field is also manifested in the existence of both social and economic (business) standards (Ariely 2009). The development of civilization is the reason why social norms are gradually being replaced by market standards. Scientific grounds alone cannot determine which standards should be considered as appropriate. Market standards (equivalent exchange) can exist alongside social norms (customary ones). However, practical experience shows that the economic development of societies is associated with the replacement of certain social norms by market standards. Everything can become even more complicated if political and religious concepts are taken into account in the discussion. In the background of these considerations, one can see that the concept of fair trade is part of both social as well as economic trends. It results from an idea that originated from a critical look at the existing solutions in international trade. In an analysis of the determinants of fair trade, one factor that certainly must be considered is the economic history of the world, including the colonial period. For centuries, a number of well-developed European countries benefited from the exploitation of their colonies. Perhaps it was in this period and under the then-existing conditions that the idea of fair trade arose, resulting from the criticism of solutions based on one-sided unilateral benefits.

Fair Trade—A Socially Responsible Activity or Simple PR?

The above considerations provide the background to a critical look at the concept of fair trade. It appeared at the end of the 20th century as a concept associated with the social sphere, rather than the economic one. However, fair trade is linked to the areas of trade, manufacturing, distribution and the market, and introduces social terminology into these economic ideas. Much as trade is clearly related to the economy, the term “fair” can be defined in an extensive, fuzzy way. How then should the concept of fair trade be interpreted? What are the objective criteria that make it possible to distinguish “fair” trade from “unfair” trade? By formulating the concept of fair trade, we simultaneously imply that there is a form of trade that is not fair. The use of the term “fair trade” in economic sciences can be criticized because of the application of a value judgment (fair). Introducing value judgments into economic, market considerations can lead to a lot of confusion and ambiguity. A good example of such ambivalence is the use of terms such as “health food store” (offering organic, dietary, and gluten-free products) or “genuine bread” (bread without improvers) in Poland some time ago. Currently, the expression “health food store” can no longer be used as it suggests that the food sold

in other stores is unhealthy. Similarly, the introduction of the term “genuine bread” provoked criticism, because at the other extreme, it implied that the products of other producers might not be “genuine.” Such an approach to communication with market participants can be considered inappropriate. By analogy, a similar reservation can also be voiced about the term fair trade. Perhaps the development of economics as a science will also involve/consist in creating terminology that will mitigate misunderstandings between researchers. In any further discussion related to the concept of fair trade the difficulties associated with its definition should be considered. In the literature on the subject, one can find many different definitions of fair trade (Fair Trade 2010). It is and will continue to be the subject of numerous discussions and controversies. There are also international organizations that bring together entities belonging to the fair trade network. After many discussions held by numerous organizations and associations uniting operators in this area, the following definition of fair trade has been agreed upon: fair trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers, especially in the South. It was created by FINE, an organization, which was established in 1998 and which name is an acronym. It comes from the names of four organizations: Fairtrade Labeling Organizations (now Fairtrade International, FI), International Fair Trade Association (now World Fair Trade Organization, WFTO), the Network of European Worldshops (NEWS!) and the European Fair Trade Association (EFTA). Fair trade organizations (backed by consumers) are engaged actively in supporting producers, raising awareness, and campaigning for changes in the rules and practice of conventional international trade (FINE 2011).

Fair trade organizations and associations as well as products are all part of the current socioeconomic reality. However, the quoted definition may raise many doubts and provoke further questions. Before we take a critical look at the definition, we would like to emphasize that formulating definitions is not an easy task. This is particularly true about the social sciences because of their use of colloquial language. However, one should endeavor to refine the concepts to make communication possible (Adler, Rosenfeld, and Proctor 2007). On the other hand, a critical analysis of the definition of “fair trade” can be an inspiration in the discussion regarding the very idea of fair trade and its connections with the socioeconomic sphere.

Focusing attention on the aforementioned definition, one can observe that the expression “partnership in trade” used in the first sentence is a

concept related to international exchange. When viewing economics as a science, the paradigm treating trade and international exchange as a process based on partnership seems quite understandable. The same applies to other terms such as “dialogue, transparency, and respect.” The term “dialogue,” however, is quite inadequate in reference to international trade. Its essence, though, lies in talking, negotiating, and entering into agreements. The term dialogue can refer to a wider range of social and political issues. In the twenty-first century, transparency is a vital element of business activity. Many international corporations treat transparency as an essential part of their mission. Due to the development of new technologies and traditional and social media, transparency is becoming increasingly apparent in many areas of the economy. Another issue is linked to the notion of respect, which concerns relationship, trust, and partnership in the economy. The latter terms are related to international trade rather than to the notion of respect. The development of research regarding the concept of trust is reflected in the number of the many publications devoted to this topic (Sprenger 2009; Covey 1996). In the context of this discussion it can be concluded that the characteristics and attributes of fair trade given in the definition are closely related, perhaps even identical, with the idea of establishing business cooperation among economic entities all over the world. One cannot ignore the fact that ideas associated with the concept of fair trade were the source and the accelerating factor for changes in the world economy. Another element of the first sentence in the definition of fair trade concerns “greater equity in international trade.” This wording is not precise enough. It is unclear how this “greater equity” should be understood. Diversity is implicitly present in the socioeconomic sphere. One can raise the question of the scale of this diversity and actions taken to introduce changes that will contribute to creating different terms of trade. The European Union (EU) establishes funds that aim to provide equal opportunities in the development of countries, regions, or small businesses. The ministry of foreign trade, for example, may support and promote the participation of small businesses in trade fairs in order to enhance the possibility of signing business deals with enterprises in other countries. Single independent pharmacies in Poland form purchasing groups that can negotiate favorable conditions for buying pharmaceuticals from producers or wholesalers. In the latter case these are business solutions based on creating favorable terms of trade for both sides. The manufacturer sells its products to a large chain of pharmacies, and they receive a discount, which enables such small pharmacies to compete in the market (Mruk, Michalik, and Barańkiewicz 2011). In this case it is not “greater equity,” but rather a form of business activity that allows the signing of agreements based on the “win-win”

principle. From an economic point of view, this helps create frameworks and principles of trade, including international trade. Perhaps discussions on the further developments in the theory and practice of fair trade will evolve in this direction.

In the context of the aforementioned issues, it is worth mentioning the importance of cooperative organizations in many European countries, which were formed in the nineteenth and the early twentieth centuries and lay the foundations for small business networks, enabling partner negotiations with other entities. The concept of relationships and cooperative organizations could also be considered in relation to creating development pathways for businesses operating in developing countries.

The next sentence in the quoted definition is somehow connected with the domain of wishful thinking, but partly it is also hypothetical. The term “sustainable development” may also raise some doubts, however. This concept is quite ambiguous, as evidenced by publications on the subject. The FINE definition states the following: “offering better trading conditions to marginalized producers and workers, especially in the South.” The term “marginalized producers and workers” contains a value judgment and is concerned with social issues rather than economic or political ones. Producers may be smaller or larger, differently organized, with varying potential of resources, and so forth. Employees may also be well, or poorly educated, skilled, productive, and so on. These terms are rather related to the economy and economics. And finally, the term “South” is an ambiguous term, particularly in Eastern Europe, which did not have its own colonial experience. Therefore, in order to be more understandable in the countries of Central and Eastern Europe, the definition will have to include the terms “developing countries” or “Third World countries.” Although they are not straightforwardly clear, they are still more appropriate in this part of the globe than the expression “countries of the South.” This concept might be understood by the members of numerous fair trade organizations, but this is not an expression that will be similarly understood and interpreted in the North, East, and West (using analogous terms).

The last sentence of the definition concerns the fact that fair trade organizations are supported by consumers. This is also a wishful thinking thesis that is not substantiated by objectively conducted research. There is no doubt that there are consumer groups that support fair trade ideas and products. Otherwise, such entities could not function in the market. However, in this case we would rather talk about the needs of a particular segment of consumers to whom fair trade organizations address their offer. The second part of the sentence also contains an unclear expression,

the meaning of which is difficult to determine: "changes in the rules and practice of conventional international trade." The meaning of the word "conventional" may raise some doubts. International trade is an objectively existing element of the market. It is governed by elaborate principles and practices of operation. Probably the idea of fair trade affects the evolution of principles and practices, but it is not the only factor (the importance of which is difficult to measure) affecting it.

As has already been mentioned, defining terms is an extremely difficult task. The above comments prove that efforts to improve the definition of fair trade should be continued. Perhaps the difficulties are associated with providing a clear definition that would not raise too many controversies stemming from the very idea of fair trade. As has already been stated, human activity has to do with ideas. However, for the purposes of scientific consideration, one has to distinguish between what is an objectively existing fact and what is a result of ideas and wishful thinking. To illustrate this issue, an example can be drawn from the field of marketing and distribution. In the second half of the twentieth century, entrepreneurs in the United States and Europe invented a new way of selling manufacturers' products directly to consumers, bypassing other distribution channels. Such business organizations were referred to by the term "network marketing" or "direct marketing." This form of commerce is connected with justice, honesty, and so forth, which are social ideas rather than economic ones. Predictions were made that it would change the world of business by cutting out the middlemen who only push up the cost. However, these forecasts ignored the needs of many segments of consumers for whom the functions performed by the distributor were in fact benefits that they expected. At first glance, applying the so-called fast thinking system, such arguments might seem rational. But after many years of economic development, it appears that companies in the "network marketing" sector occupy only a small part of the market because consumers pursue their own benefits. This example demonstrates the importance of adopting an objective approach to the description and analysis of economic reality, keeping a distance from the sociopolitical sphere.

Among business activities that obey the law there may be room for any entity that meets the legal criteria and simultaneously is able to find consumers who are loyal to its offer. There is no doubt that Fairtrade products find buyers in many markets. This means that there are consumers who accept such offerings. However, attitudes toward ethical standards are the other side of the coin. There is a demand for drugs, for example, but they are banned from the market and, therefore, consumer

acceptance does not matter. Likewise, one can accept business activities that do not operate entirely within the law, but this is not beneficial for consumers because a business enterprise can use legal loopholes. In 2012, a Polish quasi-bank, Amber Gold, accepted cash deposits from the public and then declared bankruptcy, depriving thousands of its customers their money. This case, as well as many other similar examples, justifies posing questions about the compatibility of fair trade principles with the value system of economic processes. Blending or mixing ideology with the economy may indeed give rise to negative consequences for both suppliers and buyers. These reflections serve as an introduction to a critical look at the main principles of fair trade.

The first one says that the most important value is “respect and care for people and the environment, and putting people before profit.” This approach is characteristic of a growing number of companies. For a couple of years, the international construction company Skanska has been implementing a strategy of “Five zeroes”: zero accidents, zero violations of the law, zero violations of the environment, and so on. Therefore, it seems that this principle is going to be progressively implemented in all companies. One can judge positively the fact that both people and the environment are taken care of. However, the second part of this principle—putting people’s needs before profit—may raise many doubts because it is at odds with the principles of management. The vital goal of business activity is to generate profit. It is the source of development and the means to create a better world. Profit cannot be achieved at the expense of people. But in the economy, people’s needs cannot come before profit. Otherwise, it would be impossible to build any economic system. Profit is the source of innovative solutions, progress, and new technologies. Claiming that profit is not important for a company would be a violation of fundamental economic principles. Therefore, this part of the first principle of fair trade is a form of wishful thinking, and as such it is contrary to the sense of management and the basic objectives of business operations in the market.

The second principle states, “creating resources and opportunities for producers in order to improve their living and working conditions.” It is hard to see in this statement the logic associated with the principles of management. When participating in economic mechanisms producers sign deals with other enterprises. These deals bring about some concrete results—profits or losses. Producers may receive some support from the state or the organization they founded, for example, from chambers of commerce, which unite companies. But fair trade organizations are obliged to generate a surplus that can be used for various purposes. However, there is no certainty that such surpluses will be made. One of

the features of the economy is the risk that can be predicted, but which affects the limited possibilities of achieving effective goals. Another problematic issue that is difficult to understand is the lack of clearly defined rules according to which fair trade business organizations and certification operators are created. The rapidly growing number of these entities every year may be an indication that benefits can be obtained easily by intermediaries, as opposed to producers.

The third principle—"the development of bilaterally beneficial relationships between sellers and buyers"—is associated with the already quoted principle of equivalent exchange (a win-win situation). Achieving this tenet depends on many varied factors. Certainly, it is not the result of wishful thinking, which is implied in the wording of this principle.

Another principle, concerning fair wages for producers, is also just another postulate. The problem of wages is associated with market relationships, but it can be linked to social activities (trade unions, political parties). Buyers are guided by their own needs. They may want to pay more for branded, licensed, or properly positioned products. However, this will be the result of their own decisions, and this solution cannot be accepted as a standard market rule. These issues are also topics for discussion in the EU. For example, wages in Germany are higher than in Bulgaria. This is the cause of the migration of workers between these countries. After all, it would be unrealistic to expect anything else.

The next three principles are associated with equal opportunities for women, children, and local people. These are principles that should not be limited only to fair trade, and this approach applies to all societies around the world. Fair trade organizations should not regard these issues as being associated exclusively with their activities.

Considering critically the goals of fair trade, one can challenge the negative assessment of conventional international trade, including opinions about its negative effects. Fair trade is a small, even a marginal, part of world trade. However, it is international trade that has been a factor contributing to the economic development of the world since ancient times. There is no reason to express such negative judgments about international trade. We can positively assess the fact of drawing attention to various solutions (the rights of children, the opportunities of women) highlighted by fair trade organizations. These issues attract more and more attention as they occur all over the world (e.g., in China, North Korea, India). Enterprises are increasingly adopting this type of solution in their strategies, for instance, when creating and implementing programs of social responsibility in business. This direction in the development of the world in the twenty-first century can be regarded as right, but it cannot be identified solely with fair trade.

Fair Trade—Why Does It Not Work?

When we critically analyze the concept of fair trade, the whole chain of network solutions could be considered. Small producers (and sometimes also large ones) of various products, operating in many Third World countries are a good starting point for this discussion. There is no complete and reliable information on the proportion of producers that belong to fair trade organizations. Although in many publications their authors refer mainly to the coffee market, such data can be also applied to many other products and industries (Andorfer and Liebe 2012, pp. 415–435). Many authors give the information that fair trade organizations include only a small percentage of all producers. However, these are not always small entities. Cooperation with intermediaries, dealing with product collection, transport, and certification requires knowledge and adequate resources. Therefore, this may indicate that fair trade organizations unite producers with higher incomes rather than the poorest ones. In this case, the support would not be given to the poorest producers, but rather to slightly more affluent ones. And this would not be consistent with the principles of fair trade. However, this problem would require a separate study, which is not easy, mainly due to the lack of funding for such research. The marginal position of fair trade in the world economy is not a factor that may persuade the relevant authorities to award grants for independent scientific research.

There are also no reasons to assume that all brokers in the fair trade sector act in accordance with ethical principles. The 2008 financial crisis proved how illusory it may be to create a system that is not subject to the rules of market control. Apart from printed materials, there are also documentaries showing African coffee plantations where children are employed to gather crops, and who are paid below average rates, without any access to medical care. Coffee from such producers is purchased at low prices by intermediaries. Then it is sold to other certified fair trade intermediaries. No one knows the scale of such operations. Undoubtedly, such practices have nothing to do with the idea of fair trade. A lower cost in the acquisition of goods leads to the expansion of intermediary levels, which earn profits in the subsequent links of the supply chain, thus leaving the producers at a low-income level. Similar unfair and corrupt mechanisms also function well in the EU. Subsidies for farmers have encouraged some people to buy land and establish plantations, not in order to produce, but to receive the subsidies. These and other fair trade solutions described elsewhere can be and, according to some studies, are the source of corruption. However, there is no reliable research that could assess the scale of such fraudulent practices and their consequences.

The existence of fair trade organizations is possible because some consumers buy products labeled by Fairtrade or with other certificates attesting to their origin. No comprehensive studies have been made on the perception of the Fairtrade label in rich societies. There is also not enough comprehensive information on the number of consumers purchasing fair trade products in various European countries. Available data sources reveal the level of knowledge about the Fairtrade certificates (http://www.fair-trade.org.pl/a208_eurobarometr_a_sprawiedliwy_handel.html) and the sales volumes of certain Fairtrade labeled product categories in developed countries such as Germany, Austria, and Great Britain (Koppel and Schulze 2013, p. 369–387). In Poland, the knowledge about and interest in fair trade is expressed by less than a few percent of consumers. The level of the Fairtrade label recognition is very low (in 2011 it was 25%) in Poland in comparison to the countries of the “old” EU, where it is much higher (65% in the same year). It should be emphasized that in the past few years or so, there has been a large increase in this area. Even in 2008, only 8 percent of Poles surveyed recognized the Fairtrade trademark (http://www.fairtrade.org.pl/a153_rozpoznawalnosc_fairtrade_badanie_globescan_2011.html). Interest in purchasing Fairtrade-certified products in Poland is even lower. According to the information given in the literature, there are two segments of consumers buying Fairtrade products in wealthy European societies such as Switzerland, France, the Netherlands, England, and so on, although no research has been done on the motivation of consumers loyal to the Fairtrade trademark. Perhaps the expression “fair trade” evokes positive emotions in some consumers. Longing for justice is a universal human emotion. The term fair trade is exceptionally accurate from a psychological and emotional point of view. Daniel Kahneman demonstrated the importance of the terminological relevance (90% lean meat vs. 10% fat meat) and its impact on consumers’ decisions (Kahnemann 2012). The word “fair” can trigger emotions that are transferred to decisions about purchasing Fairtrade products. It is more likely that such behaviors will be observed in countries with a high level of GDP per capita. For some consumers in these countries, buying a more expensive product is not a problem if in this way they can contribute to the idea of building a better world. Honestly speaking, we do not know how it is working in reality and how it affects the entities that make up the network of fair trade organizations. The small scale of the sales of Fairtrade products is not a sufficient stimulus for research in this area. However, the turn of the first and second decade of the twenty-first century has brought a growing number of critical studies about fair trade. This could be the beginning of a broader discussion about the idea of fair trade in developed countries, which may change the perception

of Fairtrade by consumers. In the mainstream of behavioral economics, there is an increasing number of practical solutions that use the results of scientific research to create a better world for consumers (Thaler and Sunstein 2012).

Continuing the discussion in a microeconomic context, it is clear that the success of any project always depends on the final buyer. Fair trade should be looked at from the perspective of consumers; it is their needs and motivation that guide them through the purchasing process. The urgency and importance of their needs are the most common determinants of purchases. The higher in the hierarchy of the customer and the more urgent the need, the faster it must be satisfied. Rising consumer incomes provide an opportunity to meet basic needs easily and to seek ways to enrich their aspirations by fulfilling higher needs. The act of buying Fairtrade products undoubtedly stems from the needs of a higher order, and consequently, the less urgent and the less necessary, which appear only after the basic needs have been satisfied. Therefore, as has been previously indicated, consumers from developed countries constitute the biggest market for Fairtrade products. It is difficult to predict how this segment of buyers will behave in the future, but it can be assumed that adverse demographic trends and the aging of the population (especially in developed economies) will require major financial outlays on health care for elderly population groups, which may lead to a deterioration in living conditions in these societies and declining incomes, and consequently, a decreasing interest in purchasing fairtrade products.

Strong rivalry among enterprises to meet higher consumer needs increases the number of offerings that respond to the need for helping the poor and taking moral responsibility for their fate. Polish consumers can develop their social sensitivity in various ways; among others, by sending a text message (SMS) to help finance a particular social organization, sending money directly to a charity account, by clicking on a web page to help “feed hungry children” (“the Puppet programme” by Polish Humanitarian Action [PAH] [<http://www.pah.org.pl/pajacyk>]), donating 1 percent of tax to a selected charitable organization or setting up a foundation and devoting one’s own time and money. The choice of Fairtrade products is just one of many opportunities created by the market, and it does not have any significant advantage over other competing offers. Moreover, involvement in charity is determined by geographical location. For example, Polish society shows a greater interest in assisted activities on a local (national) scale and in incidental actions such as helping repair levees or participating in street fundraising organized once a year, for example, the Great Christmas Orchestra Charity (http://awsassets.wwfplpanda.org/downloads/ecco_raport_charytatywnosc_polakow_2010).

pdf). But all this can only generate moderate interest among consumers in purchasing Fairtrade products.

Customers are motivated to buy by the desire to improve their lives, comfort, or health—motivation that is primarily personal (internal). External motivation (care for the environment, helping the poor, charity) is only in the background. Looking for healthy, tasty and eco-friendly products, customers think about their internal motives; when buying products labeled as Fairtrade, their motivation is inspired by external sources. Therefore, the propensity of consumers to buy healthy, organic, and high-quality products will be stronger—even if their price is rising—than in the case of Fairtrade products. Generosity and willingness to help the poor are motivated externally, and this results from the desire to satisfy stronger and more important internal needs before anything else. To put it bluntly, the consumer will be generous when it is convenient and brings him/her some benefits.

By doing shopping (the choice of specific products, brands, and retailers), modern consumers form an image of themselves, but also communicate this image to their social environment. In light of this, consumers' knowledge about fair trade and ethical consumption takes on a slightly different meaning. The quantity and quality of such information affect consumer behavior in the market and stimulate their willingness to select ethical products. Therefore, it is not so much the idea of fair trade, but rather its effective promotion that is important. The stronger the campaign promoting fair trade, the more reliable the message; the greater the rate of informing the public about the principles of social fairness of fair trade, the greater the consumers' interest in creating their image through purchases of Fairtrade-certified products. So far, Fairtrade certification organizations in Europe have not received much publicity (only a small number of consumers in Poland admit having any knowledge of Fairtrade products). The results of research conducted in Poland indicate that the Fairtrade label is not a unique and recognizable message that determines the image of a Fairtrade product.

Concern about a customer's positive image in his/her social environment can also be seen in the results of studies on consumer behavior related to fair trade products. Research shows that among those declaring their intention to buy ethical products, only 28 percent actually bought them, and most of them make such purchases only once (Vantomme, Geuens, De Houwer, and De Pelsmacker 2006, pp. 699–703), although this is a fairly optimistic forecast. Many consumers support the idea of fair trade, but only a few people buy products representing fair exchange (the market for ethical products does not exceed 1%). Consumers may declare a positive attitude toward fair trade, believing that this will have a

favorable effect on their image, but it does not necessarily mean that they feel a real need for solidarity with the poor producers from the South. Excessive optimism by researchers in formulating a diagnosis of consumer attitudes toward ethical products makes it difficult objectively to assess the demand for these products, which have a rather niche character and where no significant increases should be expected.

The limited consumer interest in purchasing Fairtrade products also results from the perceived risk. Consumers are not able to verify the veracity of an implemented social mission by the brand owner or producer of Fairtrade-labeled goods. Trading companies that sell Fairtrade products promise to help producers in developing countries—but do they really meet those promises? Many consumers actually believe that importers and distributors keep for themselves the margin they should give back to the producer. And the “fairness” of the product is not a typical attribute that the consumer can verify in the process of consumption. Fairtrade products are no different (apart from the price) from those that do not bear such a label. Moreover, as has been pointed out earlier, the Fairtrade label can be automatically, as a result of the halo effect, transferred to other products of the brand.

To pay a higher price for Fairtrade bananas, coffee, and cocoa, the consumer must believe and have confidence in the sellers and that they will fairly pay what they owe to the producer. As has been argued before, the main beneficiaries of Fairtrade are large companies, which in this way increase their incomes. Kotler and Keller (2013, p. 680) showed that 26 percent of American consumers distrust corporations. In Poland, the ranking of respected companies includes, for example, Apart, Rossmann, Empik, Amazon, and Merlin, none of which is a retail food chain (in this group of companies the best rating positions are occupied by Alma Market and Piotr & Paweł) (http://www.forbes.pl/jakosc-produktow-i-zaufanie-do-marki-coraz-wazniejsze_artykuly,165157,1,1.html). The customer generally does not want to know the details of the transaction, but wants to make sure that the seller keeps the promise implied by the Fairtrade trademark. There is a need to clearly explain and justify the amount of money paid for Fairtrade-certified products. Thus, an increase in the sales of Fairtrade products is determined by the consumer trust in the seller. This trust is even stronger if the retailer's market position is stable and customer relationships are strong, built on the principle of keeping the promises, offering safe products, and defending consumer rights. This feeling of trust may relate to the interpersonal level: vendor-consumer or the collective level: enterprise-market. The fundamental quality of a good relationship between the customer and the retailer should be reliable communication resulting from objective knowledge

and a conviction that the promotion of fair trade principles is right. In the absence of such fundamentals, it is difficult to properly shape relationships with customers and win their confidence.

The competitive position of the seller may be significantly determined by customer trust. Thus, Castaldo, Perrini, Misani, and Tencati (2009, pp. 1–15) indicate that consumers have more confidence in traders who use CSR focused on the rights of clients and on satisfying their needs. Other areas of CSR: care for the environment (environmental dimension) and relations with employees (staff dimension) do not affect customers' opinions on their level of confidence in the company. A seller that is trusted by the customer provides the best guarantee for the products of its own brand and Fairtrade ones,¹ products that inspire confidence and result in loyalty and the willingness to pay a higher price. Without such faith, the feeling of uncertainty or fear develop an attitude of distrust in life, a lack of tolerance, and a pessimistic view of the world, which stimulates consumer suspicion (Żakowska 2007). Trading companies operating in the Polish market find it very difficult to gain consumer trust due to the cultural background, but also the rather weak activity of the businessmen themselves in the area of CSR. Such forms of activity are increasing every year, but the process of changing the way businesses are perceived by consumers is a long one, and it does not happen immediately after CSR policies have been introduced.

The concept of trust may be considered in relation to one of the dimensions of culture (Hofstede)—a willingness to take risks and uncertainty about new and unknown situations. In comparison with other nations, Poles appear rather unfavorably—the risk index for Polish uncertainty avoidance diagnosed in clinical studies reaches the high level of 93 points (in Europe, higher rates were measured only in Greece, Portugal, and Belgium, while lower ones in Germany—65, France—86, Italy—75, and the United Kingdom—35) (<http://geert-hofstede.com/poland.html>). As in many other EU countries, consumerism, materialism, and a focus on safety are common in Poland, too. Deep distrust, as well as a dislike of altruistic behaviors and any new trends or fashions, is widespread (which may be expressed in a saying, “you can never be too cautious when it comes to strangers”). Consumer attitudes manifesting fear and perceived uncertainty are created largely by crises and unpredictable changes in the social environment, a phenomenon characteristic of the early decades of the twenty-first century. Perhaps this development scenario will be a barrier to the market of fair products.

Fair Trade—For Whom Is It Really Beneficial?

In assessing the importance of fair trade in the world economy, one needs to look at data that shows the range of activities of operators in this

market. This information is neither exhaustive nor comprehensive since little is known about the methodology of collecting it. It is estimated that in 2011, the number of farmers and employees in companies that are the beneficiaries of the whole system of Fairtrade product sales was 1.2 million people. In 2010, the revenue from the sales of these products (agricultural prices) amounted to 550 million euros. Nonetheless, this is a marginal activity if we compare these figures with the number of enterprises and the number of people employed in the global economy, including the overall turnover of international trade. But the number of organizations that deal with the certification of goods and services in this area is on the rise. What is interesting, but also difficult to understand, is that in South Africa a certification system for “fair” tourist services has been created. This may indicate that the main beneficiaries of the entire system of fair trade are intermediary and certification organizations. It is even more likely because only about 1.2 percent of revenues from the sales of Fairtrade labeled products go to the producers. This shows that intermediaries may be the main beneficiaries of fair trade. If the information quoted is true, it is possible that the significance of the fair trade system will decrease all over the world. This process can even accelerate if the critical information about the operating principles of fair trade is revealed to consumers in developed countries. If consumers begin to spend less on Fairtrade products, turnover in the whole fair trade system will fall.

Considering the question of the beneficiaries of fair trade, we can take a look at brand owners, whose products are Fairtrade certified. This label is placed on the packaging of products as a guarantee that they meet the Fairtrade certification standards. This trademark applies only to the labeled product, not the whole brand under which it is sold or the other products belonging to that brand (which can be quite numerous). Given the existence of the halo effect, it cannot be ruled out that some consumers may unwittingly transfer their trust in the brand to other products of the same brand, assuming that all products meet the same Fairtrade certification standards.

Facing widespread criticism of CSR, which describes socially responsible actions as cosmetic treatments and activities aimed at gaining a favorable image, fair trade was to be an effective alternative to support a company in creating a socially responsible and ethical image (Castaldo, Perrini, Misani, and Tencati 2009, pp. 1–15). This solution seemed to be safe and financially beneficial primarily for those companies that saw this only as a way of avoiding pressure to lowering the prices of their products. In the early twentieth century, 80 percent of the product cost was the cost of the production of goods, and 20 percent for their distribution.

At the end of the century, this ratio changed to 50 percent: 50 percent, and at the beginning of the twenty-first century many companies had an even different cost structure, in which the production costs accounted for only 10 percent to 30 percent of the retail price. Thus, the costs associated with the acquisition of Fairtrade certification can only slow down the rate of production cost reduction and, above all, create a real opportunity to increase turnover.

The company does not have to undertake any initiative or create ideas for CSR actions; it takes no risk, and is not criticized by the media for boasting of what it does. Paying a Fairtrade certification fee brings the company more benefits than performing CSR actions, which often are not well received by the consumer (e.g., the introduction of charges for plastic shopping bags).

Fairtrade products also offer an opportunity for traders who can expand the possibilities for influencing the consumer at the point of sale (Herpen, Nierop, and Sloom 2012, pp. 293–308). Fairtrade labeled food, but also other fast growing fair trade industries—fashion and clothing—are new product categories that retailers use to boost sales (Shaw, Hogg, Wilson, Shui, and Hassan 2006, pp. 427–440). It turns out that when selling Fairtrade products, retailers use typical promotional merchandising tools (proper exposition and customer communication at the point of sale), which any trading enterprise is familiar with. Thus, using its competencies, a trading company can grasp the opportunity to increase sales with new product categories that will be available and visible at the point of sale. Another argument in favor of creating the category of Fairtrade products is also the fact that the higher prices of Fairtrade products do not involve higher consumer expectations as to the quality. This results from the foregoing considerations that the consumer motivation for buying Fairtrade products is external and secondary. A consumer choosing Fairtrade products aspires to share the responsibility for the fate of poor producers, but will not accept any additional effort to purchase such products—they must be readily available, slightly more expensive, and well marked. And this is what makes the retailers the real beneficiaries of the fair trade system.

Fair trade provides an opportunity to increase consumer knowledge and awareness of the social problems caused by economic development. Particularly good results in the formation of attitudes through education can be achieved by educating children and young people about responsibility for development that is in line with respect for the environment and social justice, as well as promoting ethical principles of consumption and sensitivity to social inequalities. Shaped in childhood, their attitudes toward Fairtrade products will be fixed when they are adults. Research

shows that good intentions and sensitivity to social problems by adult consumers are not always correlated with their willingness to buy ethical products. Therefore, it can be assumed that consumer attitudes formed at a young age will be more stable and consistent with their behavioral reactions. Increased consumer awareness creates an opportunity for a responsible, empathetic, and altruistic society in the future. But will the education of children about a loosely outlined idea of fair trade, without well-established evidence, be an effective tool for shaping attitudes that are sensitive to social problems?

Impact of Fair Trade on Macroeconomics

Fair trade certified agricultural products often come from countries with a monoculture economy in which these crops have a relatively high share in creating GDP. Labor intensive crops are one of the main sources of demand for labor, and as such they help many people, who make up a substantial part of the society, earn a living. Due to the fact that these are food products that are traded on the international market, this may determine the economic situation of many developing countries in the Global South. A dynamic growth in sales of Fairtrade products may have a significant macroeconomic effect on these economies. Since the share of these products in the import structure of developed countries is low, it does not significantly affect the markets of rich countries of the so-called Global North.

The idea of fair trade assumes the support from socially engaged consumers in developed countries and the participation of agricultural producers in less developed countries. On theoretical grounds, the proponents of this idea point to market imperfections as the economic justification for the need for such support (Fitzgerald 2012, p. 378). Michael Barratt Brown claimed that agricultural producers did not benefit from free trade because that system was characterized by many market imperfections and that the neoliberal assumption of equal opportunities was incorrect (Brown 2006). Commodity markets, which are the main operational area for organizations that promote and organize sale channels for Fairtrade products, are dominated by the demand side: large customers operating on a global scale. The supply of goods is provided by a large number of small producers from developing countries, which do not have any impact on the market. In the case of coffee, which is the main product sold under the Fairtrade label, in 1998 the five largest producers controlled 69 percent of global sales of instant and roasted coffee, while as many as 20–25 million farmers were involved in the production of fresh coffee (Bacon 2005, pp. 497–511). This shows that

the bargaining power is on the side of traders acting on behalf of global corporations (Nicholls and Opal 2005). According to supporters of the fair trade movement, the existing asymmetry means that free trade does not give the suppliers from poor countries what has been promised by theory derived from the neoclassical school. This is, therefore, a theoretical justification for the idea of fair trade. Its supporters, however, ignore in their assertions the fact that the market for food products is subject to strong protectionism in developed countries. In the case of food products, it cannot be claimed that the theory of free trade has failed. Despite the successive rounds of negotiations under the auspices of the World Trade Organization (WTO), continuing protectionism has prevented farmers from less developed countries from taking advantage of the opportunities afforded by free trade (Stiglitz and Charlton 2005).

The proponents of the fair trade movement point to numerous advantages resulting from the movement's expansion. These include stabilizing prices and the incomes of farmers (while there is significant price volatility in the conventional market), ensuring a certain minimum level of guaranteed income even if producers do not manage to sell the entire production volume, and reducing the propensity to migrate (Fitzgerald 2012, p. 379). The movement's advocates point to the benefits for Fairtrade-certified farmers, but consistently ignore the consequences for other market participants.

In fact, the fair trade movement causes numerous adverse macroeconomic effects. While the theoretical justification for its existence focuses on market imperfections, none of the problems identified as the need for such action are solved by the proposed solution in the form of excluding one segment of producers from the conventional market, for whom favorable conditions for economic activity were created, financed by premiums paid by socially engaged consumers from developed countries. The objective of the fair trade movement is not the elimination of market failures but the mitigation of the negative effects of it (Maseland and De Vaal, 2002, p. 256). The fair trade movement does not eliminate the existing shortcomings of the imperfect market and free trade, but instead it creates new distortions, the impact of which on the economies of developing countries could potentially be much stronger.

The negative impact of the fair trade movement on the macroeconomic situation manifests itself in several ways. Firstly, it deflects attention from real long-term solutions to the problem of rural poverty in developing countries. The main cause for the poverty of farmers in the Global South is the protectionist foreign trade policies of developed countries related to food products (especially processed food). The protection of domestic markets is manifested in numerous tariffs and other

nontariff barriers to products from less developed countries that do not belong to the large economic associations in Europe, North America, and East Asia. Despite the clearly negative, analyzed theoretically, the effects of export subsidies for welfare states use them—rich countries spend huge sums to subsidize their agriculture. This is due to the fact that their use is largely concealed and difficult to interpret and difficult for competitors to substantiate (Stefański 2000, pp. 59–61). Moreover, in a situation in which, despite years of negotiation at the WTO to reduce them, they are widely used in highly developed countries. Resignation by only a few of them would lead to a short-term deterioration of the economic situation and the dissatisfaction of the agri-food sector. A portion of the subsidized food products from developed countries goes to the markets of poor countries in the Global South, contributing to the decline in profitability of agricultural production and in this way deepening poverty. The fair trade movement focuses on agricultural products that are not grown in rich countries, so it does not affect the interests of food producers in the countries of the Global North. Fair trade can be treated by the consumers of developed countries as a substitute for reducing protectionism in their domestic markets, which may further hinder the adoption of policies liberalizing international food trade. In this way, it reduces the pressure from socially engaged consumers on the governments of developed countries to take real action to liberalize international food trade, a move that would contribute to the reduction of poverty in the countries of the Global South. According to Marc Sidwell, supporters of the fair trade movement focus on spreading single stories of satisfied farmers, avoiding statistical data that confirm the benefits for developing economies (Sidwell 2008, p. 10).

Secondly, the existence of fair trade distribution channels lowers the incomes of farmers outside the certification system (Narlikar and Kim 2013, p. 2). If fair trade continues to develop dynamically, the turnover achieved through this supply channel could significantly affect the structure of international trade in selected commodity markets. This may lead to a shift in export and import flows between countries, as well as changes in tariff and nontariff policies. Growing exports from countries with a relatively high share in the production volume of Fairtrade-certified products will crowd out exports from countries where fair trade is not so popular among the local producers. Past experience shows that the producer cost of joining the Fairtrade program and periodic certification fees are very high. The prohibitive cost of complying with the program as well as the certification fees absorbs the vast majority of the surplus resulting from the sale of goods at an above-market price (Berndt 2007, p. 27). The high initial fee excludes

those farmers who are in dire need of support: small farmers in the poorest countries (Africa, South Asia). Most certified suppliers come from countries at a medium level of economic development (Latin America). The largest exporter of Fairtrade-certified coffee is Mexico (Sidewell, 2008, p. 15). Contrary to the expectations of consumers buying Fairtrade products at a higher price than on the regular market, cost barriers associated with the certification system exclude small producers from developing countries.

Thirdly, widespread fair trade plantations in the region can strongly affect the labor market. The requirements imposed by the certification providers to prevent employing full-time workers may contribute to an increase in unemployment. The development of those farms that have achieved success could be impossible due to restrictions on the use of hired labor. This is a barrier to labor productivity growth and increasing wealth. Subsidizing certain sectors of the economy through premiums obtained through Fairtrade certification may adversely affect the allocation of resources. This, in turn, may limit the possibility of prodevelopment changes in the economic structure and worsen the poverty of farmers in developing countries of the Global South.

Fair trade is in fact a distortion of the principles of free trade. The question arises as to whether it is justified. It seems that the answer to this question will be in the affirmative if the cost is covered by the conscious consumers from developed countries. In this case it would be a form of support promoting agriculture in developing countries, financed by voluntary spending. Such support should be assessed as more favorable than financing charitable activity. If the negative effects of the development of the fair trade system also affect farmers from developing countries, who remain outside the fair trade movement, the answer to the question whether the distortion of free trade rules is justified is no longer so obvious. Then, it seems that the negative macroeconomic effects of the development of the fair trade movement outweigh the positive effects.

Ethical consumers should be appreciated for wanting to improve the situation of farmers in the so-called Global South. However, the actual impact of purchasing Fairtrade goods on the situation of farmers in those countries is negligible. This is due both to the small share of certified food products in global food production and, above all, the very low real premium received by producers. In 2010, the premiums received by farmers around the world were estimated at \$66 million, which represents 1.2 percent of total sales of Fairtrade products. At the same time, in 2011, Organization for Economic Cooperation and Development

(OECD) countries subsidized their agriculture by a total amount of \$252 billion (Narlikar and Kim 2013, p. 2).

The development of fair trade can lead to a deterioration in the macroeconomic situation of the poorest countries exporting fair-trade certified products. A significant increase in the production of Fairtrade goods can lead to splitting the market into two parts: the fair trade market and the regular market. An increase in the sales of Fairtrade-certified agricultural products having a limited global demand² for the goods that are the subject of this trade could lead to a decline in the demand for products sold on the conventional market. Fairtrade-certified producers do not limit production in periods of excess supply (Davidson and Wilson 2008, p. 4). Therefore, they contribute to a disproportionate price drop on the traditional market. As a result, the incomes of farmers who do not participate in Fairtrade certification are more likely to fall. This means that, paradoxically, the greater the popularity of fair trade among consumers in the rich countries of the North, the greater the poverty in the developing countries of Africa and Asia. At the macroeconomic level, the situation of poor countries exporting agricultural products would probably be better if fair trade remained a niche market.

In order to achieve a long-term improvement in the macroeconomic situation of developing countries, where the export of agricultural goods is a fundamental part of the economy, protectionism in developed countries should be limited and the principles of free trade should be popularized. Developed countries subsidize their own agriculture by protecting it with additional duties and nontariff barriers, and thus limit the demand for agricultural products from the poor countries of the Global South.

The solution to the problems of agriculture in developing countries would be the removal of import barriers by developed countries, as well as the elimination of subsidies for local farmers in these countries, which would mean free trade. Due to the powerful lobby activities of agricultural producers in developed countries, and voters involved in agriculture, the implementation of such solutions can only proceed very slowly.

The advocates of fair trade propagate an image of satisfied farmers in poor countries exporting agricultural products, and thus divert consumers' attention from the real plight of millions of poor farmers. Therefore, the fair trade movement is, to some extent, a means of soothing the conscience of consumers from the developed countries of Europe and North America. This makes it very difficult to take actions that favor the implementation of solutions that promote true fair trade in the more general meaning of this word.

Notes

1. Retail chains use different strategies for fair trade brands. Some retail chains use the strategy of their own fair trade brands, but not certified by FLO (e.g. Lidl). Other networks, such as Tesco, sell their own Fairtrade certified brand (private label), and yet another group of networks, e.g., in Poland, ALMA, Piotr & Paweł, offers products under the brands of Fairtrade certified producers.
2. Purchases of fair trade goods do not increase global demand, but contribute to the change of the supplier.

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CHAPTER 4

CORPORATE SOCIAL RESPONSIBILITY AND FAIR TRADE IN RELATIONS OF RETAILERS WITH SUPPLIERS

Magdalena Stefańska and Ryszard Stefański

Modern distribution systems are characterized by a large variety of forms and links, and the processes of internationalization and globalization encourage this diversification. These processes have contributed to changes in the supply systems of retail chains—the movement of goods from places of production to places of consumption has been considerably shortened and accelerated. Differences in production costs, especially in sectors such as electronics and textiles, have contributed to the emergence of production centers in countries that can offer lower costs, such as Bangladesh, India, and China, whereas consumption takes place in the developed countries of Europe or North America. It is also significant that many products exported from underdeveloped countries are either the crops characteristic of a given climate zone or unique raw materials used in particular for the production of modern electronic devices. As a result, the low costs of labor, farming, or extracting raw materials attract global corporations interested in investments and profits.

Business models, including supply systems, sales, and marketing, are typically developed in the countries in which the retail companies operate, while the production itself is located in countries with the lowest relative labor costs. Intense competition between retailers in the countries where consumption takes place prompts them to seek ways to reduce costs, especially in the area of purchasing and logistics. The price pressures that retail companies put on their contractors mean that it is increasingly

difficult for manufacturers and wholesalers to reconcile their own objectives with the objectives of retailers. Additionally, when looking for ways to reduce costs, both retailers and suppliers may be tempted to be fairly flexible in their attitudes toward the law or ethics. According to a report prepared for The GAP, only 10 percent of factories producing clothes in China and Taiwan fulfill labor conditions, which means that most of them operate with probably low cost, owing to maintaining low standards of work (Boyd, Spekaman, and Warhane 2004, p. 2). As a result, the economic, ethical, legal, and philanthropic responsibilities of companies are becoming increasingly difficult to meet, but at the same time, they are becoming all the more desirable and expected by a large group of stakeholders. Retailers who declare that they are socially responsible must carefully scrutinize and verify not only their suppliers but also all the participants in the entire supply chain in terms of the social impact of their activities. Their responsibility to consumers does not start at the level of direct suppliers, but at the level of the primary producers of raw materials and resources necessary for production. This shared responsibility throughout the supply chain is expected to create added value for consumers, which will be beneficial from a social perspective. This assumption seems to be quite idealistic, but if we take into account the existence of fair trade supply chains, as well as retailers who are fully dedicated to the idea of CSR, it may not be so utopian. Moreover, pressure from the consumer movement, as well as the emergence of socially responsible consumer segments and so-called smart shoppers means that retailers themselves may feel obliged to revise their relationship with suppliers. A significant development in this respect is the incorporation into management courses of subjects that focus on the ethical aspects and dilemmas that decision-makers in global corporations may encounter in the future.

This section, therefore, focuses on presenting the conditions that determine the relationship between retailers and manufacturers and their impact on the development of corporate social responsibility (CSR). The areas in which it is possible to implement CSR, as well as the factors that affect the willingness to invest in CSR are presented. Attention is also drawn to the need for a different approach by socially responsible retailers to local producers in developing countries. Currently, global retailers are not involved enough in the fair trade movement to make it a distinguishing attribute in positioning their own shops. However, they monitor the development of socially involved and responsible customer segments and increasingly include fair trade products in their offer, promote the sales of ethical products, or offer ethical clothing produced in decent conditions and from ethically harvested materials.

It is particularly interesting to compare the CSR activity of retailers with the way they are perceived by suppliers. For this purpose, this chapter presents some findings of research conducted as part of the project funded by the National Science Centre (DEC-2011/03/B/HS4/03576). They put a question mark in relation to the intentions of retailers and the effectiveness of communication with regard to CSR, but do not question the legitimacy of initiatives connected with CSR or the concept of fair trade.

CSR and Fair Trade in the Supply Chain

A good starting point for further considerations seems to be clarification of the relationship between CSR and fair trade with regard to supply channels. First, it should be emphasized that both of these concepts give considerable prominence to social goals. This does not mean that these goals dominate, but they are treated on a par with economic objectives. Secondly, fair trade is not only a social movement but also a form of organizing the supply channel, from raw materials to the sale of final products to consumers.

The concept of CSR with regard to suppliers in the case of large retail chains is manifested in the following ways:

- establishing cooperation with and promoting smaller suppliers,
- managing relations with local institutions that encourage companies to engage in activities for the benefit of society and the environment,
- increasing sensitivity to the needs of consumers, and
- adapting a code of conduct that identifies such issues as labor and safety as well as environmental and social standards in a company's relations with business partners (Musso and Risso 2006, p. 83).

The CSR activities undertaken by retailers in relation to suppliers can provide the following benefits (Bilińska-Reformat and Stefańska 2013, pp. 15–20):

- They create their positive image in the local environment (particularly in the view of communal decision-makers), which allows them to obtain favorable decisions for the benefit of the network in particular communities.
- They obtain “access” to local companies that are leaders in particular businesses.
- They achieve synergy effects resulting from pursuing cooperation that is profitable for both parties.

- Thanks to CSR, stronger partnership relations are established, and this provides the grounds for long-term cooperation.

Table 4.1 Indicates the areas of implementing CSR with regard to stakeholders—suppliers, employees, and local communities.

Promoting smaller suppliers and establishing cooperation based on the principles of partnership can apply to both small local businesses and producers from the countries of the Global South. In view of the practical impossibility of maintaining direct contact between retailers from highly

Table 4.1 Selected CSR areas and activities of commercial chains with regard to suppliers

Employees

Training for suppliers in the sphere of CSR concept implementation, especially safety and ecology

Transfer of employees to companies for the purpose of implementation of standards within CSR as required by commercial chains

Expanded range of occupational safety and health—medical care programs

Development of a whistleblowing policy

Relations

Defining fair play operating principles toward suppliers in the commercial supply chain

Development of a code of good practices

Transparency in conditions of cooperation as defined in codes

Disclosure of real fees for promotion of suppliers in the chain

Safety

Cooperation in logistics

Cooperation in creating new products

Local suppliers

Starting cooperation with local suppliers to support them in entering new brands and new markets

Promotion in commercial premises of local products—special exhibitions, promotions

Knowledge transfer in the sphere of enterprise and sales management

Knowledge transfer within CSR—ethical aspects and integrating charity programs, also programs of protection the environment

Creating new products and brands

Local communities

Collective creation of working places

Improving local infrastructure

Joint activities for the benefit of institutions or selected social groups (for example, investments in infrastructure)

Common initiatives of philanthropic character

Source: Own work.

developed countries and a multitude of manufacturers overseas, it is necessary to have intermediaries who will ensure high ethical standards in their relationships with manufacturers (e.g., fair trade organizations and certifying agencies).

In the initial phase of the development of this concept, CSR focused on direct suppliers; however, now it also includes the earlier links in the supply chain. In turn, fair trade focuses primarily on providing certain benefits to the first and the last links in the chain—the producers and the consumers, especially socially responsible consumers. In a sense, fair trade is a variation of CSR in relation to suppliers from the countries of the Global South, because in the case of fair trade

- channel participants must meet specific ethical criteria, and
- they possess appropriate certificates confirming their high standards.

Socially responsible retailers are not nearly as rigorous and do not require that their suppliers have certificates confirming compliance with the principles of fair trade, although in some industries, suppliers are expected to meet certain quality criteria (food) or ethical criteria (clothing, electronics).

The issue of the relationship between the CSR of retailers and fair trade was raised by William Low and Eileen Davenport (2005), who proposed a model describing several levels of retailers' involvement in the concept of fair trade. They distinguished among the following: fair trade organizations, values-driven business, interactive CSR business, defensive CSR business, disbeliever p. 494–511). Companies at the highest level, fair trade organizations, concentrate on providing benefits to producers. So-called values-driven businesses are characterized by a high “degree of embeddedness of ethical principles in their business practices and their willingness (mission) to promote Fair Trade principles” (ibid., p. 501).

According to these authors, entities pursuing a proactive CSR based strategy (pro-active CSR businesses), although they are relatively heavily involved in popularizing and promoting fair trade products, do not fully embrace the essence of fair trade. They “are likely to stock fair trade goods as only one element in their armoury of consumer choice” (ibid., p. 502). In turn, entities implementing CSR strategies based on defense (defensive CSR businesses) focus on offering fair trade products to protect their image and to avoid possible accusations from the consumer movement or organizations defending the rights of workers and farmers. They are interested in offering fair trade products; however, they have no intention of

supporting this movement in any other form. The businesses that are the least convinced about the concept of fair trade are called disbelievers, and their views position them as opponents of the entire concept.

The model developed by Low and Davenport was implemented by Bezencon and Blili (2009, pp. 95–113), who indicated which retail chains operating in Switzerland pursue strategies with the highest and the lowest degree of involvement in the fair trade movement.

In examining the role of CSR in shaping the relationships between the participants of distribution channels, it is necessary to consider also a broader context, and in particular the balance of power that developed in the retail sector in the second half of the twentieth and the early twenty-first century. The following phenomena seem to be particularly significant:

- increased competition resulting from the concentration of the sector;
- shift in the role of the supply channel coordinator from producers to retailers;
- strengthening of the position of retailers, who perform the role of gatekeepers;
- determination by retailers of the tangible and intangible attributes of products: because they control the flow of goods from the producer to the consumer, retailers can make decisions regarding the product and its attributes, such as, in particular, the brand and the price of the product in the shop; and
- emergence of consumer groups to whom the nonprice attributes of products are important

The processes of the integration and concentration of retail, which started in the 1950s, have resulted at the beginning of the twenty-first century in a situation in which a significant proportion of the retail sales of a country belongs to a small group of companies (e.g., in France, the United Kingdom, and Norway). The scope of their activities means that they are able to derive a number of benefits as a result of economies of scale and their experience. The routine of business processes has become a source of their competitive advantage in the domestic markets and prompted internationalization. As a result, the developed models are implemented in new markets, including Central and Eastern Europe. Unique competences in terms of competition mean that retailers determine both the quantitative structure of retail in a given area and the quality of broadly understood commercial services. These companies are desirable partners for manufacturers as they guarantee high and continuous sales; however,

for suppliers, the business risk connected with cooperation with large retailers is relatively high. This is because the bargaining power of retailers in relation to suppliers is manifested in, for example, determining the distribution policy and specifying the terms of payment to suppliers, as well as specifying the requirements regarding the size and structure of orders, the delivery dates, the value of contracts and rebates, the conditions of delivery, the returns policy, and the terms of cooperation in the area of training and promotion. Retailers have strengthened their position as gatekeepers who control the flow of goods reaching consumers. Strong retailers can quite freely choose suppliers and impose on them the terms of cooperation. In particular, they typically put pressure on suppliers to reduce the cost of purchase, which can jeopardize the operations of the manufacturer or result in a lower quality of their products as they search for cheaper materials and components. If a supplier does not accept the terms imposed by the retailer, it is excluded from the group of suppliers and must seek alternative solutions to sell its products, such as selling via the Internet, through wholesalers, through other networks representing the so-called traditional distribution channels, or creating their own sales network.

The position of suppliers in relation to retailers is additionally weakened by retail chains that offer products under their own brands (Śmigielska and Stefańska 2013, pp. 375–376). Manufacturers are threatened by the rapid development of private brands in almost every market segment. Their concerns may be mitigated by the chains' strategies toward suppliers, taking into account the CSR idea, which also fits with the consumer expectations. The undeniable advantage of this for consumers is that in a short time, there is a greater range of products at a more attractive price. These brands, often associated with the names of retailers, inspire consumer confidence and reinforce the image of the retailer. Moreover, consumers become loyal to the retail chain because the products are available exclusively at the particular retailer. In recent years there has been a trend to reposition these brands. They are currently placed by retail companies on the upper shelves, which distracts customers from manufacturers' brands in favor of the retail brands. This situation benefits both retailers and consumers. But in the long term, it may be difficult to offer a wide assortment due to the monopoly position of retailers' brands and bankruptcy of smaller producers. The situation is not so clear in the case of stronger producers. Suppliers who do not have a strong brand of their own and do not have sufficient funds to create one can maximize production toward retail chains and in this way thrive and develop. However, this often creates a dependence of the supplier on the retailer. The supplier remains anonymous to consumers, who recognize

only a brand of products, which any company that meets the conditions of the retailer can produce. The producers who do possess strong brands have a better position because their brands are often particularly attractive to consumers and are a major factor in the customers' choice of shop. For example, brands like Nike, Adidas, or Gap are well recognized, but only a few consumers know where their products are manufactured. Currently, the weaker producers diversify their portfolio of customers and produce goods for several retailers. In this way, by having a portfolio of several retailers, they are able to reduce the risks connected with the possible termination of a contract with one of them. Other customers at home or abroad then purchase the products. A retailer's own brand can also create a number of problems, especially in terms of product quality. Additionally, there may be disputes with other suppliers whose products are displayed on the shelves next to the shop's own brands. Thus, the implications of changes in retail can be considered in relation to the participants of the supply channel in terms of both opportunities and threats (Table 4.2).

An interesting idea that has been introduced by some retailers, such as the British chain Tesco, is a combination of a retailer's own brand and a Fairtrade brand. Such a solution has a range of advantages. The retailer introduces under its own brand a range of ethical products, which in this way gains access to new distribution channels, and which through association with the retailer's brand is better positioned in stores. This practice also promotes the idea of fair trade among consumers for whom this may be their first contact with the term "fair trade." This may arouse the customers' interest in this movement and encourage some consumers to search for other Fairtrade items, including in specialty stores that offer such goods exclusively (worldshops). However, the demand of global retailers for large quantities of goods and the expected continuity of supply is currently a significant limitation to the massification of sales of Fairtrade products. Farmers and producers in developing countries would have to accelerate the process of integration and the creation of farmers' cooperatives or producer groups to supply retailers with large quantities of products. The current scale of these activities is too small, and retailers have no option other than cooperating with suppliers who have no Fairtrade certification.

In the context of the above phenomena, one can assume that the existing asymmetry of power in the supply chain will increase, given the propensity of consumers to seek the most attractive prices. Local suppliers who compete on nonprice benefits and attributes will be condemned to operating in market niches and creating their own distribution channels, and any attempt to go beyond local markets will require significant

Table 4.2 The positive and negative implications of changes in retailer-supplier relations

<i>Opportunities</i>	<i>Threats</i>
<p>Manufacturer:</p> <ul style="list-style-type: none"> ● opportunity to enter the market ● guaranteed marketing channels ● entering new markets ● lower marketing costs ● using the retailer's know-how <p>Retailer:</p> <ul style="list-style-type: none"> ● attractive prices ● expanding the shop's brand to include product range ● strengthening the retailer's image ● customer loyalty ● control over the supply chain ● a reliable business partner ● greater attractiveness to investors 	<p>Manufacturer:</p> <ul style="list-style-type: none"> ● opportunity to enter the market but on retailer's terms ● exclusion from the supply channel in the case of non-compliance with the retailer's terms ● manufacturers and their brands are not recognizable by consumers ● increased business risk if the portfolio of customers is not diversified <p>Retailer:</p> <ul style="list-style-type: none"> ● risk of deterioration in quality, which may adversely affect the image ● increased pressure from legislators to "manually regulate the terms of cooperation"

Source: Own work.

investment from them. This raises the possibility of cooperating with global retail chains, which through sharing their experience can help introduce local suppliers to international markets. On the other hand, retailers recognize the risk related to competition based on cost because the market dominated by discount stores will become increasingly crowded, whereas the offer to those consumers who expect benefits other than just low prices will remain underdeveloped. Moreover, the current trend is that well-off smart shoppers also tend to shop in discount stores, while customers for whom a low price is the main attraction do not pay attention to the positioning of retailers based on nonprice attributes. As a result, in order to capture the better-off customer segments, discount stores are currently redefining their strategies toward other intangible attributes that are unrelated to price. They have begun to look for new sources of competitive advantage in strategies of differentiation and concentration, which in turn has created space for new dimensions of competition in the supply chain, including CSR and fair trade. However, this is not an easy path for several reasons. First, the economic crisis, which started in 2008, clearly revealed the preferences of buyers to visit the shops that offer low prices (Stefańska and Bilińska-Reformat 2014,

pp. 1–19). An example of this is Biedronka, a chain of discount stores operating in Poland, which over the last few years has attained a leading position in this market. However, as the sense of security among consumers increases and optimism indicators rise, and, above all, as societies grow richer and the –standard of living increases, one can expect a growing interest in products enhanced with intangible attributes. Thus one can now observe the trend of discount stores moving away from pure strategies toward those based on nonprice attributes, which is confirmed by the current strategies of Biedronka and the German Lidl. Secondly, CSR is a serious commitment that ought to be fulfilled. Studies show that consumers who believed the declarations of retailers concerning their social commitment and then, as a result of certain crisis situations, were disappointed, had less confidence in the retailers than if retailers had not made such declarations at all. Rebuilding a reputation based on ethical values requires greater effort. Moreover, it is not only retailers that should be socially responsible. Such an attitude is also expected from their suppliers, and this can be very difficult, if not impossible to achieve. If retailers decided to cooperate exclusively with socially responsible manufacturers who held specific certificates confirming this fact, very probably their shelves would remain empty, especially if they were mass global retailers expecting a diverse range and large quantities of products. Thirdly, and perhaps most importantly, CSR is not a commonly known concept, and this lack of awareness among stakeholders means that they do not have high expectations of companies, especially because the latter often believe that their contribution to society is limited to paying taxes and creating jobs, and possibly also improving the road infrastructure in the vicinity of shops. Fourth, fair trade develops when the priority of the supply chain participants is in the public interest, that is, the benefits are for farmers or workers at the beginning of the supply chain. Higher prices paid to producers are to facilitate the development of local infrastructure, improve the quality of life, and contribute to the development of their businesses. The economic benefits of the final links in the entire chain are important but, in a sense, secondary. From the perspective of a retailer, the introduction of a Fairtrade–certified range of products ensures the following benefits:

- expanding the product range to include products with unique added value;
- strengthening their image as a socially responsible organization;
- strengthening their competitive advantage in relation to companies that do not have a distinguishing feature in terms of business and ethics; and

- attracting ethical and socially responsible consumers, who usually represent the high-income consumer segment.

In this sense, fair trade as part of the image of a socially responsible company is the source of their competitive advantage. The phenomena occurring in retail trade outlined above and the development of the consumer movement contribute to the growth of interest not only in CSR but also in the fair trade movement and products. Certified Fairtrade products are introduced to a number of supermarkets and hypermarkets (e.g., Tesco) and perfumeries (e.g., Douglas). One can assume, however, that the goal of these chains is not to support farmers in developing countries, as is the case with traditional chains of distribution for such products through NEWS! shops (worldshops), but rather to offer a varied range of products so as to attract both price-sensitive customers as well as those who are sensitive to ethical issues. As a result, fair trade does not quite have the power to encourage global retailers to give prominence to this attribute as a determinant of their strategy; it only supplements the image of a socially responsible company. Similar conclusions were reached by Magdalena Stefańska (2014, pp. 264–266). She developed two models relating to strategies of retailers based on CSR. The first one treats CSR as a general strategy indicator, and is associated with the overall image of the retailer. The second model is associated with marketing instruments. In this case, CSR does not reflect the overall image, but is a manifestation of an instrumental rather than a strategic approach to CSR. Such retailers create their competitive advantage in other areas. This allegation sometimes appears in relation to the modern sales channels of Fairtrade products because in shops that offer exclusively Fairtrade goods the entire product offer may be described as “ethical.” This cannot often be said about the modern sales channels such as hypermarkets, supermarkets, and discount stores as the products that are put on the shelves are selected on the basis of other than ethical criteria.

Companies can look for opportunities to build a competitive advantage in two areas—one of them is to create an advantage throughout the supply chain on the basis of CSR (in the case of fair trade products imported from the Global South), and the other is to change the nature of the relationships in the supply chain by moving away from transaction-based strategies to partnerships. Nowadays, instead of limiting their interest only to the circle of direct suppliers, distributors and customers, companies are beginning to analyze the entire supply chain, including raw materials, components, and subassemblies, to show how they are delivered to end users. They look from the perspective of the value chain, that is defined as a system of partnerships

and alliances into which a company enters to expand its resources and enhance its offering (Kotler 2005, pp. 510–511). The aim of companies is to achieve high efficiency of individual businesses through integration and coordination, as well as optimizing the value added by all the links in the chain to the product expected by the consumer (Rutkowski 2002, p. 40). Secondly, the entities that participate in such a chain would not have to compete with each other because this could weaken the entire structure of the supply chain. Instead, they would be expected to cooperate to achieve optimum benefits. This approach corresponds to the concept of CSR, in which the creation of economic and social value in the supply chain is possible because of the integration of enterprise functions and the utilization of a retailer's resources, competencies, and skills with regard to purchasing and sales. It is especially popular among American retailers, such as Walmart and Target, as well as some European chains, such as IKEA (Rutkowski 2002, p. 43). This approach is also close to partnership marketing. According to Louis W. Stern, Adel I. El-Ansary, and Anne T. Coughlan, CSR will fulfill its role if transaction-based relationships are replaced with partnership marketing (2002, pp. 44–45). It should be noted, however, that a partnership approach displaces the transactional approach when the transaction involves products of higher quality because then there is a need for a greater involvement and cooperation of supply channel participants (Domański 2001, pp. 160–161). In the case of fair trade products, the situation is more complicated than in the case of large quantities of uniform products purchased through commodity exchanges, where there is greater anonymity of the parties and the nature of the relationship is not as important. Undoubtedly, this is a barrier to promoting CSR and fair trade.

The concept of CSR, however, is related to the above phenomena occurring in retail trade because one of its aims is to alleviate the anxiety associated with the increasing power of retailers over suppliers. In some cases, CSR becomes a key differentiator for a supply channel, as in the case of the Body Shop, NEWS!, or Whole Foods chains. Whether CSR becomes a determinant of the relationship and, consequently, a source of a competitive advantage for not just the individual participants of the supply channel but for the whole supply chain, however, is to a large extent determined by the adopted system of values determining the strategies of the supplier or the retailer. If the system of values is founded on CSR which means that the company is economically, legally, and ethically responsible, as well as that it undertakes charitable activities, such cooperation should render the expected results in terms of strengthening relations and restricting access to the chain by other entities.

The benefits for all the participants that would result from the development of CSR in the supply channels can be identified on two levels:

- The supply chain: in the market there are many supply channels that compete with each other for the final buyers. These competing channels include channels with retailers' logistics centers that bypass wholesalers, and channels that involve wholesalers and retailers, as well as channels based on online sales. As a result, retailers prefer such forms of organizing the flow of goods from the manufacturer to the retailer that provide the highest added value. This value also includes social value. The participants in such a supply chain, compared with the entities that remain outside the chain, are in a sense protected because of limited access to the chain of companies that do not meet certain criteria (e.g., manufacturing safety standards). In addition, within the supply chain the management processes are streamlined through the introduction of systems that integrate successive participants, as well as the development of procedures and standards that are unique, inaccessible to outsiders, and cannot be copied. These channels offer high product quality and a high standard of work because CSR means acting in a responsible manner, which in effect becomes a source of confidence and a greater propensity to cooperate and share information.
- The participants in the supply chain, which are individual companies: A company that is a participant in a supply channel based on CSR derives benefits with regard to its image, inspires confidence among its suppliers, has loyal customers, enjoys the trust and support of local communities, and is more attractive to investors.

In terms of the implementation of CSR by retailers, it is particularly important to consider the expectations of consumers who want to buy products manufactured without a company's violating the law or damaging the environment, or products that are described as ethical because both their manufacturing and purchasing are connected with supporting certain beneficiaries, such as social organizations, foundations, small local suppliers, or producers from the Global South. This is not a very large segment, but it comprises high-income and educated consumers, who are willing to pay more for products that convey a social message, which is particularly important to retailers. Retailers rather tentatively reach for this argument, although they extensively publicize their social commitment. Companies such as Walmart, Auchan, Carrefour, Intermarche, Tesco, Marks & Spencer, IKEA, Metro A. G., and Lidl publish annual

CSR reports that are partly devoted to their relations with suppliers, including those from the countries of the Global South (Stefańska 2014, pp. 684–692).

Despite the multitude of advantages of incorporating CSR into supply chain relationships, one must not ignore the apparent weaknesses of a supply system based on CSR and fair trade. Firstly, competition between supply chains continues to be largely based on cost, especially at mass merchandise markets. Fair trade producers often are not able to operate in large scale and deliver quantities of products in volumes expected by global retailers. Secondly, the participants of such supply channels must possess certain certificates, which further increases the costs of the entire chain and make them in short time less competitive. Due to cost creation it seems to be a weakness of such supply chain, but in fact it gains a lot of benefits from another point of view. Those certificates help them protect reputation and avoid unexpected crises, especially nowadays, when awareness among stakeholders about conditions of production are better known and criticized in mass media. One of the most important regulations in supply chains—adhered to voluntarily—is a code of conduct, which clarifies conditions and standards of cooperation. One such example is the code of conduct prepared by C&A, the European clothing retailer. The code requires that suppliers respect the ethical standards of C&A in the context of their particular culture. Suppliers should have fair and honest dealings with all others with whom they do business, including employees, subcontractors, and other third parties (Amaeshi, Osuji and Nnodim, 2008, pp. 223–234). Another interesting example is the retail chain H&M, which collaborates with over 700 independent suppliers from Asia. Each of those suppliers is obliged to accept and sign the code of conduct, which contains requirements relating to working conditions and the environment, as well as human and animal rights. This code of conduct is based on, among other agreements, the United Nations Convention on the Rights of the Child and the Conventions of the International Labour Organization. If the local laws are more stringent, the supplier is obliged to document compliance with the applicable standards in its country. Another good example of fair rules implemented in the supply chain is the Swedish IKEA, which due to accusations of using child labor and engaging in environmentally hazardous furniture production, introduced a code of conduct in 2000, defining the “IKEA Way on Purchasing Products, Materials and Services,” often referred to as IWAY (Elg and Hultman, 2011, pp. 445–460).

There is a wide list of standards that are implemented in the supply chain, and some of them are presented below (<http://www.sedexglobal.com>, access November 20, 2014):

- SEDEX—Supplier Ethical Data Exchange, which is a nonprofit organization and enables member companies to efficiently manage the ethical and responsible practices of their global supply chains, generating transparency through the provision of a data exchange;
- ETI—Ethical Trading Initiative, which is an alliance of companies, nongovernmental organizations (NGOs), and trade union organizations that promotes the implementation of corporate codes of practice that cover supply chain working conditions, and
- BSCI system—Business Social Compliance Initiatives, which covers all supplier countries and all consumer goods in the whole production chain worldwide. It is composed of over 200 members, mainly retailers, industry, and importing companies.

On the other hand, these systems are not sufficient to ensure high ethical standards in the supply chain. Such a conclusion was reached by, for example, Worley (2011, pp. 73–97). A study conducted by the Council on Economic Priorities (CEP) in the 1990s confirmed that the system of signing certificates that obliged suppliers to comply with the standards required by European or American recipients is insufficient. The codes of labor practices examined by the CEP contained no mention of freedom of association in 80 percent of cases, and 90 percent of them lacked information on freedom of assembly. Thirdly, there will always be a temptation to include a cheaper supplier in the supply chain, which in turn will give rise to dilemmas relating to the quality of their products and the standards of their production. Therefore, some control mechanisms have to be developed. The supply chain will remain inaccessible to non-CSR suppliers if all the participants are united in a common goal resulting from a desire to improve the quality of life and prosperity in the countries of both consumption and production. However, this requires considerable trust between business partners, which largely depends on the balance of power. Also, doubts regarding the sincerity of partners' intentions appear when short-term thinking dominates, whereas CSR brings benefits in the long term.

When considering CSR and fair trade, one encounters a certain dualism in the strategies of retailers. Fair trade involves providing support to producers in distant countries, whereas CSR also includes supporting

local suppliers. This means that retailers are willing to strengthen cooperation with local suppliers and support them, for example, through transferring knowledge, providing distribution channels, and creating special displays in the shops. This willingness stems from the belief that ethnocentric attitudes among consumers may influence their purchasing preferences and prompt them to select local products or products from their own country. As a result, the actions taken by retailers within the concept of CSR addressed to local suppliers can ensure a number of benefits:

- creating a positive image in the local community, particularly in the eyes of local decision-makers, which can result in favorable decisions relating to the company's operations,
- gaining access to local enterprises that are leaders in certain industries,
- achieving synergy effects resulting from mutually beneficial cooperation with partners, and
- forging more solid CSR-based partnerships with suppliers, which provides a foundation for long-term cooperation (Bilińska-Reformat and Stefańska, 2013, pp. 15–20).

Thus, a shop becomes a meeting place for products sourced from local suppliers, producers belonging to the fair trade movement, and the manufacturers of global brands.

Retailers emphasize the multiplicity of initiatives they undertake with regard to suppliers, primarily initiatives addressed to small local producers. These activities should, according to Carter, take into account the impact of suppliers on the natural environment, the quality of the relationships with suppliers representing micro-enterprises and small to medium-sized enterprises (SMEs), human rights, security, and philanthropy (2005, pp. 177–194). The implementation of CSR by retailers can encourage suppliers to take the following actions:

- Changes in the purchasing function (purchasing materials or technologies): A good example is Timberland, which extended its requirements in terms of ethical standards to the companies providing materials to their suppliers,
- changes in logistics (e.g., optimizing the transport of goods, using low-emission vehicles or vehicles that use eco-friendly fuel), as shown by Sainsbury's and Walmart, which in this way considerably reduced costs,
- changes in personnel management (observing workers' rights, gender equality), for example, the policy toward employees implemented by the Biedronka chain in Poland,

- changes in production technology, for example, installing equipment and machines that increase work safety, and
- participation in joint social programs, such as those initiated by IKEA.

In some cases, these changes will affect the entire supply chain, as is the case with Fairtrade products. In others, they will apply to only one level of the chain. For example, French hypermarkets Auchan included in its Reports on Sustainable Development principles concerning suppliers, which covered, among other subjects, honest and transparent treatment of business partners. They support SMEs, promote local products, provide audits of hygiene at suppliers' premises according to IFS/BRC standards, and encourage all suppliers to sign the Auchan Principles of Ethics. Another chain of stores, Carrefour, also from France, implemented the following programs:

- sharing knowledge and experience in the sphere of trade with partners, franchise holders, and other subordinate entities;
- having transparent partnership principles of cooperation with suppliers;
- educating suppliers in the field of sustainable development;
- ensuring the sales market for products of local suppliers—in 2012 Polish suppliers made 92 percent of own brand food products supplies;
- upholding the ethical principles of Carrefour Group by the chain;
- employing auto-diagnostician—a system of self-assessment for activities in the sphere of sustainable development for suppliers of own brand.

At the same time, Tesco conducts programs “Academy of Regional Suppliers named ‘Joint Business Planning’ and ‘Jointly Agreed Growth’” (Bilińska-Reformat and Stefańska 2013, pp. 15–20).

Obviously, retailers' supporting and promoting local suppliers may be in conflict with fair trade. In fact, however, retailers, in accordance with the essence of their operations, offer consumers a choice of a wide range of products, and consumers decide, according to their preferences, which products appeal to them more. A survey conducted in 2013 among Polish consumers confirmed the low level of knowledge about fair trade and ethnocentric attitudes with respect to food products. As a result, it is much more difficult for fair trade products to penetrate the consciousness of buyers and become included on their list of preferred products, all the more so because the pricing strategy adopted by companies offering Fairtrade-certified products in Poland places them in the premium segment, that is the upper mid- or high price range.

Game Theory in the Analysis of the Relationships between Distribution Channel Participants—When All, Some, or None Are Socially Responsible

The factor that can determine the relationships between retailers and suppliers is the level of involvement of the two sides in the implementation of a CSR based strategy. Accordingly, one can identify four situations with the following variables: developing a strategy based on the concept of CSR by the manufacturer (supplier) and retailer (Figure 4.1). A supplier to a retail chain is understood as a manufacturer of products that uses, among other things, agricultural commodities produced in the countries of the Global South. If both the retailer and the supplier are involved in CSR activities, both parties should have a better image in the eyes of business partners, as well as be perceived as more reliable and trustworthy as a result of, among other things, greater transparency in the company's operations. These issues are discussed more broadly by Stefańska (2014, pp. 157–160).

Additionally, in each of the fields three situations can be identified:

- Bargaining power is on the side of the supplier.
- Bargaining power is on the side of the retailer.
- There is a symmetry of power between the two sides.

In situation A, both the supplier and the retailer act in accordance with the concept of CSR. This means that in relation to specific areas and stakeholders, they strive to achieve the same goals. The relationship

		Manufacturer	
		CSR	No CSR
Retailer	CSR	Situation "A"	Situation "B"
	No CSR	Situation "C"	Situation "D"

Figure 4.1 The retailer-supplier relationship depending on the advancement of a CSR based strategy

Source: Own work.

between them can be described as a partnership, regardless of whether any of the parties has the greater bargaining power. In this situation, one can expect synergy effects and the strengthening of the supply channel. All the links share a common business and social goal; thus, the relationship expands to also include the relationships arising from the desire to achieve social goals. Consequently, within the supply chain there will be greater understanding and acceptance of CSR initiatives, a strengthening of the supplier-retailer relationship, and improvements in the cooperation between both parties. Additionally, barriers to entry for new players will appear, as well as barriers to exit for the participants in the distribution channel. When all the participants in the distribution channel operate in accordance with the concept of CSR, their image is strengthened, which is important for consumers. The measurable value of CSR objectives, however, can vary. Depending on the advancement of a CSR based strategy adopted by an organization, the quantitative measures can be differently estimated by the two sides. Moreover, each party can focus on a different aspect of social responsibility, if only because of the nature of their business activities. For example, the supplier may concentrate on issues relating to ecology or the sources of raw materials (e.g., fair trade), while the retailer may focus on aspects relating to employees or actions for the benefit of the local community, as these are close to the hearts of consumers.

In situation B, the supplier does not follow the concept of CSR, but the retailer does. If the retailer has the bargaining power, then the supplier is required to comply with the requirements of the retail chain, defined as a set of standards. Big retailers have the resources required to develop comprehensive CSR strategies, monitor and assist suppliers as well as the power to influence the behavior of other actors in the channel (Elg and Hultman 2011, pp. 445–460). Because of the fairly small proportion of Fairtrade-certified products, the retailer can hardly expect the supplier to obtain raw materials from fair trade sources. If the retailer does not have the bargaining power and operates in accordance with the concept of CSR, it will be a more desirable partner for suppliers. The fact that the retailer implements a CSR based strategy will to some extent restrict to him because he would like to cooperate with suppliers with a similar business orientation or who are willing to cooperate on a networking basis; however, they may be unable to find alternative sources of supply on equally attractive terms. If the bargaining power is with the supplier, the retailer faces the risk of weakening its own image (for example, if a retailer sells goods produced in factories employing children, or food products, the production of which destroys the environment or contributes to the exploitation of small farmers in the countries of the Global

South, the retail chain risks a loss of reputation if it publicly declares its adherence to a CSR based strategy).

In situation C, the retailer does not pursue a CSR based strategy, but the manufacturer does. If the bargaining power is on the side of the retail chain, it can specify its own standards that suppliers have to meet in order to cooperate with the retailer, in particular in terms of sources of supply, relations with employees, and environmental standards. Retailers can take advantage of this to a greater extent than manufacturers, because manufacturers are interested in cooperating with retail chains regardless of their CSR standards. Suppliers can use the halo effect, which means that the image of a socially responsible manufacturer can be extended to the retail chain that it supplies (as is the case with the sale of Fairtrade products). On the other hand, if the bargaining power is on the side of a manufacturer that adheres to the concept of CSR, then the retailer can have more confidence in the supplier regarding the terms of cooperation, the quality of products, and the timeliness of deliveries. Also, as part of their communication strategy, retailers can inform consumers about this fact.

In situation D, neither party pursues the principles of CSR in its business activities. Neither party uses the potential included in this concept. Enterprises focus on economic objectives, not taking into account in their relationships with stakeholders the opportunities that can arise from cooperation on achieving social objectives. Cooperation can be either transaction based or partnership based, but it will not necessarily involve any noneconomic goals. In such a situation, Fairtrade goods are unlikely to appear. Companies operating within such an arrangement may lose their competitive position relative to the companies in the other situations presented in the matrix because cooperation will be based on meeting the objectives in relation to only one stakeholder—the owner—rather than more widely defined groups.

In light of the analysis of the relationships presented in Figure 4.1, it should be noted that when both parties are socially responsible and socially involved, the value that they create is the most likely to generate positive effects for society or the environment, and can be a source of advantage for a given supplier-retailer channel. In this case, it does not matter which party has the bargaining power. Such a situation creates the greatest opportunities for the development and popularization of the fair trade movement. The integrated corporate social responsibility of both parties should result in strengthening the competitive advantage throughout the supply channel because any companies willing to enter such a structure must meet not only certain economic criteria but also social (e.g., transparency, work safety) and environmental ones (e.g., in terms of reducing harmful emissions).

If neither, or only one, party incorporates the principles of CSR into their strategy, the sales of Fairtrade goods can only increase in situation C, when the supplier provides Fairtrade-certified products. In such a case, it is preferable that the supplier has the bargaining power in relation to the retailer because then it can put pressure on the retail chain to include in its range of products those made from raw materials certified by the fair trade movement.

CSR as a Determinant of the Relationships between Retailers and Suppliers: Declarations and Reality

Retail chains cooperate with suppliers in the following areas: product assortment policies (introducing new products and own brands on the market, improving product quality through regular quality control in the suppliers' companies, engaging in joint promotional activities, helping with the export of products, conducting joint research and laboratory control of products); transfer of technology (technical production support, support in logistics and storage, assistance of managers who visit the facilities of local suppliers, provision of technical services, provision of technological support, development of packaging materials); managerial and organizational restructuring (assistance in inventory management, introduction of new management practices, support for quality management, signing long-term contracts, new forms of cooperation); learning within cooperation (providing training for employees in the companies of suppliers, sharing knowledge and information); and financial support (support in product pricing, immediate settlements and commissions, provision of guarantees for bank loans to local suppliers) (Przybylska 2010, p. 51). The potential scope of cooperation in the context of CSR within these areas is therefore very broad. Meanwhile, research conducted in 2011 in the Polish market showed that producers tend to associate the CSR activity of retailers with such features as communication with employees, compliance with health and safety regulations, integrity in relations with suppliers, reducing the amount of waste, the use of biodegradable packaging, and involving employees in decision-making (Słomińska 2012, pp. 93–102). Also, another study conducted in 2013 by Stefańska revealed a rather pessimistic picture of supplier-retailer relationships. In-depth interviews conducted among deliberately selected suppliers indicated that CSR is not an important determinant for defining the dimensions of supplier-retailer relationships. The respondents answered a question about their opinion of the importance of retailers' CSR (2014, p. 229), saying,

- “I have no knowledge of it.”
- “I don’t pay attention to it.”
- “It is a matter of pure business.”
- “We supply products, and we want them to sell. We are not interested in any policies of the retailer.”
- “We cooperate with many chains, and some of them are involved in such activities, but to us, this does not matter. It is sales that matter.”
- “We don’t pay attention to it, though many partners declare it; from a business point of view, it does not matter at all, so we don’t pay attention to it.”
- “It is definitely a good idea, but nowadays, private businesses especially don’t really care about it too much. . . . Nobody bothers about it. Everybody knows that we should think about such things as ecology, but there are always other matters to deal with.”

In the opinion of the respondents, the key variables determining their cooperation with retailers include the price and the timeliness of deliveries. It must be noted, however, that the study was qualitative in nature, so it is not possible to generalize the results to the entire population of suppliers.

The Implementation of CSR by retailers in International and Local Supply Chains

The strategies for implementing CSR by transnational corporations can be viewed from a number of perspectives. One of them is the nature of the international strategy pursued by a company. According to Cruz and Boehe (2010, pp. 243–263), standardization and adaptation strategies are important for the CSR activities undertaken by international corporations with respect to overseas stakeholders. Thus the dilemmas relating to CSR increase in proportion to the degree of internationalization of the retailer. Assuming that standardization is one of the defining features of CSR, multinational companies need to be aware that it can bring a number of benefits in the form of expanding the group of beneficiaries, while keeping the costs at a similar or identical level. The standardization of CSR programs and activities can help reduce organizing costs, and what is more, similar projects may be reproduced in different countries and cities without the need to again incur the costs of program development (Cruz and Boehe, 2010, pp. 243–263) (*ibid.*). Different levels of social and economic development in different countries may, however, mean that there is different demand for CSR initiatives. In such a situation, it is important to integrate CSR activities with the business operations in different regions of the world, because

if they are separated and organized as independent initiatives unrelated to local operations, it will be difficult to understand the real needs of the local communities and accept the actions that they undertake.

An interesting analysis of the supply chain in terms of CSR was conducted by Robinson based on the example of the banana supply chain from Costa Rica to four major retail chains in the United Kingdom—Tesco, Asda, Sainsbury's, and Morrison's (2010, pp. 279–289). The author suggests that while supermarkets continue to drive down consumer prices and put pressure on producers to reduce costs, a downward spiral of working conditions is created regardless of the CSR policies in place. However, this study also identifies that changes to supermarket behavior are possible when consumer trust is at stake.

At the local level, CSR initiatives concentrate on strengthening relationships with local manufacturers. The advantage of such actions is the strong position of local brands among consumers, especially when it comes to food. This manifestation of ethnocentrism among consumers prompts retailers to support local producers by creating special displays in stores, launching promotional actions, and expanding the market for the products outside the current area. However, this can be very difficult in view of the asymmetry of power (Table 4.3).

Table 4.3 Positive and negative aspects of cooperation with retail chains

<i>Negative aspects</i>	<i>Positive aspects</i>
Difficult business negotiations, retailers demand special benefits as a precondition for business talks	Because of our “regional supplier” status we have special, prominent places in shops
Additional costs—large discounts are a condition of cooperation, plus there are some extra fees	We cooperate on more favorable, less restrictive, terms in comparison to the national suppliers from our sector
Large discounts cause discontent and objections among other retail customers	Retail chains make it easier to reach a greater number of consumers and provide us with new experience
Long payment terms	The positive aspects include higher sales, greater turnover and access to a greater number of customers
Time discipline—strict rules, everything has to be at the right place at the right time and in the right quantities, no exceptions or leniency	It is easier to work. If there are guidelines and all the employees are familiar with them, it is easier to enforce certain behaviors. And the people know how to behave

Source: Own work.

Transparency regarding the policies of retailers in relation to suppliers is ensured by codes of conduct. Levi Strauss & Co. developed the first such document in global supply chains in the international apparel industry in 1991, and it was titled “Global Sourcing and Operating Guidelines” (see www.levistrauss.com). This document contains the company’s stance regarding environmental protection, as well as the rules that it applies and observes in its relations with suppliers (Mamic 2005, pp. 81–100). Whereas companies in the United States started to introduce such codes in the early 1990s, the use of codes of conduct did not become widespread among European companies until the mid-1990s (Andersen and Skjoett-Larsen 2009, pp. 75–86).

The Diffusion of Knowledge and CSR Practices in the Supply Chains in Practice

An important element in assessing the role of CSR in the relationship between retailers and suppliers is the transfer of knowledge and CSR activities from retailers to suppliers. Cooperation in this area manifests itself in sharing knowledge related to CSR, providing information about CSR practices or any changes that may affect business operations, and communicating requirements with respect to ethical and environmental

Table 4.4 An assessment of the diffusion of knowledge about CSR by retailers among suppliers

Opinions

They are too short staffed themselves to send anybody to my company

I have been working in this sector for years, but this is the first time I have heard about it. We do not feel supported. Retail trade is a constant struggle for everything, also for good places on the shelves

I don’t think that retail chains would want us to interfere with their operations or change anything. They don’t want to be transparent to suppliers. When it comes to negotiations, the less a supplier knows the better for the chain

The most important element is the employee. If a mature employee personally experiences this kind of activity, they are more likely to share it with those around them

I haven’t heard of such retail chain practices

That’s nonsense. Nobody has helped me with anything

We are not interested. Personally I have never heard about such activities; on the contrary, retail chains often use our help (merchandising) because they reduce staff to cut costs

Source: Own work.

standards, as well as delegating staff to assist suppliers in developing the skills necessary for the implementation of CSR. The interviews mentioned earlier reveal considerable skepticism associated with the transfer of knowledge about CSR, as evidenced by respondents' answers (Table 4.4).

The above discussion of the relationships and the balance of power in the supply channels leads to some important conclusions. First of all, it must be said that retail chains are attractive recipients for suppliers, but the concept of CSR is barely noticeable in the relationships between the two sides. This may be a result of the immaturity of the market as well as intense competition, which in turn reinforces the preference for transaction-based rather than partnership marketing.

An interesting observation that emerges from these studies is that it is the weaker companies that notice CSR practices, which is in conformity with the intentions of CSR, especially when it is addressed to local suppliers, because this may be an opportunity for them to survive and develop. On the other hand, the conditions determining the relationships between retailers and suppliers prevent the latter from exploiting any potential opportunities connected with CSR.

Conclusions

To sum up, the implementation of the concept of CSR by retailers may encourage suppliers to make changes

- within their own purchasing functions (resources, materials for production, and also technology);
- in logistics (e.g., optimizing the transport of goods, using low-emission vehicles or vehicles which use ecological fuels);
- in personnel management (observing worker's rights, equality);
- in production technologies; and
- in participation in joint social programs.

Nevertheless, one must be aware that the supplier-retailer relationships are currently an extremely difficult area to investigate. Neither party is willing to share its experiences, particularly as such information may be of a strategic nature. In light of the findings obtained so far, it can be said that the concept of CSR is either completely absent or has a very weak impact on the relationships between suppliers and retailers. Although the statements presented reflect individual opinions and cannot be generalized, they may prompt changes in the approach and the use of CSR tools in retailers' relationships with suppliers. The main problem is insufficient

knowledge regarding the possible benefits as well as insufficient social pressure on global retailers to treat both local suppliers and producers from the countries of the Global South according to the principles of corporate social responsibility.

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CHAPTER 5

THE INFLUENCE OF CSR AND FAIR TRADE COMMUNICATIONS ON ATTITUDE, CUSTOMER BEHAVIOR, AND RETAILER PERCEPTION

Tomasz Wanat and Magdalena Stefańska

When assessing the influence of corporate social responsibility (CSR) upon the attitudes of consumers and the perception of CSR and fair trade, it is necessary to account for a number of circumstances associated with the buyers and the retailers. Consumers generally agree in their expectations that enterprises should be socially responsible and inform their stakeholders about this (Pomeroy and Dolnicar 2009, p. 286). They claim that, presented with the choice of a product from a “responsible manufacturer” (or a “responsible retailer”), they will prefer it over another one, lacking any information indicating social responsibility. Polls conducted among British consumers have indicated that 74 percent of them do care about whether a given company is responsible and acts accordingly, while 86 percent believe that companies ought to actively inform consumers about their CSR-related actions (Pomeroy and Dolnicar, 2009, p. 286). At the same time, should the respondents be aware that the manufacturing of a given brand involved child labor, 57 percent of them would stop purchasing it, while 21 percent would actively support actions against the unethical company (Carrigan and Attalla 2001, p. 564). J. A. Roberts states that 18 percent of consumers in the United States claim to purchase or use products that are ecological or have a social value (while 49% never or only sporadically make such purchases) (Roberts 1996, p. 82). On the other hand, “social value” is not included among the determinants regarding the choice of place and offer:

British and German studies indicate that among the criteria for choosing an offer, the ethical value of products is mentioned by only 5 percent of the respondents, while 70 percent are guided mainly by price or taste. German consumers will first look at the quality, price, and environment-friendly nature of the product, and then at the appearance and design, the brand, country of origin, and the manufacturer's image. However, if products with a social value compete with others of the same price and quality, 10 percent of German consumers will choose a product having a social (ethical) value (Fliess et al., 2007, p.10).

Is the ethical value a permanent factor in determining consumer behavior? This question was tackled by Bondy and Talwar in research based on the example of fair trade products that was conducted in 2008, a year after the economic crisis began (Bondy and Talwar 2011, p. 366). They found that, when we think about the intensity of fair trade product purchases, casual buyers cut down their consumption as a result of the crisis and became more susceptible to other factors in choosing products, such as the quality or consumer value, while the reaction of committed consumers was different. By and large, times of crisis have favored the importance of price over ethical values. The attitude and behavior of committed consumers in times of crisis were different. Over 36 percent of them confirmed that the price became a more important factor, while 92 percent admitted that the significance of the ethical aspect of buying did not diminish (*ibid.*).

Research by Shruti Gupta and Julie Pirsch (2008) indicates that CSR is an important factor in determining a retailer's image. And so the idea of following the principles of CSR, including fair trade, prompts retailers to implement communications based on dialogue, as well as the exchange of opinions and ideas, along with the mutual involvement among the different groups of stakeholders. This leads to an understanding of the actions taken by various parties, as well as their acceptance and mutual involvement in carrying out the accepted goals (Stefańska 2014, pp. 144–151). Commercial companies are usually involved in intensive marketing and communication activities, although the goals of this communication are diverse and range from intensifying sales to creating an image. A useful example is that of certain trade companies operating in Poland, especially discount chains, whose actions in the years 2003–2014 are presented in Table 5.1.

The intensity of communication has been growing with the development of particular companies' market position and has been strikingly noticeable in recent years. The increase in spending on communication was, in most cases, instigated by an ever more fierce competition in the area of image and prices. At the same time, CSR-related communication was

Table 5.1 The frequency of appearance of food distributing retail chains among the ten largest weekly advertisers (the highest advertising spending in a given week)

<i>Year</i>	<i>The frequency of appearance in the weekly Top 10</i>	<i>Food distributing retail chains among the Top 10</i>
2003	1	Biedronka
2004	–	
2005	–	
2006	–	
2007	1	Lidl
2008	1	Tesco
2009	–	
2010		
I quarter	–	
II quarter	–	
III quarter	2	Lidl
IV quarter	4	Lidl
2011		
I quarter	3	Lidl
II quarter	1	Lidl
III quarter	8	Lidl × 4, Tesco × 2, Biedronka × 2
IV quarter	10	Lidl
2012		
I quarter	20	Lidl × 9, Biedronka × 11
II quarter	16	Lidl × 11, Biedronka × 5
III quarter	11	Lidl × 9, Biedronka, Intermarche
IV quarter	14	Lidl × 11, Biedronka × 3
2013		
I quarter	17	Lidl × 12, Biedronka × 4, Tesco
II quarter	16	Tesco × 8, Lidl × 6, Biedronka × 2
III quarter	14	Lidl × 13, Biedronka
IV quarter	17	Lidl × 10, Biedronka × 4, Żabka × 2, Tesco × 1
2014		
I quarter	18	Lidl × 12, Biedronka × 6

Source: Own work on the basis of <http://www.agbnielsen.pl/Raporty,tygodniowe,477.html>.

of relatively low significance in the case of TV commercials, but in press advertisements some retailers put stress on their own social responsibility (for example, Biedronka). And yet, the system of marketing communication is responsible for various tasks, among which communicating one's own social responsibility becomes more and more important. This task consists not only in providing information for the stakeholders but also in convincing them of the company's good intentions. Previous studies indicate that the target recipients of messages that include social involvement are often skeptical about the message and the company itself, and that the recipients suspect insincerity in the communication (Calabrese and Lancioni 2008, p. 108). Without the support of permanent changes in this strategy, based on the idea of CSR, communication is limited to the use of public relations tools in building a positive image of a retailer, which is not necessarily the image of a socially responsible entity. In other words, undertaking sponsorship actions or supporting charities is socially desirable and expected, but if other areas of the company's activity, for example, environmental protection or employee relations, lack responsibility as defined by CSR, then the company is not acting in accordance with its principles.

CSR-related Communication

From the point of view of CSR, the task of communication is to convey to the environment messages about the social involvement and the acceptance of responsibility for the effects of one's actions, while at the same time aiming at improving one's market position and achieving one's business goals. The integrated marketing communication of retailers includes all marketing instruments within its scope, adjusted to the goals adopted within CSR (Stefańska 2012, pp. 14–22). This means that CSR messages can be conveyed not only through traditional instruments of communication but also instruments associated with shaping the product line, the exhibiting of products, their prices, and location. Retailers may use their offer of products and services to communicate a responsible attitude to their customers. In this way, they reach beyond the functions traditionally assigned to commerce and assume the role of a guarantor of the quality and safety of their products. To give an example, one may cite actions consisting of creating product categories, adequately exhibiting the products included in that category within the retail space, and supplementing those products with additional information. These actions are performed mainly in relation to brands over which enterprises maintain sufficient control (Jones, Comfort, and Hiller 2006, pp. 243–257). At the same time, enterprises try to satisfy the expectations of customers looking

for “good value” offers that preserve the features of “healthy food.” For example, Sainsbury’s supermarket chain launched a program entitled the “Circle of Health,” in which all the products of its brand contain detailed information about their dietary contents, and the coloring and background intensity of that information indicates the level of a given nutrient against the required daily level. Moreover, within the program “5-a-day-logo,” information is provided indicating the number of portions of vegetables and fruits included in a given package. Sainsbury’s also participates in programs encouraging children to eat healthily. Tesco, on the other hand, has introduced a program called “Healthy Life” and included in it over 550 products, the sales of which increased by 17 percent in the years 2003–2005. Tesco is cautious about the dietary contents of certain products (pizza, soups, sandwiches, convenience food, etc.), particularly the amounts of salt, sugar, and fat. Marks and Spencer’s campaign “Count on us” has introduced a sunny logo, “Eat Healthy,” on more than 700 products. Another measure is stricter control over products from the point of view of their salt, sugar, and fat contents. ASDA’s website offers advice on how to lower the consumption of undesirable components and which alternative products to choose (Jones, Comfort, and Hiller 2006, pp. 243–257). The newly created category of “healthy eating” is directed at the segment of the market that is interested in conscious consumption. Communicating a responsible attitude is also carried out through packaging. Retailers use additional channels to inform their customers about the ecological nature of the packaging of certain products, recycling, and even changes in packaging introduced in order to protect the environment (e.g. giving up natural corks in alcohol bottles). A responsible attitude toward the environment is manifested by encouraging customers to stop using disposable plastic bags in favor of reusable bags. One of the instruments used within CSR strategies is price. Retailers employ various channels of communication to convince their customers that their attractive—most often understood as low—prices express the responsible attitude of the company, which offers its customers the best bargain. Slogans like “a smart choice” or “why pay more” exemplify the idea. It ought to be mentioned here that price is an inseparable element of competition, and so it can be attributed to CSR-related actions only if it is consistent with the other marketing instruments of the company’s CSR based strategy and other areas such as cooperation with suppliers, marketing agents, or employees, which should also indicate the company’s responsible attitude. Even the company’s location may be a stimulus for taking appropriate actions. A good example of this is Tesco’s policy of opening their retail centers in areas of lower commercial value that would otherwise often remain undeveloped.

Retailers communicate their responsible attitude toward stakeholders and the environment both through the media and at the point of sale. One example comes from the Polish market, in which some advertising campaigns were aimed at creating an image of retailers as good employers, distributors of Polish products, and companies sensitive to the environment. These campaigns were to a large degree a response to a wave of criticism directed at large supermarket chains. Actions promoting CSR within the sales area include a range of means, such as properly exhibited posters, shelf labeling, leaflets, special exhibitions, messages over the public address system, and films shown on screens placed in the checkout areas or at standard service counters.

One of the basic means by which retailers communicate their CSR-compatible actions is through CSR reports. They are not merely the primary, but, in fact, the only source of information about a company's involvement and actions, as well as the effects of these on their surroundings, the natural environment, and their employees. Those reports are usually arranged thematically into areas such as employees, local community, customers, the natural environment, products, and suppliers (Jones, Comfort, Hiller, and Eastwood 2005, pp. 423–435). The extent of these reports and the size of particular thematic areas differ significantly, which results both from the intensity of actions within a given area and the target group's expectations (Frostenson, Helin, and Sandstrom, 2009, p. 7; Jones, Comfort, and Hillier, 2007, pp. 17–30). An analysis of the distribution of specific CSR areas in such reports was conducted by Mejrí and De Wolf (2012, pp. 30–44). It indicates that the most frequently reported issues are those associated with protection of the natural environment (30%), products and safety (21%), and customers (9%), while the least frequently reported issues are those concerning suppliers (3%) and financial statements (5%). The latter are usually reported separately as part of corporate governance for investors. The reports are further subdivided into thematic categories. For example, Walmart's report is focused on local markets and is fairly detailed, while reports by the Danish company Maersk are concerned mostly with nondomestic actions and are fairly general (Frostenson, Helin, and Sandstrom 2009, p. 7). Printed versions of the reports are usually prepared for the Management, the Board of Supervisors, the owners, the main shareholders, representatives of stakeholders from the financial sector, and local government bodies. However, to reach a broader audience, companies use corporate websites. The main page usually contains a link to the reports, allowing for the reading and downloading of them. Unfortunately, corporate websites are often not meant to be a medium for communicating with customers, but are rather treated as a tool for presenting the company and its CSR-related strategies.

Among the information included in CSR reports, the most frequently reported actions are sponsorship and charity involvement, which are meant to bring out the company's civic attitude (e.g., providing equipment for school computer labs, awarding scholarships to talented students, supporting foster homes, etc.). Companies also communicate their pro-ecological initiatives, such as reducing the use of energy, water, and packaging used in logistics and storage, sorting waste, reducing the emission of gases, and developing the infrastructure. Among the leaders in this area are companies such as Walmart, Tesco, Body Shop, J. Sainsbury, and others. The actions undertaken by these companies include replacing traditional sources of energy with environmentally friendly ones, reducing the emission of gases, reducing the volume of waste, recycling, encouraging customers to use ecological packaging and shopping bags, cooperating with suppliers with the required certificates, and so on. For example, Walmart has reduced the size of packaging and shortened the transportation distances covered by its trucks by 160mn km annually, as a result of which it has reduced the emission of CO₂ gases and—even more important for its economic results—has reduced its cost by \$200mn a year. Another example comes from the British retail chain Marks and Spencer, which has limited its purchases requiring deliveries from one hemisphere to the other and has, thus, saved £175mn per year (Porter and Kramer 2011, pp. 36–57). A product line policy also demonstrates a pro-ecological attitude by promoting ecological food, safe food, and other products, as well as providing information about products manufactured without the use of animals. Companies such as The Body Shop and Timberland are examples of enterprises oriented toward ecology and building their competitive power by focusing on a responsible attitude toward the natural environment (www.theBodyshop.com).

An important sphere presented in CSR reports is employee relations. Previous studies on employee-oriented CSR have shown that CSR may indirectly strengthen a company's ability to meet customers' needs and also that socially engaged companies attract better workers, since employees wish to be identified with companies that are perceived positively (Korschun, Bhattacharya, and Swain 2011; Lin et al. 2012). Employee-oriented CSR reports are concerned with such issues as wages and bonuses, training and development, equal rights and tolerance, health and safety, and maintaining the balance between professional and private life (e.g., Tesco / Metro Group reports: www.tescopl.com, CSR report; and Metro Group Report 2010—Sustainability, Progress Report, Key Data and Targets).

In conclusion, a responsible attitude on the part of retailers toward consumers is also manifested by including in the reports the principles of

building relationships with the customers, protecting personal data, making improvements for the disabled, promoting a healthy lifestyle, setting up first-aid stations in shopping centers, and educating children in the area of nutrition. Communicating through CSR reports is, nevertheless, unidirectional. And so, in order to elicit the response of stakeholders, companies try to engage their website visitors in product or retail center assessment, even though such assessments are subjective and are not performed by a representative group of respondents.

Other means of communicating CSR are the mass media: newspaper, television, radio, or external advertising. Advertising campaigns are usually informative in nature and serve the purpose of shaping the awareness of customers in the area of CSR, as well as their awareness of the social involvement of a specific company. Such actions are usually not meant to influence the consumers' purchasing behavior, but rather to change their attitudes. Media selection depends on the range of customers to be reached.

Overall, retailers have at their disposal a broad spectrum of instruments for marketing communications, with which they may develop positive, long-term relationships with their stakeholders, while maintaining or even extending their competitive advantage. Communication will be successful, if the process of communicating CSR ideas is based on the following criteria (Frostenson, Helin, and Sandstrom 2009, p. 13):

- transparency, both in conducting business and informing the public;
- consistency related to the persistence and uniformity of messages and the concurrent transfer of information to all stakeholders;
- the filtering of information, connected with arranging the content of messages and delivering messages to the media in a uniform manner.

The dynamics regarding the process of communicating CSR ideas is dependent on the attitudes of such groups of stakeholders as consumers, competitors, local communities, the media, consumer and ecological movements, and so on, but also on the attitudes of the top management. The benefits perceived as a result of reorienting the company's strategy toward CSR justify the claim that it is not any more a question of whether to introduce the idea of CSR, but rather how to do it in order to develop competitive advantage. A serious drawback seems to be the low level of consumer awareness about the CSR idea and the perspectives it creates, which results in low expectations from the retail trade. The marketing communication of retailers may, therefore, serve the purpose of promoting socially responsible attitudes.

Consumer Awareness versus CSR and Fair Trade in Poland

Despite new consumer trends (Caruana and Chatzidakis 2014, pp. 577–592; Jansson, Marell, and Nordlund, 2010, pp. 358–370), purchase decisions are still mostly determined by the basic marketing instruments, including location, product-line, brand, and price (Marin and Ruiz 2007, p. 246). These instruments contain hardly any CSR ideas. Benefits to the community in general are not an imperative value to most consumers, who are rather inclined toward satisfying their own individual needs. Therefore, the decision-making process is dominated by criteria associated with functional and emotional aspects (Devinney et al., 2006, pp. 30–37). While most consumers in Western Europe and North America seem to accept the ideas of CSR and fair trade, the level of acceptance for these ideas in developing countries is much lower. Therefore, if consumers in countries with a high level of CSR awareness favor CSR-related functional and social aspects, one should not expect the situation in developing countries (such as Poland) to be much different. Studies conducted in Poland in this area indicate that the level of awareness of CSR and fair trade in Poland is surprisingly low. Research conducted on a representative sample of 1,000 people (Appendix 1) in Poland in 2013 relating to the perception of CSR indicates that only 7 percent of respondents knew the term itself. It is somehow comforting that this awareness grows with an increasing standard of education (see Table 5.2). The study cited above leads to an important conclusion: consumers are not interested in searching for social values in products (Stefańska, 2012, pp. 14–22). Their passive attitude does not encourage them to search for any CSR-related information. What is more, they are mostly unaware of the existence and significance of the social value of products. Therefore, the responsibility for raising awareness and educating consumers rests with retailers. The question remains whether it is actually in their interest to do so.

In the same study, 17 percent of respondents with a higher education knew the term “CSR.” This can be compared to only 1 percent of respondents with a primary or a lower secondary education. Knowledge about fair trade products was similar to that for the term “CSR.” Most respondents did not purchase these products because they were not aware of their existence (see Figure 5.1). This was true for 80 percent of respondents.

It is difficult to conclude whether the low level of consumer knowledge about CSR and fair trade results from poor communication on behalf of retail companies or from the minimal interest of consumers

Table 5.2 The knowledge of the term “CSR” among respondents with different levels of education (N = 998, trial 1)

Knowledge of the term “CSR”		EDUCATION				Total
		Primary/lower secondary	Vocational	Secondary	Higher	
Yes	Number	2	9	28	26	65
	% having knowledge of the term “CSR”	3.1%	13.8%	43.1%	40.0%	100%
	% by education	1.1%	3.3%	7.1%	17.0%	6.5%
No	Number	180	261	365	127	933
	% having knowledge of the term “CSR”	19.3%	28.0%	39.1%	13.6%	100%
	% by education	98.9%	96.7%	92.9%	83.0%	93.5%
Total	Number	182	270	393	153	998
	% having knowledge of the term “CSR”	18.2%	27.1%	39.4%	15.3%	100%
	% by education	100.0%	100.0%	100.0%	100.0%	100%

Source: Own work.



Figure 5.1 The purchase of fair trade products in Poland (N = 998, trial 1).

Source: Own work.

in social products. A combination of both reasons seems to be the most probable answer.

The low level of interest by consumers in trade- and product-related social values is indicated by the fact that most respondents did not feel that they lacked information. Only about 25 percent of respondents felt that they did not have sufficient knowledge about CSR actions (see Table 5.3.), which leaves 75 percent of respondents content with their level of awareness (or the lack of it). What is more, the number of respondents actively searching for such information is rather insignificant (only 2.4%).

On the other hand, consumers are not inclined negatively toward the ideas promoted within CSR, which is indicated by the data included in Table 5.4. Consumers' opinions are positive toward CSR and fair trade issues, irrespective of the type of issue raised (in all cases, the result is above the neutral value of 4). It needs to be added at this point that responses concerning social issues may be distorted as a result of the socially desirable response bias, as well as the fact that even positive attitudes do not automatically denote specific types of purchasing behavior.

Another problem is the fact that most consumers expect CSR-related information to appear at the point of sale (Figure 5. 2). Consumers are much less interested in CSR reports delivered through their mailboxes. This is unfortunate, considering that CSR reports are for many companies the basic form of communicating with their customers.

In a sense, the above is indicative of the incompatibility of company information policies and consumers' needs.

This leads to two conclusions. The first concerns the intensification of actions associated with CSR and fair trade, while the second concerns adapting communication policies to consumers' needs. In more precise terms, retailers ought to (Stefańska 2014a, p. 132):

- provide information about the motives for initiating socially responsible actions;
- indicate methods for satisfying needs through the use of CSR-related products and services;
- explain the results of the decision to purchase a given product (e.g., by assigning part of the expenditure to charities) or shopping at a given place (e.g., joining the nationwide social programs initiated by a given retailer); and
- pass on information regarding the results of consumers' involvement in initiatives in which, without the support of the retailer, they would not otherwise get involved.

Table 5.3 Opinions regarding levels of knowledge as to the nature of CSR (N = 998, trial 1)

	<i>I disagree completely or to a large extent*</i>	<i>I rather disagree</i>	<i>I don't agree and I don't disagree</i>	<i>I rather agree</i>	<i>I agree completely or to a large extent*</i>
The shops where I shop inform me sufficiently about, e.g., collections of products for the poor, collections of money for charities, their own ecological investments, etc.	7.7	16.2	32	34.2	9.9
The more information I have about a retailer's initiatives for the benefit of the local community, employees, or the natural environment, the more willing I am to shop there.	5.5	14.7	37	32.5	10.3
I do not have enough information about the social involvement of the retailers I frequent.	4.2	13.3	29.6	34.6	18.3
The information about the social involvement of retailers is always available in an easily accessible place at my local retailer.	14.6	21.2	29.9	26.6	7.7
Sometimes I look for information in the media (e.g., local newspapers) about my local retailer's involvement in benefits for the local community, ecology, and the retailer's employees.	28.1	25.9	26.3	17.3	2.4

* Both categories have been combined for convenience
Source: Own work.

Table 5.4 Averages for opinions on CSR and fair trade in Poland (N = 998, trial 1)

	<i>Average</i>	<i>Standard deviation</i>
I am eager to donate products to collections in aid of the poor organized by retailers.	4.88*	1.087
It is important to help people irrespective of their country of origin.	5.03*	1.092
I usually choose shops that care about the natural environment (e.g., they collect used batteries, glass bottles).	4.70*	1.128
When I learn that a shop I frequent visit unethical toward its employees or suppliers, I stop shopping there.	4.48*	1.156
I would give up shopping at retailers that sell products manufactured with the use of child labor.	4.76*	1.244
Buying the products of local manufacturers, I support creating new jobs in the local market.	5.13*	1.091
I usually choose products the purchase of which is connected with financing charities (e.g., subsidizing meals for children) or ecological activities.	4.77*	1.111

*Statistically significant above the value of 4, which denotes a neutral level.

Scale 1 to 7, 1—I completely disagree, 7—I completely agree.

Source: Own work.

Fair Trade Consumer Segmentation

The possibility of influencing the attitudes and behavior of consumers should take into account the heterogeneity of consumers, which entails the necessity of using market segmentation. The factors used for consumer segmentation can be external, such as demographic, economic, sociocultural, and marketing variables, or internal, such as psychographic factors connected with personality and the motivation to make purchase decisions, and connected with the circumstances associated with purchasing and using a given product. Knowledge of the variables describing consumers, such as age, gender, education, income, lifestyle, interests, and preferences, enables companies to adapt marketing instruments to consumers' needs in a more effective way. Various studies have been conducted to investigate attitudes toward fair trade products and the types of behavior associated with purchasing them (a review of such research is presented by e.g., Andorfer and Liebe 2012). Their results clearly indicate certain recurring interrelations.

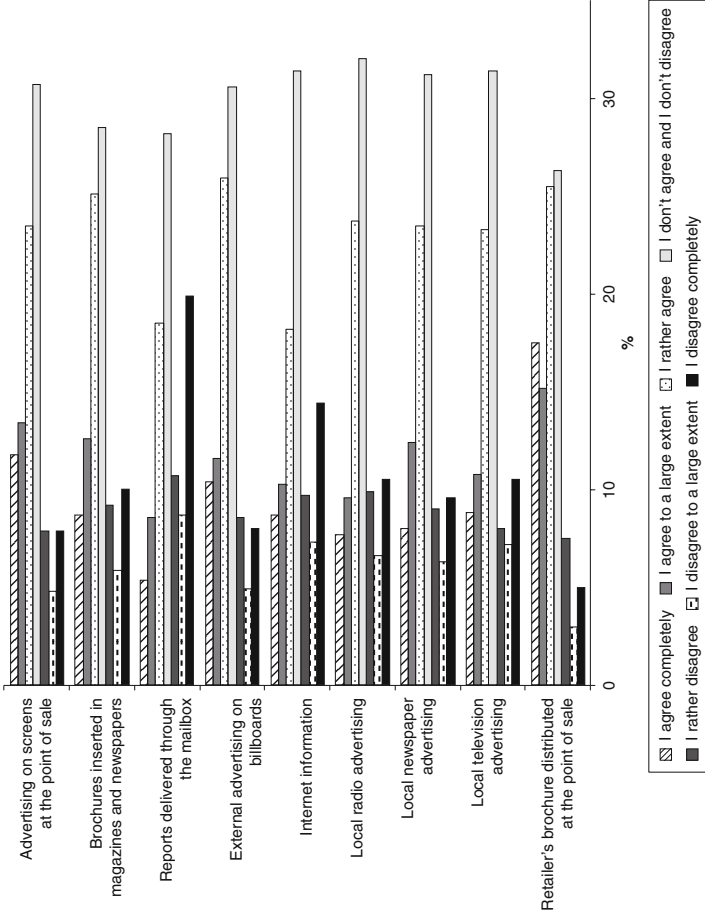


Figure 5.2 Preferred forms of CSR communication in the opinion of consumers (in %).
 Source: Own work.

Age. Many studies indicate the insignificant role of age in shaping CSR-related attitudes (Devinney et al., 2006, pp. 30–37; Roberts 1996, pp. 79–85) and attitudes toward fair trade products (de Pelsmacker and Janssens 2007; Ferrell 2011). Those who do point to age as a variable influencing these attitudes suggest that older consumers are more susceptible to fair trade products than younger ones. The small role of age, as well as other demographic variables, is partly a result of the fact that most people in developed countries consider themselves conscious consumers, that is, those who buy fair trade products (Sadowski 2007). This makes it rather difficult for the various age groups to differ in this respect. A similar situation may occur when the general level of consumer awareness is low. Differences between age groups are most likely to occur when the level of consumer awareness about fair trade products is diverse. This may bring about the age effect, that is, the acceptance of fair trade products by different age groups will take place at different rates.

Income is not a factor that influences the purchase of fair trade products, which follows from the fact that purchasing such products is associated with certain idealistic attitudes usually unrelated to income. On the other hand, fair trade products are often more expensive than their “less fair” equivalents. This may cause price-sensitive consumers to be more likely to avoid purchasing fair trade products. In a country with a moderate level of income, with many people having a low income, there is a greater chance of seeing the influence of income on the tendency to purchase fair trade products. Some research indicates that people with a higher income are more positively inclined toward fair trade products (Ehrich 2007). However, the view that purchasing fair trade products is a symbolic gesture unrelated to income is predominant (Becchetti and Rosati 2007).

Education is a variable that one would expect to influence the diversification of attitudes and types of behavior in reference to fair trade products. With higher levels of education, people show a greater awareness of the interrelations characteristic of the global economy. Therefore, people with a higher level of education ought to accept fair trade products to a greater degree, which is confirmed by research (Ehrich 2007; De Pelsmacker and Janssens 2007).

Gender. Similar to other demographic variables, gender is relatively insignificant in explaining the differences in fair trade products-related consumer behavior. In his research conducted with a representative group of 1,500 Americans, Roberts (1996, pp. 79–85) observed that gender is a poor predictor of socially responsible behavior. On the other hand, Bondy and Talwar (2011, p. 369) claim that women are more responsible

consumers than men, but at the same time they buy more frequently and in a more comprehensive way.

Results from various countries have also been confirmed under Polish conditions. Table 5.5. shows the results of research investigating the influence of four variables—age, gender, income, and education—upon attitudes toward purchasing fair trade products.

An analysis of regression indicated that only two variables, that is, education and gender, had any influence upon the shaping of attitudes toward fair trade products. The two other variables, age and family income, did not influence the dependent variable. These results confirm those obtained in earlier studies. They indicate that a higher level of education is associated with a more positive attitude toward fair trade products and that women's attitudes toward fair trade products are minimally more positive than men's.

In addition, this research investigated whether the interaction between the two variables that significantly influence fair trade product purchases is of any importance. The first stage included education as an independent variable. The influence of education was significant $\Delta R^2 = 0.014$, $F(1.996) = 15.130$, $p < 0.0001$, suggesting that education was, overall, significant in explaining attitudes toward fair trade products: $\beta = 0.122$, $t(996) = 3.89$, $p < 0.001$. The second stage also included gender. That variable also turned out to influence attitudes toward fair trade products: $\Delta R^2 = 0.004$, $F(1.995) = 4.342$, $p < 0.05$. The following stage included as well the interaction between education and gender. The variance explained by the introduction of that variable increased by 0.4 percent, and was $\Delta R^2 = 0.0043$, $F(1.994) = 4.013$, $p < 0.05$, which suggests that

Table 5.5 The influence of demographic factors upon Fairtrade product purchases (N = 998, trial 1)

<i>Model</i>	<i>Nonstandard factors</i>		<i>Standard factors</i>	<i>t</i>	<i>Significance</i>
	<i>B</i>	<i>Standard deviation</i>	<i>Beta</i>		
(Constant)	0.659	0.015		45.394	0.000
Age	0.000	0.000	-0.025	-0.666	0.505
Family income	-0.001	0.003	-0.007	-0.176	0.860
Education	0.007	0.003	0.091	2.355	0.019
Gender	0.011	0.005	0.074	2.031	0.043

Source: Own work.

this variable was, overall, significant in explaining attitudes toward fair trade products: $\beta = 0.280$, $t(996) = 2.003$, $p < 0.05$.

The results obtained indicate that demographic variables, such as gender and education, influence attitudes toward fair trade products, although the influence is rather small.

Attitudes toward Fair Trade Products and Consumption-related Values in Poland

Purchasing fair trade products is connected with attitudes and values that a person views as important (Goig 2007, pp. 468–477). This is strikingly close to the idea of the ethical consumer, developed in the late 1980s and viewed as the third wave of consumerism (Valor 2007, pp. 315–326). Some of these values have a relatively strong relationship with consumption-related attitudes. They may significantly influence consumer behavior even in groups distinguished according to demographic criteria. These values include materialism, hedonism, utilitarianism, and price sensitivity. The correlation between attitudes toward purchasing fair trade products, on the one hand, and price sensitivity, materialism, hedonism, and utilitarianism, on the other hand, is presented in Table 5.6. A discussion of these variables is included in Appendix 2, while the opinions forming the foundation for measuring attitudes are included in Tables B, C, D, and E. The level of correlation between attitudes toward fair trade products and particular variables was low, with its highest value in the case of utilitarianism. In the case of hedonism, it was statistically insignificant.

Table 5.6 Correlations between attitudes toward fair trade and price sensitivity, materialism, hedonism, and utilitarianism (N = 998, trial 1)

	<i>Attitude toward FT products</i>	<i>Price sensitivity</i>	<i>Materialism</i>	<i>Hedonism</i>	<i>Utilitarianism</i>
Attitude toward FT products	1				
Price sensitivity	0.098**	1			
Materialism	0.097**	0.120**	1		
Hedonism	0.022	0.096**	0.606**	1	
Utilitarianism	0.292**	0.242**	0.169**	-0.031	1

** The correlation is significant at a level of 0.01 (bilaterally).

Source: Own work.

Hierarchical linear regression was used to test the significance for three dimensions of attitudes toward fair trade product purchases, that is, price sensitivity, materialism, and hedonism. Particular dependent variables were added in a sequence compatible with the numerical value of the correlation. The first stage included utilitarianism as an independent variable. The influence of utilitarianism was significant $\Delta R^2 = 0.115$, $F(1.996) = 129.071$, $p < 0.0001$, suggesting that utilitarianism was, overall, significant in explaining the attitudes toward fair trade products: $\beta = 0.339$, $t(996) = 11.361$, $p < 0.001$.

The second stage also included price sensitivity. This variable turned out to have no influence upon attitudes toward fair trade, $\Delta R^2 = 0.001$, $F(1.995) = 1.048$, $p > 0.1$. It is worth noting that this variable was significantly correlated with attitudes toward fair trade products. Its insignificance suggests that the variance explained by utilitarianism must partly overlap the variance associated with price sensitivity. As a result, the latter cannot explain the new portion of variability associated with attitudes toward fair trade.

The next stage also included materialism. The variance explained by the introduction of this variable increased by 10 percent, $\Delta R^2 = 0.01$, $F(1.994) = 11.938$, $p > 0.01$. The influence of materialism upon attitudes toward fair trade products turned out to be significant: $\beta = 0.104$, $t(996) = 3.455$, $p < 0.01$. The results obtained indicate that consumers with a higher level of materialism also showed a more positive attitude toward fair trade products.

The results obtained may, to a certain extent, come as a surprise, because of the general belief that purchasing fair trade products is associated with postmaterialistic attitudes. It needs to be noted, however, that the quoted research was conducted in developed countries. In less developed countries, people with materialistic beliefs belong to leading social groups in respect of material success and are, therefore, a driving force of social reforms. It is, then, not uncommon that people with nonmaterialistic beliefs are less aware of fair trade products, while people with a higher level of materialism (not because of materialism itself, but because of a higher level of social awareness) will be more inclined to purchase fair trade products.

The Attitudes of Women toward Fair Trade

In Poland, food products are mostly purchased by women (Baranowska-Skimina 2013). For that reason, the significance of this social group is of particular importance in fair trade product purchases and deserves special attention. The research, which was concerned with, among

other things, purchasing fair trade products, included 314 women. This study was conducted by the Department of Marketing Strategies at the University of Economics in Poznań and Polish Scientific Association of Marketing (PNTM). Information concerning this investigation is included in Appendix 3 (trial 2, table F and G). In order to determine the attitudes of consumers toward purchases, a set consisting of 15 items was used. Respondents answered these questions using a scale graded 1–5, in which 1 indicated “I totally disagree,” while 5 indicated “I totally agree.” In further analysis, only women were taken into consideration due to their responsibility for shopping and stronger orientation on CSR. The data was processed through the use of principal component factor analysis. The Kaiser–Meyer–Olkin (KMO) factor was at a satisfactory level of 0.709. One unit, namely, “Fast food enjoys great popularity in Poland,” was disregarded because of the high level of crossloading.

The principal component factor analysis revealed the existence of five dimensions (see Table 5.7). Overall, these dimensions account for 57 percent of the variances in the variables.

The first dimension may be defined as awareness of culinary issues. People with a higher level of awareness are also more careful about the quality of the products they purchase, they read the information provided on the packaging, and they look for information in external sources. The second dimension may be defined as ethnocentricity. The term indicates that those consumers associated with this dimension are inclined to buy locally manufactured products. The third dimension is defined as modernity, and is connected with information found on the Internet and related to European culture. The subsequent dimension may be defined as “modern cuisine” and refers to the negative attitude toward traditional recipes and preparing home-cooked meals. The last dimension was defined as “naivety,” which reflects consumers’ gullibility regarding the sincere nature of information provided by manufacturers in connection with the lack of appreciation for the negative effects of eating at fast food restaurants.

The dimensions obtained were used to determine attitudes toward fair trade products. Particular dimensions were added in accordance with the size of the variance they explained (Table 5.8.).

Hierarchical linear regression was used to test the significance of all five attitude dimensions toward fair trade product purchases, that is, consumer awareness, ethnocentricity, modernity, modern cuisine, and naivety, in predicting attitudes toward fair trade. Particular dependent variables were added in a sequence compatible with the size of the variance explained by particular dimensions. The first stage included consumer awareness as an independent variable. The

Table 5.7 Factor loadings obtained during variance analysis

	<i>Component</i>			
	<i>Awareness</i>	<i>Ethnocentricity</i>	<i>Modernity</i>	<i>Modern cuisine</i> <i>Naivety</i>
I attach great importance to what I eat	0.626			
I know little about the food I buy	-0.647			
I always carefully read information on food product packaging	0.766			
The information on food product packaging is fully comprehensible to me	0.732			
I look for information regarding the nutritional value of the food products I buy	0.567			
I like traditional Polish dishes		0.699		
I am willing to pay more for food products manufactured in Poland		0.712		
The information regarding the origin of a food product is vital for me in making a purchasing decision		0.785		
Thanks to the Internet, I am better informed about the nutritious value of food products			0.729	
I support a "Country of Origin Labelling Regulation"			0.801	
Traditional food recipes are now obsolete			0.779	
Preparing home meals is a waste of time			0.725	
Food at McDonald's is tasty and healthy				0.609
Foodstuff manufacturers provide sincere information about their products				0.779
Explained variance in %	20.47	10.76	10.69	7.80 7.34

Source: Own work.

Table 5.8 The results of regression analysis for attitudes toward Fairtrade products

Model	R	R-square	Corrected R-square	Standard deviation of the assessment	Statistics of change				
					R-square change	F change	df1	df2	Significance of F change
1	0.103	0.011	0.007	0.21732	0.011	3.130	1	292	0.078
2	0.128	0.016	0.010	0.21705	0.006	1.728	1	291	0.190
3	0.237	0.056	0.047	0.21297	0.040	12.242	1	290	0.001
4	0.237	0.056	0.043	0.21334	0.000	0.003	1	289	0.959
5	0.260	0.068	0.051	0.21242	0.011	3.506	1	288	0.062

Source: Own work.

influence of consumer awareness was marginally significant, $\Delta R^2 = 0.0211$, $F(1,292) = 3.13$, $p = 0.078$, suggesting that consumer awareness was, overall, significant in explaining attitudes toward fair trade: $\beta = 0.103$, $t(290) = 1.769$, $p < 0.1$. The second stage also included ethnocentrism, which turned out not to influence attitudes toward fair trade: $\Delta R^2 = 0.006$, $F(1,291) = 1.728$, $p > 0.1$. The next stage also included modernity. The variance explained by the introduction of this variable increased by 5.6 percent: $\Delta R^2 = 0.040$, $F(1,290) = 12.242$; $p < 0.01$. This indicates that a rise in modernity is accompanied by a more positive attitude toward fair trade: $\beta = 0.200$, $t(290) = 3.50$, $p < 0.01$. The subsequent stage also included modern cuisine, which turned out not to influence the dependent variable. The last added variable was that of naivety. This turned out to be marginally statistically significant: $\Delta R^2 = 0.011$, $F(1,288) = 3.51$; $p = 0.062$; signifying that an increase in naivety is accompanied by a more positive attitude toward fair trade: $\beta = 0.107$, $t(288) = 1.87$, $p < 0.1$.

The analysis indicates that the dimension defined as modernity exerts the most significant influence upon the purchase of fair trade products. This dimension, however, is relatively insignificant in terms of consumer behavior, which is reflected by the relatively low significance attributed by women consumers to purchasing fair trade products.

Conclusion

It seems worthwhile at this point to indicate a number of important issues related to consumers' purchasing habits connected with fair trade

products. Firstly, the knowledge of these products is relatively low, and consumers are generally unaware of their existence. Secondly, consumers are little interested in fair trade products. Among those who show the largest interest are consumers with a higher level of education and modern beliefs. This poses a serious obstacle in promoting the idea and building social solidarity with manufacturers from less affluent countries. Pressure from ethical consumers, as well the fear of losing reputation and the boycotting of shops or products are now the only driving forces in promoting the fair trade movement among retailers. As revealed by various studies, the idea of CSR is more popular. It is, however, worth noting that in accordance with this idea, retailers implement strategies for supporting local suppliers in country of retail sales, or manufacturers from undeveloped countries. At the same time, they try to benefit from offering fair trade products so as to boost their image. This inconsistency in strategies results from a lack of synchronization at the level of mission and the values vital for the organization, as well as the predominant importance of current decisions connected with the necessity to respond to competitive actions as quickly as possible. It also involves taking advantage of the poor knowledge and low level of expectations of consumers. As a result, both CSR and fair trade become an element of instrumental strategies, rather than a key factor in a general development strategy.

Appendix 1: Basic information on trial 1

Trial 1 was conducted in 2013 on a representative group of 1,000 adult Poles, and was financed by National Science Centre, on the decision no. DEC-2011/03/B/HS4/03576. Descriptive statistics relating to the trial are included in Table A. The data were verified against nonstandard positions. Using a g-factor of 2.2 in accordance with Hoaglin's, Iglewicz's, and Tukey's (1986) suggestion, two nonstandard observations were determined and eliminated from the database.

Appendix 2: Consumption-related variables: materialism, hedonism, utilitarianism, price sensitivity

Materialism (Cronbach $\alpha = 0.774$)

To determine the level of materialism, a shortened scale of Richins and Dawson (1992, pp. 303–316) was used (the original scale consisted of 18 items). The scale consisted of nine items measured on a 7-point scale from 1 (“I totally disagree”) to 7 (“I totally agree”). The value of 4 indicated a level of “I neither agree nor disagree.” The results obtained

Table A Descriptive statistics for trial 1

<i>Variable</i>	<i>Frequency</i>	<i>Percentage share</i>
Gender		
male	474	47.5
female	524	52.5
Age		
below 29	263	26.4
from 30 to 39	179	17.9
from 40 to 49	146	14.6
from 50 to 59	179	17.9
60 and above	231	23.1
Education		
Basic/Lower secondary	182	18.2
Vocational	270	27.1
Secondary	393	39.4
Higher	153	15.3
Income in PLN		
below 1,500	135	17.6
from 1,501 to 2,500	239	31.1
from 2,501 to 4,000	261	34.0
above 4,000	133	17.3

Source: Own work.

(Table B) indicate that the numerical mean values scored by respondents did not vary significantly from the level of indifference, although only in the case of two items were they nearly identical with the level of indifference.

Hedonism (Cronbach $\alpha = 0.929$)

To determine the level of hedonism, a scale of Babin, Darden and Griffin (1994 pp. 644–656) was used. The scale consisted of seven items measured in a 7-point scale from 1 (“I totally disagree”) to 7 (“I totally agree”). The value of 4 indicated a level of “I neither agree nor disagree.” The numerical values on the scale were below the level of 4, which designates the level of indifference (except for item no. 4). This indicates a relatively low level of hedonism associated with purchasing (Table C).

Table B Descriptive statistics relating to materialism (N = 998)

<i>Items on the scale of materialism</i>	<i>M</i>	<i>SD</i>
I admire people who own expensive houses, cars, and clothes.	4.05	1.314
Things I own tell a lot about how successful I am in life.	4.35*	1.186
I like to have things that impress others.	3.95	1.391
I like to live simply, as far as having things is concerned.	4.92*	1.023
I like to spend money on impractical things.	3.30*	1.558
Buying things gives me a lot of satisfaction.	4.54*	1.215
My life would be better if I owned certain things that I don't have.	4.61*	1.212
I would be happier if I could afford to buy more things.	4.65*	1.234
Sometimes, it bothers me a little that I cannot afford to buy all the things I like.	4.68*	1.198

* Different from the value of 4 at a significance level of 0.001.

Source: Own work.

Table C Descriptive statistics relating to hedonism (N = 998)

<i>Items on the scale of hedonism</i>	<i>M</i>	<i>SD</i>
I do shopping because I like to, not because I have to.	3.99	1.343
Shopping for me is a form of entertainment.	3.86*	1.442
I like to spend my time shopping.	3.95	1.415
I like to shop for the fun of buying, not because I have to.	4.11	1.353
When shopping, I feel like a hunter.	3.59**	1.458
When shopping, I forget about my problems.	3.85*	1.366
Shopping for me is like an adventure.	3.72**	1.421

* Different from the value of 4 at a significance level of 0.01.

** Different from the value of 4 at a significance level of 0.001.

Source: Own work.

Utilitarianism (Cronbach $\alpha = 0.656$)

To determine the level of utilitarianism, a scale of Rajeev and Ahtola (1991) and a scale of Babin, Darden and Griffin (1994 pp. 644–656) were used. The scale consisted of nine items measured on a 7-point scale from 1 (“I totally disagree”) to 7 (“I totally agree”). The value of 4 indicated a level of “I neither agree nor disagree.” The numerical values on the

Table D Descriptive statistics relating to utilitarianism (N = 998)

<i>Items on the scale of utilitarianism</i>	<i>M</i>	<i>SD</i>
When I go shopping, I buy only the products I need.	5.03*	1.096
I often fail to buy what I need.	3.88**	1.262
When I go shopping, I find the products that I planned to buy.	4.90*	1.034
I am sometimes disappointed when I have to go to another shop than normal to buy what I am looking for.	4.28*	1.207
Buying things is not a pleasure for me—it is rather a duty.	4.30*	1.270
I do not buy many things for pleasure, but because I need them.	4.78*	1.171

* Different from the value of 4 at a significance level of 0.01.

** Different from the value of 4 at a significance level of 0.001.

Source: Own work.

Table E Descriptive statistics relating to price sensitivity (N = 998)

<i>Items on the scale of price sensitivity</i>	<i>M</i>	<i>SD</i>
I am not willing to make an extra effort to buy a cheaper product.	4.26*	1.186
I buy food products in more than one shop in order to find the cheapest ones.	4.30*	1.240
I am willing to pay more for a product if I know that part of the price will be spent on helping others (e.g. children, talented pupils, schools, etc.).	4.47*	1.066
The money saved by finding cheaper products is usually not worth the effort and the time spent on finding them.	4.23*	1.148
I do not usually buy food products in more than one shop in order to find the cheapest ones.	4.21*	1.188
I am inclined to choose products in ecological packaging.	4.63*	0.987
The time necessary to find a low price product is usually not worth the effort.	4.30*	1.194
I am willing to get involved in help programs for others, arranged by the retailer (e.g. collections of products, collections of money for the benefit of schools or help centers, donating used appliances, etc.)	4.45*	1.055

* Different from the value of 4 at a significance level of 0.01.

Source: Own work.

scale were above the level of 4, which designates the level of indifference (except for item no. 2). This indicates a moderate level of utilitarianism associated with purchasing (Table D).

Price Sensitivity (Cronbach $\alpha = 0.656$)

To determine the level of price sensitivity, a scale of Lichtenstein, Ridgway and Netemayer (1993) was used. The scale consisted of nine items measured in a 7-point scale from 1 (“I totally disagree”) to 7 (“I totally agree”). The value of 4 indicated a level of “I neither agree nor disagree.” The numerical values on the scale were above the level of 4, which designates the level of indifference (except for item no. 2). This indicates a moderate level of price sensitivity associated with purchasing (Table E).

Appendix 3: Information on trial 2

Quantitative research on a sample of 444 inhabitants of Poznań, Szczecin, and Lublin was carried out in November 2013 (Table F). The research was conducted by the team Renata Nestorowicz, Lilianna Nowak, Anna Rogala, Ewa Jerzyk and Magdalena Stefańska, under PNTM. Detailed results based on statements that refer to consumption and food were developed by Nowak (2014, pp. 541–561). From the same research, questions about collecting information were widely presented by Nestorowicz (2014, s.1–12). The number of interviews conducted in each city was around one-third. Data was collected by means of a structured interview. Respondents were chosen among adults who make food-buying decisions in their households. The sample was selected by means of quota sampling, and the assumed criteria were age and gender. As far as age is concerned, the structure of the sample corresponded to the structure of the population, whereas with respect to gender it was assumed that 30 percent of the respondents would be men, and 70 percent women, as earlier research had showed that women much more often make the food-buying decisions (Baranowska-Skimina, 2013).

Attitudes toward fair trade products were measured with an index comprising three items, graded on a scale from 1 (“definitely not”) to 5 (“definitely yes”).

- I willingly purchase fair trade products because in this way I support manufacturers from distant countries.
- I know little about fair trade products.
- I know a lot about fair trade products.

Table F Descriptive statistics relating to trial 2 (N = 314)

<i>Variable</i>	<i>Frequency</i>	<i>Percentage share</i>
Age		
18–24 years	28	8.9
25–34 years	61	19.5
35–44 years	65	20.8
45–54 years	63	20.1
55–64 years	49	15.7
65 and over	47	15.0
Education		
Basic	1	.3
Vocational	21	6.8
Secondary	118	38.1
Higher	170	54.8
Assessment of financial situation		
Very good	30	9.7
Good	117	38.0
Average	150	48.7
Bad	9	2.9
Very bad	2	.6
Employment		
Employed	202	65.4
Unemployed	16	5.2
Pensioner/Retired	48	15.5
Employed pensioner	16	5.2
Student	23	7.4
Employed student	4	1.3

Source: Own work.

Two last scale items were taken from Commitment Scale (Information Complexity), which measure the strength of a consumer's commitment to an object (Pritchard, Havitz, and Howard 1999). The index was obtained by applying the principal component factor analysis. KMO = 0.586 explained 69 percent of the variances. Because of skewness, the index was subjected to logarithmic transformation (table G).

Table G Descriptive statistics related to attitudes toward fair trade (n = 308)

	Mean	SD	Skewness (standard deviation)	Kurtosis (standard deviation)
Attitude towards FT products	0.0527	1.0257	0.841 (0.139)	0.149 (0.277)

Source: Own work.

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CHAPTER 6

THE EFFECT OF COMMUNICATING CSR AND FAIR TRADE ON THE ATTITUDES AND BEHAVIOR OF EMPLOYEES OF TRADING ENTERPRISES

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Corporate social responsibility (CSR) and fair trade present retailers with a serious challenge, as they not only must focus on their own employees in their strategies but they also must demand that their suppliers and subcontractors match the requirements defined by these ideas. Both CSR and fair trade share a principle that employees should be properly remunerated and their rights should be respected, and children should not be employed. These requirements are binding not only for retail trade companies but also all lower-level links in the supply chain. From a long-term perspective, developing a company's image based on respecting human rights and employee rights helps each participant in the supply chain achieve a competitive advantage.

Examining the lowest end of the supply chain, it can be seen that retail companies that pursue production costs reduction and are desperate to obtain the benefits from transaction costs often thoughtlessly introduce new products that have been manufactured by employees who are treated unethically and whose rights, particularly with regarding work safety, have been violated. Reports on sweatshops by the media indicate that global retailers have a long way to go before they can establish decent and honest working conditions among their suppliers.

CSR in reference to employee relations is a top-down initiative, because the management shapes working conditions and defines which ethical standards apply, standards they may also require their suppliers to implement. Charity activities are an exception, for they are often initiated by lower-level employees, whereas fair trade is a grassroots initiative by a third party, according to which small manufacturers from Global South countries form associations, observe certification standards, and introduce joint initiatives on behalf of local communities. Global retailers, therefore, face a major challenge of setting an example and introducing employee management methods to establish standards in accordance with CSR and fair trade. However, it is not only important to act but also to inform others about these actions, so that they are understood and accepted, and so that employees can become involved in the development of initiatives from which both they and the local communities may benefit.

Theory of Communication within an Organization

An organization can obtain its goals only when all the subsystems are properly coordinated. The correct functioning of an organization is determined by communication processes both inside and outside a company. If there is a large number of stakeholders, this means that a company's communication needs reach far beyond contacting customers and employees, and therefore it is necessary to analyze these in a broader context. Each company should, therefore, communicate with both the internal and the external environment. An organization's external communication channels include contacting other establishments (e.g., a financial institution), an individual segment in the environment (e.g., a business cluster), and customers (Potocki, Winkler, and Żbikowska 2011, p. 24). The transfer of messages allows the company to gain access to information that is essential for its functioning and to adapt to market changes in a faster and more precise way. Internal communication channels include interactions between particular units, between units and the social subsystem, inside a particular subsystem, and between the social subsystems. The multidimensional and complex nature of organizational communication means that creating a communication strategy that is adapted to the specific needs of particular groups of recipients and is, at the same time, coherent, is a very complicated task. In order to formulate such a strategy, it is necessary to adequately understand the nature of the communication processes within a company, their components, and the goals that they are meant to achieve. The role of communication within a company is

presented against the background of one of five approaches discussed in the literature: mechanistic, systemic, oriented toward interpersonal relationships, cultural, and political (Griffin 2003, pp. 263–264). In a mechanistic approach, a company is identified with a machine, and the employees with its components. In this case, the major goal of internal communication is to provide for the transfer of information that is vital for the correct performance of duties and that is formulated clearly and precisely. In a systemic approach, an organization is a unity comprised of interrelated elements, and the processes of communication eliminate any ambiguity and enable the obtaining of data that is essential for effective functioning. In the approach oriented toward interpersonal relationships, the individual is considered the most important element of an organization. For this reason, communication takes the form of a dialogue in which the superior and the subordinate are partners and in which the individual is motivated to become more involved in carrying out the organization's goals. The cultural approach acknowledges culture as a community of meanings, understanding, and a method of providing sense, while communication is an element of reality viewed by the participants in that process as obvious and one that shapes this reality. Advocates for the political approach believe that an organization is a battle for power and influence among various interest groups. At the same time, they stress that the appropriate management of communication processes within a company contributes to increased effectiveness and the forming of a democratic work environment. For this reason, its role goes far beyond the merely information-providing aspect.

From a particular scientific perspective and approach to internal communication, it is viewed as an instrument or an independent organizational process that takes place within a company (Rogala 2011). Communication is carried out through the exchange of information and ideas between various participants, and that process binds together both the company's organizational units and the company itself through its environment (Bovéé and Thill 2000, p. 7; Gros 1994, p. 69; Mazzei 2010, p. 221). In publications in which communication is treated in an instrumental way, it is associated with all the instruments used by the company to communicate with its employees (Cornelissen 2004, p. 189). It is usually perceived exclusively as a means of transferring messages and knowledge within an organization, and its role is limited to organizing the transfer of information within a company.

The systematics regarding goals for internal communication reach beyond the standard conveyance of information, which is why this process should be analyzed in a broader context. This approach is

reflected in the work of B. Quirke, a renowned authority on managing communication activities within an organization. Quirke views internal communication as a basic process that allows the company to create value for its customers (2008, p. 21). He claims that in an age dominated by information, the company's main resources are know-how and employee relations. He says that managing an organization consists of collecting appropriate information and then processing it through the use of the employees' creativity and intellect in order to create value for the recipient of a product or service. In order to achieve this, it is necessary to establish an appropriate atmosphere in the workplace as well as a well-operating transfer of information that is accepted by all employees. An integrated approach to communicating within the company views internal communication in the context of business, management, corporate, and organizational communication (Kall 2005, p. 304). Thus, integrated internal communication includes all acts of formal and informal communication that take place inside the organization and on all levels. Advocates of this concept emphasize a strong relationship between external communication and communication inside the organization (Cheney and Christensen 2001, p. 231).

Acts of communication that occur inside a company are most often analyzed in reference to models of the communication process, which are based on work in the fields of psychology, sociology, and linguistics. What is important, depending on the research perspective that is adopted, is that these models bring out certain characteristics of communication, while at the same time they marginalize the significance of others' models. The most popular assumptions on which such models are based include (Morreale, Spitzberg and Barge 2007, p. 34)

- communication as a transfer of information from the sender to the recipient;
- communication as a form of negotiating meaning between interlocutors;
- communication as persuasion aimed at enforcing, changing, or modifying the attitudes, values, and actions of the participants in the process; and
- communication as a means of forming communities.

Communication models described in the literature are mostly descriptive models that have a structural or dynamic nature. They illustrate in a simplified way both the components and the course of the processes,

viewing them as transfers of information, negotiated meanings, or persuasion.

The authors' review of approaches and assumptions for these models of communication processes included all the constructs that could be related to the problems of communicating within a company. The following models have been considered: K. Lewin's model of information transfer; H. D. Lasswell's acts of persuasion; C. Shannon and W. Weaver's model of signal transfer; W. L. Shramm's model of a community of experiences; B. Westley and M. McLean's model of selection; D. Berlo's Source, Message, Channel, Receiver (SMCR) model of communication; and the coaxial HUB model. Having carried out an analysis, certain characteristic features were selected, which were then included in the author's model of internal communication (Figure 6.1).

The model presented above is comprised of the following elements:

- the sender of the message, whose personality, experience, and level of communication competences influence both the method of formulating the message and the course of the communicative act;

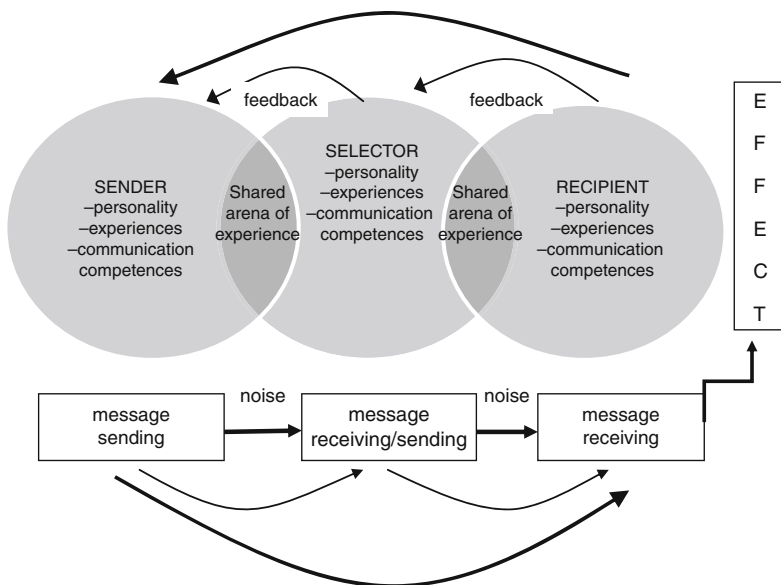


Figure 6.1 A model of communication within an organization.

Source: Rogala A. (2013), *Determinanty skuteczności komunikacji wewnętrznej w przedsiębiorstwie*, unpublished Ph.D. thesis, Faculty of Management, Poznań University of Economics, Poznań.

- the selector, who controls the flow of information and the course of communication, and whose position within the company is, therefore, quite strong;
- the recipient of the message, whose personality, previous experience, and level of communicative competences imply certain types of communicative behavior and ways of receiving the message;
- an area of shared experiences by the sender and the selector, and the selector and the recipient, as well as the sender and the recipient, which follows from the fact that the processes of communication involve not only the transfer of information but also the sharing of experiences;
- written, verbal, or nonverbal messages that should be sent in such a way that they can be received by the recipient in the way intended by the sender;
- noise, which may cause delays, incompleteness, or distortions in the communicated message;
- feedback in the form of the recipient's reaction to the decoded message from the sender, allowing for a verification of whether the message has been properly received and understood; and
- the effect, which is understood as a defined goal for the purpose of which communication has been initiated and which involves prompting/ending a particular action, shaping a new attitude or its modification, or enforcing an existing attitude.

It should be noted that the most important change introduced into deliberations over the processes of internal communication is the category of effect, that is, the result of the message intended by the sender. In the context of including CSR-related content in the company's information policy, the shared area of experiences of the sender, selector, and recipient of the message is a particularly important element of the model. As far as the effectiveness of actions taken in this area is concerned, it is necessary to enlist the acceptance and involvement of as many members of the organization as possible. The greater the shared area of experiences, manifested through similar attitudes and beliefs with which both sides of the process can equally identify themselves, the greater the chance that CSR-related actions taken by companies will be successful.

In light of the above, communicating within the company is not merely a simple transfer of messages from the sender to the recipient. Internal communication should be understood as a bilateral process that takes place at all levels of the organization and makes possible the achievement

of its goals. That process consists in creating, transforming, and conveying information between units, groups, and the organization, and its primary purpose is to improve cooperation among the members. What is important is that this process may take place through both formal and informal channels, while the communication act itself assumes a verbal, nonverbal, or written form. Moreover, internal communication makes it possible to disseminate specific meanings, values, and experiences, which in turn allows for the developing of a sense of affiliation with the organization (Angelopulo and Barker 2007, p. 14). It needs to be emphasized that communication within a company should shape or modify attitudes and types of behavior that are compatible with the interests of the parties involved.

The range of goals that internal communication is expected to achieve is complex and, as has been mentioned above, goes beyond the mere transfer of information, that is, providing employees with the information necessary to perform their duties properly. Adequately realized communicative actions lead to the development of one's sense of affiliation to the organization and the work performed, as well as understanding one's position in the company and the responsibility it entails. For this reason, a set of internal communication goals should include the following partial goals (Rogala 2014, p. 321):

- conveying current information essential for the proper functioning of a company;
- preparing for forthcoming changes;
- uniting around the company's mission, values, and strategies;
- establishing a positive atmosphere in the workplace;
- providing motivation to act for the benefit of the company; and
- developing a positive internal image of the organization.

Actions taken within the organization to achieve these goals are directed toward all members of the organization, although the processes may be initiated not only by management, middle management, and the human resources (HR) department but also rank-and-file employees as well. Considering CSR-related activities, it is worth noting that internal communication contributes to the successful realization of these activities not only through adequate information policies within the company but also through uniting people around the mission and values. On the other hand, motivation to act for the benefit of the company, the employer's positive image, and the appropriate atmosphere increase the employees' involvement in the organizational activities in this area.

The Impact of Internal Communication on the Perception of an Employer's CSR Activities

CSR-related messages are most often communicated by the top management of a trading organization, with the selectors of these messages being direct superiors (e.g., a floor manager), and their recipients—the rank-and-file employees. This is the standard channel of communication for a retail chain's general CSR based strategy, for example, and the actions required within that strategy. An important role in transferring information is performed here by selectors. It is their involvement, attitudes, and beliefs that will determine which information is chosen and how it will be conveyed to subordinates. However, the beliefs and attitudes of the recipients, that is, the rank-and-file employees, are equally important. The more they are convinced that the CSR idea is right, the more willing they will be to listen to CSR-related messages, and the easier it will be to convince them to undertake subsequent actions within the CSR strategy (e.g., pro-ecological or charity activities). This is governed by the principles of involvement and consistency (Cialdini 2013). Taking into account that socially responsible organizations promote the bottom-up involvement of employees in various activities, for example, charity work, the messages may also be initiated by rank-and-file employees who suggest proposals in such areas.

In light of the above, it seems interesting to analyze the results of interviews conducted with employees of several super- and hyper-market chains and a discount chain.¹ They indicate that appropriate vertical communication (superior-subordinate) as well as horizontal communication (between same level employees) directly influences the implementation of ideas about social responsibility in the everyday activities of particular employees. Informing employees about the actions taken by a company as part of its social responsibility strategy influences the employees' attitudes toward carrying out CSR tasks. The more employees know, the more willing they are to participate in such activities, and the more often they notice actions taken not just on behalf of the employees but also for the benefit of the environment. In trading enterprises in which communication regarding CSR-related actions was not formalized, employees perceived the employer's CSR activity mostly through the prism of actions on behalf of themselves, primarily actions to improve their social conditions. All the focus group members in the present study, when asked about CSR activities, indicated what their retail chain did for its employees, what it ought to do, and which actions on behalf of the employees did not need to

be taken. In companies in which the communication of CSR actions is well developed, employees have a better awareness of certain terms associated with the company's social responsibility and they can also perceive CSR actions taken on behalf of other groups of stakeholders. This proves the necessity of communication, to inform employees about the actions undertaken on behalf of local communities, suppliers, and so on. Even if these actions take place, but are not communicated to the employees, they often remain unnoticed. An example of such a situation is the offering of fair trade products in shops. Even those employees of a chain whose line of products included fair trade items did not know what made those items special. Neither did they associate the sales of such products with any form of socially responsible activity.

The Role of Managers in the Implementation of CSR and Fair Trade

The literature in the CSR field assumes that the vital stakeholders within corporate social responsibility include: employees, management, and investors (Kluge and Schomann 2008). All these groups have a common interest in protecting the company's reputation against various sorts of perils. For this reason, they should share the responsibility for implementing the company's CSR actions. Particularly important is the role of managers, whose worldview, values, and mentality influence the decisions they take within the framework of CSR (Basu and Palazzo 2008, p. 124).

Among the management staff, it is the top management that has the greatest influence on the implementation of CSR-related actions. However, middle management also performs an important role in this process. They are a type of intermediary, whose behavior and attitudes may influence the initiation and implementation of both top-down and bottom-up CSR strategies. This, in turn, may translate into gaining the support of employees as external ambassadors for the company's CSR (Vlachos, Panagopoulos and Rapp 2013, p. 578).

It needs to be said here that managers, for whom social and ethical issues may not be important, discourage employees from getting involved in CSR activities. On the other hand, managers who do care about observing socioethical norms may try to encourage their subordinates to respect such values. If these principles are important for the employees and are shared by them, more effective activities in this area will follow (Buciuniene and Kazlauskaitė 2012, p. 8).

Focused interviews conducted by the authors with the employees of retail chains clearly indicate that direct superiors can have an immense impact upon the attitudes and socially responsible actions of rank-and-file employees. And it is the superiors' actions, which set a good example, rather than their words, that are important in this respect. If the managers accept and share the ideas of CSR, act in accordance with them, and require similar actions from their subordinates, the subordinates will be more willing to get involved in such activities. The duplicity or double standards of managers or subordinates can have a very discouraging effect upon the rank and file. Employees quickly discover discrepancies between what the company "proclaims" and what it "does" in support of them. Similarly, they easily notice any discrepancy between what their direct superior says and how he actually behaves toward his subordinates and other people (customers, suppliers). If such behavior takes place even sporadically, it is well remembered and often quoted. No lofty slogans about social responsibility can change employees' attitudes, if the employees are exposed to actions incompatible with the ideas of CSR. And exactly such types of behavior were observed, to a greater or lesser degree, by all the employees interviewed in the qualitative research discussed in the present study.

An element worth noticing is a certain CSR "immaturity" of employees, who act in a socially responsible way not because of their own beliefs, but only to meet their superior's requirements. This is indicated by, among other things, the opinion that an employee's behavior depends on who is the manager during a particular shift. The same employee may act differently, depending on who is his or her direct superior in a given situation.

Effective realization of the company's CSR based strategy requires employees to be included in the process from the early stages of planning to the late stages of implementation (Inyang, Awa, and Enuoh 2011, p. 124). In order to achieve this, it is necessary to promote the strategy among the staff, and the persons responsible for this task are HR managers. Their role is not limited to providing information about specific actions, but—above all—consists of planning initiatives that increase organizational trust and the level of affiliation to the organization (De Roeck and Delobbe 2012, p. 409).

CSR is not merely limited to philanthropy, but is a manifestation of the organization's strategic concern about the environment. Managers should, therefore, be professional agents of CSR within the company, because it is only in this way that CSR-related tasks can be successfully

implemented (Shamir 2005). CSR-related actions require understanding and acceptance on behalf of the company's staff. A vital role in this area is performed by the management, whose duty it is to introduce CSR-related initiatives and to integrate them within the functioning of the entire organization.

Employees as a Target Group for Retailers' CSR Strategies

Organizations that assign importance to the issue of CSR care not only for the well-being of society but also of the staff as well. Employees of such companies have a greater chance of feeling satisfied with the work they perform, both in the psychological and the sociological aspects (Senasu and Singhapakdi 2014, p. 165). On the other hand, employees who get involved in CSR-related initiatives contribute to the organization's improved financial results. As indicated by Inyang, Awa, and Enuoh (2011, p. 119), it is thanks to them that strategies become a reality. Managers should emphasize the ethical and honest behavior of the company in managing staff interactions. Considering that employees affect and are affected by most CSR-related activities of a company, it is hardly possible to overestimate their importance for the understanding and analysis of how these actions are introduced and perceived by the staff. Getting employees involved in creating a strategy of CSR makes them feel coresponsible for the success of their organization (Barker, Ingersoll and Teals 2013, p. 35). It is recognized that organizations that are active in the area of CSR care more about their staff and constantly search for ways of improving the working conditions and the well-being of their employees. CSR actions directed at employees include, among other things (Buciuniene and Kazlauskaitė 2012, pp. 9–10)

- recruitment procedures compatible with the organization's ethics and values;
- flexible working time and transparent principles of staff rotation;
- efficient and transparent internal communication;
- precisely defined needs for training programs;
- profit sharing and a fair distribution of shares;
- employee involvement and delegation of decision-making competences;
- the health and comfort of staff;
- actions in the area of successfully reconciling personal and professional life.

Stefańska (2014, p. 186) views this issue differently and points to the following areas for introducing CSR relating to employees:

- respecting employees' rights;
- allowing employees to form trade unions;
- transparency in decisions, particularly personal ones, made by the company;
- preventing any manifestations of nepotism;
- preventing discrimination;
- promoting personal development;
- supporting people who are discriminated against for age, sex, religion, beliefs, or other reasons;
- preparing a code of ethics;
- preparing a code of conduct in the event of unethical behavior (the so-called whistleblowing policy);
- staff voluntary service.

Adjusting actions to the needs of internal stakeholders in the areas of social responsibility and justice may significantly increase the involvement of employees in the functioning of the organization, which in turn can lead to increased loyalty toward the company. Adequately implemented CSR-related initiatives reduce staff rotation and increase the employees' degree of identification with the company (cf. De Roeck and Delobbe 2012, p. 397; Senasu and Singhapakdi 2014, pp. 165–166). It needs to be emphasized that introducing CSR-related actions on behalf of employees also requires that an organization develop a specific reputation. Only a company's good reputation will enable it to benefit on the world market from its CSR-related actions (Russo and Fouts 1997). The contents of CSR programs undertaken on behalf of an organization's employees depend upon the institutional environment of a given country (Crane, Matten, and Spence 2008). In countries with well-developed regulations in the labor market, employee-oriented CSR strategies are focused on issues of reconciliation between professional and family life and the improving of employee qualifications. In other countries, where such regulations are scarce, they are mostly concerned with decent pay, working conditions, and the right to form trade unions. Rodrigo and Arenas (2008, p. 265) argue that the introduction of CSR programs invokes among the employees attitudes both toward the organization and toward society. The authors further divide the two types of attitudes into four categories:

- assuming a new role in the organization;
- identifying oneself with the organization;

- assigning importance to the work that is performed; and
- feeling a sense of social justice.

Based on analysis of the staff's attitudes toward CSR and their behavior in this area, a typology of employees' attitudes was created, which was concerned with their involvement in carrying out the strategy of social responsibility. In practical terms, one can distinguish employees who are dedicated to the idea, indifferent to it, or who contest it (the so-called dissidents). The presence or absence of particular types is, on the one hand, determined by the company's effectiveness in carrying out CSR activities, and, on the other hand, the personal beliefs of the members of the organization. Therefore, ethical issues should be emphasized as early as during the recruitment of new employees—either in recruitment campaigns or during job interviews (Dhanesh and 2012, p. 52). Such procedures improve the chances of employing people who will be dedicated to the idea of CSR or, at worst, who will remain indifferent to it.

The nature of working in the retail trade sector, as well as the expectations that employees presently have in relation to their employers, are

Table 6.1 The qualities of working in shops and the expectations of employers and employees

<i>Qualities</i>	<i>Expectations</i>
<ul style="list-style-type: none"> • Contact with customers • Development of communication skills • Development of negotiation skills • Flexible working hours • Opportunity of earning extra money • Teamwork • Promotion opportunities • Work at weekends • Work in the afternoons • Relatively low pay • Fixed contract or employment contract for specified work • Changeable duties 	<p>Employees:</p> <ul style="list-style-type: none"> • stability • job security • good working atmosphere • teamwork • opportunity for self-fulfillment • promotion opportunities • attractive salary and well-developed incentive system • flexible working hours <p>Employers:</p> <ul style="list-style-type: none"> • high productivity • high qualifications in customer service • efficiency in sales • reinforcing the shop's and the company's image • availability

Source: own work.

the reasons why it is certainly justified to implement the CSR concept in this sector. Table 6.1 shows the main problems connected with working in the retail trade and the expectations of both employees and employers in this sector.

From the point of view of potential employees, working in the retail trade sector is not considered an attractive career for university graduates, who have been trained for managerial positions (Grzesiuk 2010, p. 89–91). Moreover, young people in the course of their studies often take up working in retail at the lowest level, which is usually connected with direct service, and do not associate their future with it. The short length of time that these employees work prevents employers from investing in their development, while these young employees do not have access to all the information circulated among the staff members, and so they do not learn about all the benefits of working for a given employer. University graduates consider working in innovative, technologically developed sectors, as well as jobs in multinational or global corporations far more interesting. Therefore, in order to attract the best graduates, it is necessary to develop an image of a committed and responsible employer. Some employers have the ability to spot the potential of short-term employees at this early stage, which is indicated by internship programs for senior students of management and economics. Such is the policy of, for example, Tesco and the Intermarche Group.

The data presented above confirms the necessity of introducing employee-oriented CSR actions in retail companies. These actions serve the purpose of increasing job satisfaction and providing a sense of security among retail trade employees. Below we shall present the results of quantitative investigations carried out in Poland among employees of retail chains. The results of these investigations concern two issues: the perception and knowledge of employee-oriented CSR actions and the perception of working conditions in retail enterprises. These issues are interrelated, because CSR actions are often aimed at improving working conditions.

Employee-oriented CSR actions in Retail Enterprises in Poland in Research Involving Retail Chain Employees

One of the problems associated with the functioning of CSR in companies is an adequate flow of information from management to employees and back to management. A company's internal communication is important inasmuch as it can make employees aware of the goals

and intentions of the actions undertaken. In many cases, however, it can be ineffective, which is demonstrated by employees' various levels of knowledge about companies' CSR-related actions. A quantitative study presented examples of imperfect internal communication. The study considered the level of knowledge among the employees of trade enterprises about CSR actions undertaken by the employers. Each retailer selected for the investigation was represented by at least five employees. Overall, the investigation included 231 respondents from 18 trade enterprises. The number of employees at each particular company was between 5 and 26. The investigation included 18 employee-oriented CSR actions. A list of these actions is presented in Table 6.2. All of the actions were undertaken by all the companies with varying frequency. The rarest action mentioned by the respondents was a CSR unit (22% of the respondents), while the most frequent one was allowing the employees to improve their qualifications (almost 70% of the respondents). It needs to be emphasized that particular trade enterprises were represented by a different number of employees (from several to several dozen), and for that reason the results are slightly biased in favor of actions undertaken by units that have a greater number of representatives.

The diversity of CSR actions in various retail enterprises is less important than defining the different ways in which the actions within the same organization were perceived by its employees. Table 6.3 presents the data regarding this issue. It indicates the diversity between the minimum and maximum number of actions taken by an employer that are noticed by the employees. In a single case, the recipients assessed the number of actions at an identically low level. In all the other cases, there were significant differences between the minimum and the maximum number of actions. In some cases they extended over almost the entire scale.

While the differences in perception of CSR actions is hardly a surprise, the scope of those differences is baffling. There seem to be several sources for this diversity. The differences between the number of actions counted within particular companies may result from both individual factors (i.e., factors associated with individual people) and factors associated with the company. The former include

- a low level of interest taken by the employees in CSR issues;
- professional burnout syndrome resulting in a negative perception of the employer or a failure to notice the employer's efforts on behalf of employees;

Table 6.2 CSR actions undertaken by retail enterprises in the opinion of employees

<i>CSR actions</i>	<i>N</i>	<i>Number of indications</i>	<i>Percentage of respondents</i>
Accepts flexible working hours for people who want to improve their qualifications	231	160	69%
Provides work tools not required by the regulations, but that make work easier	231	149	65%
Offers employees additional rebates/discounts for purchases	231	146	63%
Encourages employees to initiate their own work improvement ideas	231	145	63%
Offers full-time employment, rather than short-term contracts	231	128	55%
Checks job satisfaction	231	118	51%
Uses the same principles of employment at a given position in the entire chain of shops	231	109	47%
Uses a code of conduct for how to behave in the case of any unethical behavior by employees (e.g. gossiping, malicious behavior) or corruption	231	97	42%
Offers financial or material support to employees in need	231	94	41%
Subsidizes vacations or holidays of employees and employees' children etc.	231	76	33%
Employs persons discriminated against for various reasons	231	75	32%
Gives employees access to reports (articles) about the company's social/ecological involvement	231	73	32%
Enables employees to improve their qualifications by subsidizing their studies or training programs	231	68	29%
Encourages employees to become volunteers and participate in activities initiated by the company	231	66	29%
Subsidizes the school costs of employees' children	231	60	26%
Publishes reports on the company's social and ecological involvement	231	60	26%
Runs a department or organizational unit dealing with CSR-related complaints	231	50	22%
Applies identical principles for rewarding, punishing, and employing all staff members	231	15	6%
Number of important observations	231		

Source: Own work based on the survey findings.

Table 6.3 The number of CSR actions within a company noticed by the employees

<i>Retail chain code</i>	<i>Average number of CSR actions</i>	<i>N (number of employees)</i>	<i>Minimum number of CSR actions</i>	<i>Maximum number of CSR actions</i>
1	6.75	20	1	14
3	6.64	17	1	17
4	7.16	24	2	16
5	13.84	26	2	18
7	7.16	6	3	11
13	8.09	11	3	12
14	6.40	5	5	8
16	9.40	10	5	13
19	6.90	10	2	16
20	5.50	8	4	7
21	3.57	14	1	8
33	5.37	8	2	8
34	9.83	6	7	12
39	6.16	6	3	13
41	8.54	11	5	15
43	7.45	20	0	14
59	10.85	21	1	18
65	2.00	8	2	2
Total	7.90	231	–	–

Source: Own work based on the survey findings.

- a strong bond with the company that may result in an error of optimism, that is, perceiving every action toward employees as an element of the company's policy;
- individual differences between particular persons related to memory or a different time range of events; and
- the lack of individual attitudes toward the issue: some people are not interested in certain actions because they are not related to their own needs, for example when a company subsidizes school textbooks for children and a given person does not have children or their children are past school age.

That the perception of CSR actions may be distorted is indicated by the correlations between these actions and a company's image or perceptions

Table 6.4 Correlations between the number of actions and a retail company's image as well as perceptions of working in the retail trade

		<i>Employee-oriented CSR actions (employee opinions)</i>	<i>Retail company's image</i>	<i>Perception of working in the retail trade</i>
Employee-oriented CSR actions (employee opinions)	Pearson's correlation	1		
	N	231		
Retail company's image	Pearson's correlation	0.526**	1	
	N	229	229	
Perception of working in the retail trade	Pearson's correlation	0.305**	0.435**	1
	N	209	209	209

** The correlation is significant at a level of 0.01 (bilaterally).

Source: Own work based on the survey findings.

of working in the retail trade sector. The image may be partially dependent on CSR actions, but it may also influence the more or less positive perception of a retail company's actions (Table 6.4).

The above data may lead to a conclusion that the perception of an employer's actions on behalf of its employees is significantly diverse and at least partially dependent upon the perception of the employer. It seems important to add that, irrespective of many individual and social factors that may cause this diversity in the perception of CSR actions, such a strong diversity suggests the failure of internal communication in this area.

Working Conditions in Retailing

The same employees whose responses to the perception of CSR actions have been presented above were also interviewed about the working conditions in retail. The results of the analysis of these interviews are presented below. They refer mostly to the assessment of the attractiveness of working in retail and the segmentation of employees in this sector because of their attitudes toward working in retail.

To identify employee segments, two analyses, factor analysis and k-means clustering, were performed on the basis of 15 opinions about working in the retail trade sector. A semantic differential seven-point

Table 6.5 Perception of working in the retail trade

<i>Opinions about working in the retail trade</i>	<i>Mean</i>	<i>Standard deviation</i>
Factor 1—career		
I like it	4.43	1.90
It gives me satisfaction	3.97	1.89
I can make a career	3.85	2.03
Quick promotion opportunity	3.63	1.84
Constantly changing duties	3.63	1.93
It is well paying	3.48	1.69
It fosters self-fulfillment	3.37	1.81
Factor 2—stability		
It offers flexible working hours	4.50	1.81
I favor it the most	3.81	1.60
It is associated with stability	3.79	1.66
Colleagues do not change jobs	3.75	1.79
Factor 3—qualifications		
Employees are easily replaceable	4.79	1.83
It does not require special qualifications	4.50	1.76
It is easy to get	4.19	1.77
Small competition for jobs	3.80	1.63

Source: Own work.

scale was used. The values obtained for the Cronbach's alpha ratio were 0.878 and 0.88 respectively, which confirms the suitability of conducting the analysis on the basis of the adopted scale. In the factor analysis, the statements from the list were divided into groups according to three factors: career, stability, and qualifications (Table 6.5). The opinion with the highest average value refers to attitudes toward working in the retail trade. Employees like this work, appreciate its attractiveness in terms of working hours and the ease of getting to it, as well as the low requirements with regard to qualifications. However, with the mean situated between the values of 3 and 4 in most statements, this indicates that the average value of the assessed index is closer to perceiving the drawbacks of work in retail. Also, it is worth noting that the high values of standard deviations suggest that opinions vary among employees, so there is a differentiation of opinion. In Factor 1, one can observe that although the respondents tend not to perceive working in retail as a career opportunity, they like the job. The next factor reflects the need for safety and stability

Table 6.6 Segmentation of retail workers based on their opinions about working in the retail trade

<i>Factors</i>	<i>Career</i>	<i>Stability</i>	<i>Qualifications</i>	<i>Share in sample</i>
“Reliable retail salespersons” (S1)	-0.589	0.386	0.721	35%
“Uncertain of the future” (S 2)	-0.717	-0.309	-1.145	23%
“Career makers” (S 3)	0.904	-0.152	0.036	41%

Source: Own work.

of income. The low value of the average again shows that employees are not optimistic when they evaluate working in retail from this point of view.

The last factor relates to qualifications for working in retail. People who are already employed in the retail trade sector agree with the opinion that this work does not require special education and confirm that it is easy for them to be replaced by new employees. This point of view, although expressed by retail personnel, reflects the opinion of managers also, who do not fully appreciate workers with experience.

All three factors reflect the diverse expectations of employees toward their jobs and justify their segmentation, which was made using the k-means method (Table 6.6). The segments were named respectively: “reliable retail salespersons (S1),” “uncertain about the future (S2),” and “career-makers (S3).” The first and the second segments comprise people who perceive working in retail as not offering career opportunities, whereas the third one includes career-oriented employees. The representatives of the first segment, more than the others, believe in the stability of working in the retail sector. They are also convinced that this occupation requires proper qualifications. At the same time, they do not perceive the place where they currently work as offering a chance to make a career.

The second segment includes people who are less convinced about the opportunity of pursuing a career in retail. In comparison to the other segments, its members do not share such an opinion about the stability of working in retail. Moreover, this group thinks that employees in retail do not have to be highly qualified. They are more skeptical in this respect. These employees seem to be disappointed with their jobs. Finally, the third and largest segment definitely believes the most strongly in the potential of the retail sector. This segment

is dedicated to their work and interested in the opportunities offered by an employer. But at the same time, they do not think that to make a career, it is necessary to be better educated in order to be a better employee.

In the segment of “reliable retail salespersons,” decision-makers account for 18 percent; in the second one, 12 percent; and in the third one, 21 percent. Although the segments differ slightly in terms of age and experience of working in the retail trade, these differences were not statistically significant, so the demographic variables cannot be regarded as criteria that affect opinions.

The three segments differ in respect to their involvement in work and providing services to customers (Table 6.7). The first and second segments differ in comparison to the third segment (statistical significance, Bonferroni test, $p < 0.05$). The answers to questions about the responsibility for order in the workplace also show that career-oriented employees are more strongly involved in work.

Stefańska (2014a, pp. 1–16) additionally analyzed the attitude of employees toward socially responsible employers. She confirmed that the

Table 6.7 Attitudes of employees toward other employees and customers

	“Reliable retail salespersons”		“Uncertain of the future”		“Oriented on carrier”	
	Mean	Standard dev.	Mean	Standard dev.	Mean	Standard dev.
I caution other employees if their behavior disadvantages customers	2.99	1.25	2.90	1.30	3.42	1.08
If a customer misplaces a product, I take it to its proper place	4.14	0.98	3.71	1.19	4.27	0.87
I know the effects of my employer’s activities for the protection of environment	2.63	1.27	3.22	1.29	2.65	1.18

Scale 1–7, where 1 means definitely not, and 7 means definitely yes

Source: Own work.

perception of a socially responsible employer determines the attitude of employees toward working in the retail sector.

Conclusions

Some interesting conclusions can be formulated on the basis of the findings of this research. First of all, it can be said that employees' attitudes are determined by the working conditions in the retail sector. This should encourage retailers to invest in CSR activities targeted to employees in order to build a competitive advantage. First, however, employers have to recognize the expectations and attitudes of employees. An additional benefit for the managing of human resources in an organization could be improvement in the relationships among employees who represent different groups. Employers should recognize the needs of employees and implement such CSR tools as will be the most effective and acceptable for the different segments.

The fact that CSR actions undertaken by an employer influence the image that employees and potential employees have of an employer is also confirmed by qualitative investigations carried out by the authors. Retail chains are perceived as being more involved in CSR actions than small shops. Employees of large retail chains and small shops recognize significant differences in favor of large retailers. The employees of shops that belong to large retail chains are not willing to change jobs and work for small independent shops. Their reluctance in this area is motivated by

- the lack of social bonuses in small independent shops;
- a greater sense of security in working in large retail chains; and
- the clearly perceived employee-oriented CSR policy in large retail chains.

By and large, we may say that we are dealing here with a unique dualism of social perception regarding retail chains' social responsibility toward their employees. On the one hand, retail chains are perceived as entities that exploit their employees and disregard their rights. The employees who were interviewed present examples indicating that retail chains are far from what we perceive as socially responsible companies. On the other hand, however, when compared with small retail shops, the same retail chains have a different image in the eyes of their employees.

Note

1. In 2013, three focused interviews were conducted with employees of several super- and hypermarket chains and one discount chain. After this research was organized a quantitative study. The investigation included 231 interviews with respondents from 18 retail companies. Both investigations were financed by the National Science Centre as part of project No. DEC-2011/03/B/HS4/03576.

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CHAPTER 7

FAIR TRADE: TRENDS FOR THE FUTURE

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The development of the concept of fair trade corresponds to the culture of the modern world, which aims at eliminating conflicts and reaching agreements based on the win-win principle. The rich North, in an effort to protect its own markets as well as achieve economic development and the competitiveness of enterprises, uses the fair trade instrument to get rid of the problem of the unequal treatment of domestic and foreign manufacturers. Prosperity and economic development, as well as a lack of war and social unrest have fostered the development of the fair trade movement. But is fair trade merely a temporary fashion or is it a long-term trend that will continue to provide opportunities for growth and for increasing the competitiveness of companies that use it skillfully? In the first case, one would probably expect a rapid decline of interest in fair trade products and the emergence of an alternative movement that could offer effective ways of tackling the problems of social and economic inequality, as well as new forms of self-expression for consumers (Mruk 2012, p. 64). In order for fair trade to become a long-term trend, it is necessary to outline specific development scenarios connected with Fairtrade brand management and to forecast future levels in the social sensitivity of consumers.

Social justice and fair trade

The effectiveness of human activities in the socioeconomic sphere is associated with risk, which is an inevitable component of running any

business activities. In order to reduce this risk, efforts are made to forecast the future. In many areas, such forecasting is becoming more and more effective because of the development of research and knowledge, as well as new technologies. In the socioeconomic sciences, in which there is a large number of variables, including qualitative ones, which are difficult to measure, forecasting is a very difficult task. However, the need to predict the future is part of human nature (Czerwiński 1992), as evidenced by the growth in demand for services associated with divination, fortune-telling, and so forth. Bearing this human need in mind, we will focus our attention on considerations relating to future trends in the area of fair trade. These considerations will be associated with an experiment in abstract thinking rather than a prediction of the facts, which would be extremely difficult.

Remaining within the convention of a thought experiment, it is useful to mention the statement of Peter Drucker, who said that the best way to predict the future is to create it. This extremely interesting and provocative thought can be the basis for reflections concerning the theories and concepts associated with the formation of the entire socioeconomic sphere. In the economic sciences, various schools of thought have appeared, which at different times have affected ways of thinking and behaving (liberalism, interventionism, etc.). The situation has been the same in the social sphere, as well as at the interface between the social and economic spheres. The issue of fair trade concerns both the social and the economic spheres. Therefore, when considering the trends relating to fair trade, it seems appropriate to refer to the concepts of social and economic differences. One of these concepts emphasizes that every person from birth to death should be guaranteed a certain level of income. Although in the literature there are many terms relating to this approach, we will adopt the name of an unconditional basic income—a basic income for all. One of the authors who created and developed this concept is the Belgian researcher Philippe Van Parijs (2000). We mention this concept because it is connected to the idea of fair trade, which aims to involve the business and economic sphere in the attainment of socially important objectives. The notion of a basic income is being given more and more attention by various bodies that are considering the trends and prospects for the development of societies in the twenty-first century. Observing both current developments and the ongoing debates, one can state with a high degree of probability that interest in social justice in the world, including fair trade, will become greater and greater. In the future, there will be more theoretical considerations as well as practical ideas on an increasingly wider scale. Thus, in this case one can talk of a kind of a macro trend that will shape human activities. Other examples of similar macro trends

include aesthetics, health, and quality of life. These trends will shape the socioeconomic activity of business entities. In this sense, one can say that the models of social justice will occupy the thoughts of many people and influence any practical actions relating to this sphere. This means that the desire to implement various solutions in terms of justice, security, and guaranteeing a certain standard and quality of life will be a major trend driving the socioeconomic development of nations. While such a scenario can be considered as highly probable, it is more difficult to predict the usefulness of various tools and practices connected to models of social justice. This also applies to fair trade, which to some extent could inspire the development of such thinking and accelerate conceptual work and research, becoming a part of a much wider movement. It is extremely difficult to predict the future position of fair trade, the directions in which it will develop, and the effects that it will have. It is certainly associated with a trend that has a high development potential. The future, however, will depend on the behavior of producers, distributors, intermediaries, service providers, and consumers. In the long term, a concept that is not founded on the observance of ethical principles, respect for accepted values, and addressing the real needs of consumers is not likely to survive. Therefore, a concerted approach to the issue of fair trade by all the parties committed to this idea will be essential. Truth and values should be the pivot on which all the activities turn. This approach can be illustrated by a few examples. One of them is the Skanska Corporation, which operates in the difficult construction market. The company bases its actions on the Five Zeroes strategy (Wieczorek 2014), namely

- zero accidents,
- zero defects.
- zero environmental incidents,
- zero ethical breaches, and
- zero loss-making projects.

In the short term, the company expects sales and profits to be higher. In the long term, however, these principles could promote the development of the company.

Another example is a luxury car brand. It is never associated with gambling, alcohol, or other stimulants, despite these being situations in which potential customers can be found and in which the presence of the brand would certainly result in increased sales. This brand, however, has high respect for ethics and the values it has adopted. On the other hand, there is the example of Enron, which has disappeared from the market as a result of its unethical conduct.

Another example is the Samuel Adams beer brand in the United States, which faced serious problems as a result of misleading consumers (Hill and Rifkin 1999). The company informed consumers that the beer was produced in Boston. In fact, it was brewed and bottled in breweries in other places. When this fact was disclosed, sales dropped sharply. This shows that from a long-term perspective, the concept of fair trade requires respecting the adopted values as well as supervising the activities of all the entities involved.

A slightly different case is that of the No Name chocolate bar, introduced onto the market by the producer of some well-known brands of chocolate bars. The turn of the twenty-first century saw a widely publicized rebellion of young people against corporations. These issues were strongly emphasized in the book *No Logo*, by Naomi Klein (2004). Protesting against the exploitation of people by corporations, young people declared a new trend in consumer behavior, namely buying no-name products. In response, global companies introduced no-name products (food, clothing, footwear) into the portfolio of their brands. It was a way of securing sales, although this strategy could be described as a breach of trust. Neither the above trend nor the interest in no-name products lasted very long, and they did not significantly affect the structure of the market. Nevertheless, this example shows that if consumers show an interest in certain values, some companies may be tempted to take ostentatious actions in order to enter the market or ingratiate themselves with consumers. This phenomenon also concerns fair trade. It cannot be ruled out that some enterprises choose to become involved in a movement that is favorably perceived by consumers. However, this appeal to the values, brand, and idea of fair trade may sometimes reflect only a shallow commitment. In the short term, a company that applies these principles may even increase its performance. In the long term, however, both the company and the whole idea of fair trade are bound to lose. It is possible to find examples of such actions now. Some retail chains have introduced Fairtrade-certified products into their assortment, but looking at the way in which they treat their suppliers, it is difficult to say that they are following fair play rules. When predicting future trends in the development of the concept of fair trade, it is important to point to the growing interest of large corporations in the notion. This does not necessarily correspond with the concept of fair trade, which originated from the idea of supporting small producers from developing countries. While each company is responsible for its own actions, it is difficult to establish an organization that would be responsible for an idea or a set of values if many entities can refer to the Fairtrade name, logo, or symbol.

Returning to the aforementioned concept of a basic income for all, it cannot be implemented without the involvement of the state. A considerable dispersion of the organizations that award fair trade certificates, a shortage of reliable information regarding the profit margins of manufacturers and intermediaries, and limited control over the entire logistics chain mean that even the most virtuous idea can become diluted, and may even be abused by some entities. However, it is difficult to secure the commitment of states to an idea that was developed not so long ago as an initiative by individual small business entities. In addition, developed countries are not overly interested in supporting companies from the poor South.

The Possibilities for Preventing Abuses of Fair Trade

Assuming that the concept of fair trade can be a value in serving the aim of creating a better world, it seems important to consider some issues relating to the prevention of possible abuses of this concept. These abuses, including the unethical and dishonest use of the idea of fair trade, have their roots in certain activities of people who resort to such abuses as they look for opportunities to make money and become rich, regardless of the legality of their actions. The driving force is usually greed.¹ This is a feature that does not weaken over time (“When all sins grow old, covetousness is young.”). What are the chances of reducing the impact of greed on people’s behavior? The answer is that in the short term, they are fairly slim. However, taking into account the long-term development of civilization, an emphasis needs to be placed on changes that may be the result of education. It would seem appropriate to introduce such content into educational programs that would develop respect for ethical rules in the minds of young people. However, such effects may be difficult to achieve if young people are only expected to listen to lectures. If their attitudes and behavior are to change, it is important to look for ways in which young people can gain experience. Creating business enterprises in schools, which will operate in the economic sphere, will develop the skills of young people in terms of teamwork and respect for certain values, and discussions of various cases or films can help in developing their characters.² In education, a strong emphasis is usually placed on creativity, which promotes innovation, the building of a competitive advantage, and the overtaking of competitors. There are few examples of the use of creative thinking techniques to strengthen the system of values and show ethical development paths. The idea is to look for ways of preventing abuses in the concept of fair

trade. We should seek such methods of education, which will gradually lead to changes in people's beliefs, characters, and actions. Such changes are neither simple nor quick, but they are possible to implement over the long term. It could also be a good idea to acquaint young people with the activities of enterprises whose operations are based on a system of core values. An example of such a company could be a family business and a listed company that deals with waste disposal. The board respects ethical principles. Sometimes it loses contracts because another enterprise offers lower prices and then, instead of disposing of the waste properly, buries it in a forest. Certainly in the long term this company will strengthen its position because an awareness of the need for sustainable development is increasing in societies. Yet another example shows the advisability of resorting to the basics. It refers to the experience of a player who attended his first basketball training session. In the locker room, the coach asked all the players to carefully put socks on their left foot, pull them up to their knees, and check whether they adhered smoothly to the whole calf. Next they were to do the same with the right foot. Then they put on the left shoe, tying the laces carefully. This one player was silently fuming because he came to practice basketball, and instead he was spending a lot of time in the locker room putting on socks and tying shoes as instructed by the coach. It turned out that correctly worn socks and properly laced-up shoes are essential for an effective game on the court. That coach always started working from the basics. And this is the point we are making: education should be from scratch in terms of ethics and values. No exceptions can be made for anyone.

The operations of business enterprises that are based on a system of values are supported through the concept of training business leaders, referred to as "a manager of prosperity." This concept, also difficult to implement quickly and widely, is associated with individual systems of motivation. The commitment of leaders and managers does not have to be associated with increasing their remuneration or bonuses. This is what the concept of "a manager of prosperity" refers to. Such a person negotiates his/her contract with the employer, or, as an owner, sets such a level of remuneration that will satisfy his/her own needs and those of his/her family. This amount is established, thus providing a sense of security, but at the same time, it does not limit the person's creativity, commitment, and ability to motivate him/herself and others. Such an approach reduces the desire to get rich at all cost, again at the expense of values or ethics. Popularizing this way of thinking and living would certainly contribute to making gradual changes in the behavior and systems of values of managers and employees, which undoubtedly would lead to curbing abuses

in relation to the concept of fair trade. It would be beneficial if such an approach could be adopted by all the entities involved in the concept of fair trade.

The methods discussed above should be reinforced by organizational solutions. It would be utopian to assume that people will act honestly of their own accord. It is crucial to work on developing systems to monitor the implementation of the fair trade concept. To develop and implement appropriate solutions, it is necessary to diagnose the current reality. Perhaps the European Union (EU) or a group of several countries will be willing to provide funding for the necessary in-depth diagnosis of this area. According to the findings of research conducted by Daniel Kahneman (2012), it would be appropriate to appoint two independent bodies to prepare such a diagnosis. These groups ought to act independently, without even knowing of each other's existence. The diagnosis should include all the issues that are mentioned in the earlier part of this work because they raise many doubts as to the nature of practical activities in the area of fair trade.³ For example, the following issues can be indicated:

- the number of producers worldwide who participate in fair trade,
- the value of the support that producers receive,
- the value of the profit margin for the intermediaries operating within the system,
- the rules for awarding certificates,
- the monitoring of the entire value chain, from the producer to the consumer,
- the attitudes of consumers toward the idea of fair trade and the Fairtrade logo in different countries, and
- compliance of entities regarding the declared values.

When completed, the diagnosis ought to show the strengths and weaknesses, as well as the opportunities and threats associated with the functioning of the fair trade concept in practice. On the basis of such a diagnosis, it would be possible to develop a theoretical framework for the control, supervision, and coordination of the activities of all the involved entities. This, however, may be difficult to do without anchoring such an organization in the structures of the EU or the structures of a selected country, and it is may not be easy to secure their involvement. Furthermore, it is difficult to say whether the scale of fair trade activities, understood as the proportion of total sales in the global economy and the extent of companies' involvement, justifies undertaking such an action from an economic point of view. Perhaps there is no economic

justification for the funding of such a diagnosis in this area, and it can be left to develop on its own.

Trends in Consumer Behavior and the Development of the Fair Trade Concept

When considering the issue of trends in relation to the concept of fair trade, one can also focus attention on consumers, manufacturers, distributors, and service providers. First, it is worth having a look at the trends relating to consumers. An awareness of the concept and logo of fair trade among consumers varies between European countries (Jastrzębska 2008; Huma, Sambelan, and Żwawa 2008). It is considerably lower in Central and Eastern Europe. However, more and more people are recognizing the Fairtrade logo (GlobeScan 2011), the sales of Fairtrade products are growing (*Monitoring the Scope...* 2013), and the sensitivity of the members of highly developed societies to the exploitation and unequal treatment of producers from poor countries is increasing as well. However, increasing the awareness of the Fairtrade brand further will not be possible without incurring appropriate expenditure on promotional activities. This idea is not new, nor does it arouse interest among the next generation of consumers. While at the end of the twentieth century in Western Europe the idea of fair trade spread in a viral form, in the second decade of the twenty-first century, one can no longer count on the effects of such communication (Hatalska 2014). To increase consumer awareness, resources will be necessary for promotion. And here, a barrier related to the funding of promotional activities may appear. It is not easy for distributors to unite and jointly promote the idea of fair trade. No single entity will be interested in incurring such expenditure if it will have to bear the full costs of promotion whereby others will be able to benefit from the effects. It is difficult to imagine that producers will be ready to undertake such actions. They benefit least from this concept, although all the studies and reports produced by organizations involved in fair trade are devoted almost exclusively to the benefits for producers, completely ignoring the string of intermediaries and certification bodies, which in fact derive the greatest benefits from this process.

Consumer behavior is shaped by factors that exert their influence over a long time; these are called macro trends. One such trend is interest in products associated with the terms “eco” and “fair.” This means that in the fairly near future, consumers will be interested in purchasing products that will carry these labels (Struber 2012).

Another trend has been and will be expanding the range of products. While in the past fair trade was mainly associated with coffee, and later also with cocoa and bananas, now it is expanding its range of both food products (honey, vegetables, fruit juices, quinoa) and products such as clothing, flowers, sporting balls and gold (*Monitoring the Scope...* 2013). The more certified product categories that are available in shops, the greater the chances that consumers will be able to find the goods they want with a Fairtrade certificate.

In societies with a growing income disparity, there is likely to be an increased desire to stand out and to demonstrate one's position. This will prompt consumers to buy more expensive and less accessible fair trade products as a way of emphasizing their individualism.

Given the demographic market trends (aging population in highly developed economies, a growing number of elderly people), it can be assumed that the target market for Fairtrade products will expand (Rogala and Fojutowski 2013; Jerzyk 2013). It is considered that consumers with higher incomes, middle-aged or older, and with a higher education level are more interested than other consumer groups in purchasing organic and fair trade products (Sudbury, Kohlbacher, and Hofmeister 2012; Szmigin and Carrigan 2001). But it must be remembered that the market among older consumers as recipients of fair trade products requires proper methods and forms of marketing communication.

In time, consumer awareness will also increase, and this will affect the ways people shop. Some consumers will pay more attention to the purchase of those products that are compatible with their beliefs and system of values. However, this trend is not expected to affect a large segment of the market. On the one hand, conscious consumers will show more interest in fair trade products, while on the other hand, it must be borne in mind that such consumers are more active in terms of searching for information about the products they buy and are often less likely to trust the information given by the manufacturers. In their search for goods produced in a fair way, conscious consumers may be distrustful of certified products offered by multinational corporations, which often are associated with the desire to make a profit at any cost.

Development Forecasts for the Fair Trade Market

The fair trade movement was created as a form of support for poor agricultural producers from the countries of the Global South offered by socially conscious consumers from the countries of the rich North.

Due to its small scale and the equally small share of certified products in the sales of different product categories, the movement initially did not have any impact on the macroeconomic situation of the exporting countries. Being a niche movement, it did not arouse any particular interest from the perspective of economic theory. At the beginning of the twenty-first century, the dynamic growth in this distribution channel has meant that fair trade has become an important segment of the market for certain products. Further systematic and dynamic growth in the volume of sales of fair trade goods has contributed to the fact that, in the case of some monoculture economies in underdeveloped countries, it can determine their macroeconomic situation. This applies particularly to the poorest countries from the Global South, whose economies are based on the export of specific agricultural commodities.

For forecasting growth in the volume of Fairtrade certified goods, one can use both quantitative and qualitative methods. Based on econometric modeling, it can be predicted that by 2020, the sales of fair trade products in the world should almost double in comparison to 2012 (Chart 7.1). Due to a lack of data starting from 2012 on sales in the United States, the tendency was estimated without the country.

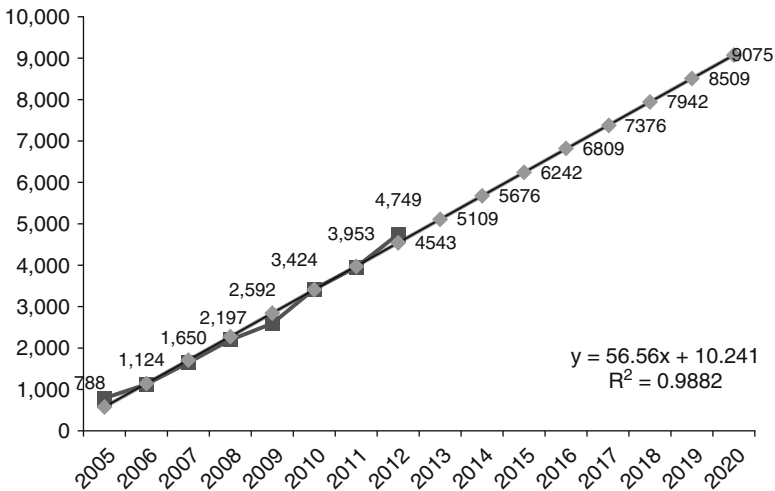


Chart 7.1 The sales of fair trade products in the world (excluding the United States) in 2005–2012 and forecast (in million EUR).

Source: own compilation based on data from FLO Reports, 2005–2012.

This forecast is based on an estimated linear trend ($y=56.56x+10.241$) with a very good fit ($R^2 = 0.9882$).

Similarly, looking at the number of certified producers, one can also observe an evolutionary change (Chart 7.2). The best statistical fit is achieved for a linear trend ($y = 89.262x + 389.07$) with the coefficient of determination R^2 equal to 0.9865.

However, it must be noted that forecasts of this kind require making certain assumptions regarding the immutability of the impact of factors in the past and in the future, as well as their intensity. The qualitative processes that take place restrict confidence in quantitative models because of several important facts. First of all, economic crises cause a decline in the sales of ethical products, which include fair trade products. This could be observed in 2009, a year after the beginning of the global economic crisis. An adverse impact on sales of fair trade products can also affect the disappointment with the existing effects of this movement for farmers in the poorest countries of the Global South group, and, as seen more and more often, the opinions of its potentially negative macroeconomic consequences.

This seems to indicate a slowdown in the global sales dynamics of certified products. On the other hand, the expansion of global retail chains is a factor that can increase the sales of fair trade products because large

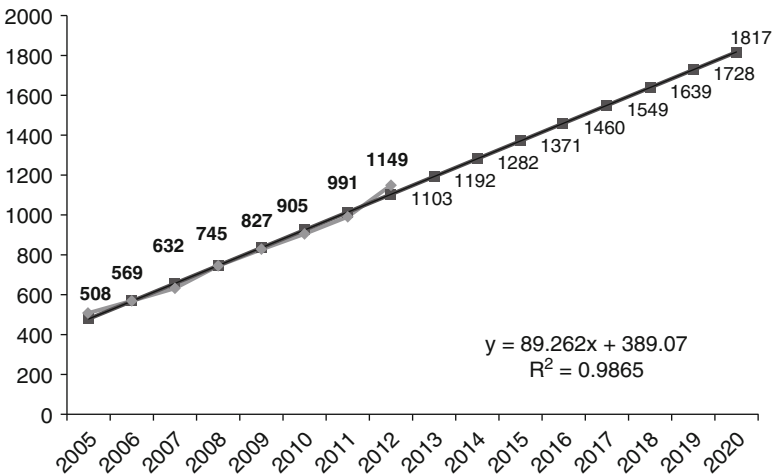


Chart 7.2 Number of certified fair trade producer organizations in the world in 2005–2012 and forecast.

Source: own compilation based on data from FLO Reports, 2005–2012.

retailers can boost the sales of such products through including more of them in their product range.

Fairness or Market Success—Two Directions of the Development of the Fair Trade Concept

Various studies point to the fact that there is also another approach to fair trade. In the past, this idea was primarily associated with assistance for poor countries. Recently outlook this has changed, and fair trade has become an activity that ensures greater profits to various organizations. A consequence of this trend is the growing interest of large companies and corporations in the ideas of fair trade. Earlier, this concept was intended to strengthen small businesses, which find it difficult to compete with global corporations.

Observations into the development of the fair trade movement so far show that two alternative routes exist: fairness and market success. If one puts an emphasis on fairness, one can predict the development of fair trade as a movement that will seek to promote small cooperatives (excluding large plantations) and the development of selected distribution channels that will fully support the idea of fair trade. The fairness direction of development assumes that consumer interest in the category of fair trade products may decrease. Thus, a focus on fairness positions fair trade as a niche project addressed only to committed consumers and marks a sort of “return to the roots (essence) of fair trade.” In contrast, the currently observed market success can primarily be attributed to large multinational corporations whose knowledge and skills in brand management, merchandising, and sales techniques are highly advanced. These are companies for which the sales of fair trade products account for only a portion of total sales. Their motive is to satisfy the demands of socially responsible consumers and to build their own image based on ethical values. The existence of the above alternative development paths for fair trade seems to indicate a need for seeking other in-between solutions that would utilize the strengths and reduce the risks connected with the proposed development scenarios.

Activity for the Development of Fair Trade

Innovation provides a chance to develop and strengthen the market position of the fair trade product category. The vast majority of fair trade products are food products. These are basic products, so it is difficult to introduce typical innovation. Innovation processes with regard to Fairtrade-certified bananas, cocoa, and coffee should be aimed primarily

at assuring the high quality of these products. Maintaining a consistently high quality, educating producers in this respect, and monitoring the manufacturing processes will guarantee customer interest in purchasing the products of fair trade. Customers will be willing to pay a higher price for Fairtrade-certified products if they can be certain of their ethical attributes. At the same time, choosing products with the Fairtrade logo cannot mean compromises in terms of quality and usability. Thus, such products cannot look for excuses regarding their poor quality. The attribute of fairness is added value for a product, which will differentiate it from others as long as its quality is comparable to the quality of other products currently available on the market. Further development of fair trade should be reinforced by taking care of the quality of products and their usability. Fifty-three percent of the Fairtrade premium is allocated to improving quality and production efficiency. In the case of coffee, since 2011 25 percent of the premium has been reserved for financing measures aimed at improving the quality of the product (*Wpływ systemu... 2013*).

It is also worth mentioning the need to ensure the quality of Fairtrade products through effectively eliminating counterfeit Fairtrade products. The dynamically growing sales of such products are a powerful temptation for many imitators, who may want to dishonestly benefit from this growth. Hence, one can more and more often encounter counterfeit Fairtrade products.

Another possibility of development through innovation is to enrich the essence fair trade with other benefits that consumers desire. Apart from ethical values, consumers also appreciate the organic nature of a product. The introduction of this feature into the image of fair trade would be an advisable solution that would contribute to the further growth of the fair trade product market. Assigning the organic attribute to fair trade products will make it possible to increase the price limit that consumers are willing to pay. Paying a higher price for a Fairtrade product will be more justified if the product can offer, apart from vaguely defined fairness, some additional benefits to the consumer. Cooperatives operating within the fair trade system are already trying to meet such expectations. Eighty percent of them invest in other certificates, for example, organic ones (*Wpływ systemu... 2013*). In 2012, 69 percent of small producer organizations and 90 percent of hired labor organizations had at least one other certificate (besides Fairtrade). In the case of small producer organizations, these were usually organic certificates (56% of them had one), and in the case of hired labor organizations—GlobalGap certificates⁴ (39%). Some organizations have other certificates, such as Rainforest Alliance and Utz⁵ (*ibid.*). On the one hand, having additional

certificates increases the competitiveness of the product offered by the manufacturer, while on the other hand, the farmers can receive higher premiums.

Research shows that there is a large group of consumers who want to be part of the fair trade market, on condition that, however, these products are easily available. Ease of acquisition remains an important factor affecting the fair trade market. The use of new forms of commerce (the Internet, mail order, vending machines) can significantly affect possible growth in the sales of these products in the future. In the case of fair trade products, just like in the market for organic food, it is noticeable that different groups of consumers prefer different places of purchase. People who are strongly committed to buying Fairtrade-certified products are more willing to buy these products from specialist outlets such as worldshops. They are prepared to devote more time to making such purchases. In contrast, occasional buyers are not willing to devote additional time to visit a specialist shop; they prefer to make such purchases when the opportunity occurs. Hence, it is important that Fairtrade products be available in places where such people usually do their shopping.

It is also useful to have a critical look at the supply chain in fair trade. Most fair trade products, as mentioned earlier, are basic food products, and in the case of these retailers, tend to keep their margins low, while at the same time seeking to minimize the costs of their production, storage, and transport. Fair trade products are an exception to this rule. It is not possible to reduce the margin paid to producers, but it is possible to reduce the costs of production and logistics. It is therefore necessary to develop alternative ways of improving the efficiencies of the supply chain by educating manufacturers with respect to the production processes and the benefits of maintaining proper quality, as well as the requirements of logistics systems (Karjalainen and Moxham 2013, p. 268). The purpose of these actions is to lower the costs of delivery without altering the remuneration paid to the producer. As a result, one can expect, on the one hand, an increase in customer interest in Fairtrade products, and on the other hand, a growth in the interest of smaller retailers in including fair trade products in their product assortment. A consumer's sensitivity to social problems is not always associated with a willingness to pay higher prices for Fairtrade products; hence, a lower price can be a gateway to increasing the sales of products manufactured according to the principle of fairness.

It seems clear, however, that as long as consumers' purchasing decisions are determined primarily by price, Fairtrade-certified products, which are sold at significantly higher prices in order to provide premiums

for the intermediaries who organize their distribution and for the primary producers, are not going to be objects of mass consumption but will remain a niche market. In order for price-sensitive consumers to buy them, they would have to be priced similarly to conventional products. It is worth noting that the prices of certified and ordinary products vary in different countries. The popularization of these products and their wide distribution, for instance, using discount chains as a distribution channel, will contribute to reducing the final price of fair trade products. And this, in turn, is likely to produce an increase in the sales of these products among potential price-sensitive customers.

A simple way to reduce the cost of fair trade products is to develop a cheaper system of certification and simplify the procedure. In the current system, the decision-making is dispersed and the certification process is very complex. The presence of a large variety of labels for fair trade products creates communication noise that adversely affects the attitude and commitment of consumers. Lack of knowledge among consumers regarding the difference between the Fairtrade label and other ethical labels will be a barrier to effective sales. In addition, the complex system of certification is nontransparent, which reduces confidence in the certificates. And examples of actions incompatible with the idea of fair trade publicized by the media tarnish the reputation of the entire market segment.

There is a necessary condition for the further development of fair trade, to know the expectations, motivations, and attitudes of consumers with respect to purchasing fair trade products. The transition from fair trade, understood as a manifestation of solidarity with the poor producers from the Global South, to fair trade treated as an effective method of developing a business and building an ethical image, has led to a considerable diversification of the consumer market. Therefore, it is necessary to diagnose the attitudes and behavior of consumers regarding new and effective ways of communicating the fair trade concept (Bezençon and Blili 2011).

Increasing awareness regarding the concept of fair trade among consumers can be achieved through the communication activities of those who offer such products (Zalega 2013, pp. 56–78). The global coffee chain Starbucks increases awareness of this issue by displaying the Fairtrade logo, but it is unclear how this affects the purchases of products carrying this logo. Also, more conscious consumers may demand more accurate information about what this reference to the Fairtrade logo in Starbucks coffee shops actually signifies. This information may relate to, for example, the proportion of Fairtrade coffee in total coffee sales; the influence of the more expensive coffee beans on the prices of beverages;

or disclosing what proportion of the profit margin goes to producers and intermediaries, and what proportion goes to the chain's bank account. If a larger group of enterprises began to use the Fairtrade label, the primacy effect, as well as the impact in terms of competitive advantage in the market, would decline.

When examining the issue from the viewpoint of manufacturers and distributors, one can expect a reduction in the impact of fair trade on consumers. In distribution channels, there are more and more categories of products associated with such ideas as fair trade, organic food, natural products, health products, and so on. The more categories associated with similar values there are, the greater the confusion among consumers (*Fair Trade: Overview...2000*). A consequence of the erosion of such actions could be a loss of consumer interest in purchasing certain products. While initially, when these products were introduced onto the market, it was enough to appeal to the idea itself, now, because of the effects of the learning curve, consumers tend to be much more inquisitive and demanding in terms of the nature of the value that they are offered.

One can also be critical of producers who introduce Fairtrade products into their broad portfolio of products. Both consumers and other manufacturers or distributors are likely to disapprove of actions that make use of the halo effect. In this case, the halo effect consists of the fact that several products with the Fairtrade logo are used to create the impression that the whole product range of the manufacturer or retailer, including also large corporations, is linked with the concept and its values. Competitors and consumers will not tolerate such actions because they threaten their interests.

The observations made so far indicate the complexity of the issues connected with the prediction of trends in respect of fair trade. The issues mentioned above should help increase sensitivity to everything that is happening in this area. At the same time, it is necessary to observe the current behavior of all the entities involved in order to make the most appropriate market decisions.

Negative Consequences in the Development of Fair Trade and Ways to Overcome Them

Contrary to the initial expectations of socially sensitive consumers who buy certified Fairtrade products to support small farmers in the poor countries of the Global South and to assure their decent working conditions, the development of this movement can produce many negative macroeconomic effects in the countries that were intended to benefit from it. Ensuring a decent income to small farmers from the Global South

through the development of the fair trade movement is highly questionable (Fair Trade: Overview 2000, p. 35).

A significant increase in the sales of products certified by fair trade organizations could result in a number of adverse macroeconomic effects for the economies of the Global South. This would stand in contradiction to the expectations of socially responsible, ethical consumers and businesses from the highly developed countries of the North. The movement can improve the situation of individual producers in the countries of the Global South, but it is not a global, long-term development strategy (Mohan 2010, p. 117).

The promotion and popularization of the fair trade movement among consumers in the countries of the rich North diverts attention from those realistic long-term solutions to the problem of poverty among farmers in underdeveloped countries that should be adopted, such as eliminating the protectionism of developed countries in terms of food products (especially processed foods).

An increase in the volume of sales of Fairtrade certified goods lowers the income of producers who are outside the sector covered by the certification (Namrikar and Kim 2013, p. 2). A dynamic growth in the share of Fairtrade products in global retail sales could substantially alter the structure of international trade in certain markets. Because the cost of entry into the certification system is relatively high for poor farmers, this could in fact contribute to deepening poverty in the poorest countries and regions specializing in the cultivation and export of goods sold through fair trade distribution channels.

Additionally, if the cultivation of certain crops sold within the fair trade movement becomes widespread in certain countries, the labor market can be affected. The requirements imposed by the institutions granting certificates to suppliers that prevent them from offering full-time employment to hired workers may contribute to an increase in unemployment as well as perpetuate the existing, often inefficient, production technology and economic structure.

The further dynamic development of the fair trade movement can lead to a deterioration of the macroeconomic situation in the poorest countries that export the certified products. A significant increase in the production of Fairtrade goods may result in the market's being broken into two parts: fair trade and the regular market. An increase in the sales of agricultural products certified by the fair trade movement can lead to a drop in demand for goods sold on the conventional market and a drop in their prices, which in consequence would mean lower incomes received by the farmers outside the system. The beneficiaries of such a situation would be the certifying agencies and the relatively wealthy agricultural

producers from the countries of the Global South, who can afford to incur the high initial entry fees into the system. Empirical comparative studies of countries exporting fair trade products conducted by Elisabeth Nindl confirm that the principal beneficiaries tend to be farmers from countries with a higher average level of wealth (mainly large, Catholic, former Spanish colonies) rather than from the less developed ones (Nindl 2014, p. 22).

An increase in the volume of sales in the fair trade channel, contrary to the expectations of socially conscious consumers in the rich North, would effectively contribute to a deterioration of living conditions in the poorest countries of Africa and Asia, for which it would be much better if fair trade remained a niche market.

The current situation, in which the main beneficiaries of the fair trade movement are the intermediaries who award certificates to producers and organize the marketing of Fairtrade goods; the manufacturers who use these agricultural commodities for the production of processed goods; and the retailers who offer Fairtrade products to socially conscious consumers,⁶ is hardly compatible with the spirit of corporate social responsibility (CSR). The negative effects of fair trade include the following:

- It provides benefits to certain groups of consumers at the expense of other groups, which is not an acceptable situation.
- It is an ineffectual method for transferring income from consumers to producers: a direct transfer would be much more effective (Boto and La Peccerella 2014, p. 14).

The fact that there is a growing number of socially conscious consumers who are concerned about the situation of producers in the countries of the Global South and who hear about examples of abuse and a lack of the expected benefits, as well as the negative macroeconomic impact of the fair trade movement, may result in a marginalization of this distribution channel based on the certification of products and manufacturers as well as create a new mechanism for supporting small farmers and perhaps also producers from other sectors.

However, perhaps this forecast will turn out to be overly pessimistic and the sales of products manufactured in a way that ensures decent working conditions and a proper income for the small producers from the countries of the Global South will grow faster than ever.

Two scenarios regarding the development of the fair trade market seem to be the most probable. The first one assumes that consumer organizations from the countries of the rich North will exert pressure on state institutions to reduce the protection of their domestic agricultural and

food markets by facilitating access to these markets for producers from the countries of the Global South, as well as doing away with subsidies for the export of goods to these countries. Such actions would help create equal opportunities for producers from various countries and regions. Obviously, full equality for producers from countries at different levels of economic development cannot be achieved due to differences with respect to access to capital, the development of infrastructure, the absorptivity of internal markets, and so on. Nevertheless, a complete abandonment—or at least a significant reduction—of protectionism in relation to agricultural and food markets in developed countries would undoubtedly be a step in the right direction, unlikely though such a solution is.

Fair trade in its present form limits the pressure from socially conscious consumers on the governments of countries from the rich North to implement such measures because some of them have the impression that through their purchases they contribute to alleviating the poverty of agricultural producers from the countries of the Global South, which eases their consciences. In this sense, the fair trade movement acts as a fig leaf and distracts from seeking and promoting more effective forms of supporting these producers.

The other possible scenario is maintaining the certification of products and their manufacturers, while eliminating the main disadvantages of this process. After the necessary modifications, this system could help achieve the intended objective of ensuring decent working conditions and a stable income, sufficient to cover necessary expenses, for small producers from the countries of the Global South. The most important issue in this case would be guaranteeing free, universal, and nondiscriminatory entry into the certification system to producers. This gives rise to the question of who could finance it. There are three possible answers. Firstly, the governments of developed countries: in the current macroeconomic situation, however, in view of rising public debts and large budget deficits, such a solution seems unlikely. Secondly, the global manufacturers of processed foods and stimulants that use agricultural commodities produced in underdeveloped countries: this could be a part of their CSR based strategy. Thirdly, large retail chains operating in the countries of the Global North: currently, this seems to be the most likely source of funding for this type of modified certification system if it is to materialize and become widespread. Such a conclusion can be drawn if one considers the popularity of CSR among large retail chains in developed countries. Such actions would fit perfectly into the concept of socially responsible treatment toward two groups of stakeholders: suppliers (primary producers from the Global South) and consumers, who could receive products of guaranteed high quality, not tarnished by the exploitation of foreign

producers, and manufactured with due respect for human and workers' rights.

Global retail chains are now keenly interested in building their image based on ethical values. Thus, they are interested in offering Fairtrade products, provided that such products continue to be considered ethical. Widespread criticism of the impact of the fair trade movement on the situation of agricultural producers from the countries of the Global South may limit the interest of large retailers in products certified according to the current system. Moreover, once consumers become aware of the inconsistencies in the strategies of some retailers—who on the one hand, declare that they are socially responsible, and on the other hand, offer manufactured goods of questionable reputation next to certified products—the retailers will have to revise their strategies. Such a scenario may not be very distant, given the availability of modern means of communication and the almost unlimited access to information. The retailers will then have the following options:

- Complete withdrawal from Fairtrade-certified products and the introduction of their own brands founded on similar premises and values, but controlled and certified by the retailer, which would justify the withdrawal of FLO-CERT products. This approach has been adopted by Lidl, which has its own range of Fairglobe products. These products do not have the FLO certificate—they are the chain's own brand—but they comply with the requirements of fair trade. Taking into account the fact that retailers' own brands are becoming increasingly important and are gaining consumer confidence, such a solution seems highly promising.
- Expanding the range of Fairtrade products and discontinuing cooperation with suppliers of dubious reputation. The second part of this postulate, however, is difficult to achieve because of the length of the supply chain as well as certain nontransparent aspects that make it very difficult to accurately pinpoint which of the intermediaries or suppliers actually has an impeccable reputation.

Summing up the above considerations regarding the development of the Fairtrade market and the scenarios for the development of the fair trade concept, it can be assumed that the market for these kinds of products will continue to grow, although it is likely to remain a niche. Regardless of the size of this market, retailers can use Fairtrade-certified products, or their own brands that comply with the criteria of fair trade, as the building blocks of a competitive advantage.

Notes

1. The mechanism of greed was shown in J. C. Chandor's film *Margin Call*, which analyzed the behavior of a group of banking sector employees.
2. An example could be Martin Scorsese's film *The Wolf of Wall Street*, which can stimulate discussion regarding systems of values and their impact on people's behavior.
3. To date, analyses and studies have been conducted at the authors' initiative, or they have been commissioned by organizations involved in fair trade, such as Fairtrade International. More and more often, such studies are done by independent entities, and the data is then collated to produce increasingly detailed reports on the activities of organizations. One such recent publication by Fairtrade International is *Monitoring the Scope and Benefits of Fairtrade*, 5th ed., 2013.
4. GlobalGap certificates apply to fruit and vegetables and cover the whole supply chain from planting to the final product (TÜV 2012).
5. Utz is an international certification program for coffee, cocoa, and tea that guarantees both the origin of the products and their ethical and sustainable production processes, which fully respects both the rights of the workers and the natural environment (TÜV Rheinland).
6. These entities, mainly from the developed countries of the Global North, receive about 98–99 percent of the premium obtained from selling Fairtrade certified products at a higher price than that of products on the conventional market.

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