Chapter 16

Fair Trade and Innovation in the Shopping Channel: NGOs’ Private Label Strategies as a Retailer of Fair Trade Products

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ABSTRACT

The emergence of so-called fair trade has revolutionized the field of commercial distribution. Promoted and managed by Non-Governmental Organizations (NGOs), fair trade—or also called equitative—is regarded as an initiative to create innovative commercial channels; within which the relationship between the parties is aimed at achieving sustainable development and sustainable supply. This chapter highlights the case of Intermon Oxfam, an NGO dedicated to fighting poverty. Their aim is to use effective tools to empower people to eliminate poverty by themselves. They change livelihoods by promoting local development through the production and marketing of local products. In this case Intermon acts as a private label for products of natural origin. These include staple foods from chocolate, coffee, etc. - to fashion products, such as clothes and accessories. The high degree of brand recognition, and images associated with these products have a strong social component while providing credibility and consumer confidence.

INTRODUCTION

The emergence of fair trade has been a challenge in the distribution sector, especially in an economic and social context dominated by marketing 3.0. It means more than a revolution in terms of the supply channel’s structures and relations. Fair trade has led not only to the disintermediation of the channel, with the aim of reducing trade margins, but also the emergence of new actors such as NGOs who develop distribution functions, but with a social purpose.

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In this new context, private brands continue to provide a key element in the field of commercial distribution. Traditionally, private brands are a means used by retailers to identify and distinguish their specific product offering so that they stand out in the marketplace. Like producers, retailers seek to win brand loyalty for their private brands by developing positive attitudes and preferences for those brands among consumers, which leads them to purchase the items again and again.

The social purpose of NGOs has led them to participate actively in distribution activities for fair trade products, which in turn has led them to develop marketing strategies where the private label plays an essential role. Although non-profit marketing as a concept was introduced in 1970, it was not until early this century that it was “consecrated” as one of the main areas of development in marketing.Perhaps, in general terms, NGOs were not aware of marketing’s importance and thought it was something best left to others, according to their needs or main goals (Brennan and Brady, 1999). Nevertheless, NGOs’ use of marketing has increased significantly, to the point that it is a key element in the development of their activity. In fact, during the past few years, NGOs have used marketing as an intensive tool for name recognition and to introduce fair trade products into the market.

Currently, use of the NGO name has increased to the point that it has become a private brand in the retail channels. NGOs’ private brands mean quality and a product of origin, but they also signify the willingness of non-governmental organizations to help producers in disadvantaged areas to have a better life. Note that NGOs are the engines that protect civil society and ensure economic development (Drucker, 2005), due to their strong links with community, business and government.

Taking into account these last points, the purpose of this paper is to analyse how NGOs use their private brands in the context of fair trade product distribution. To do this, the evolution in the field of commercial distribution is described. Next, the concept of fair trade is introduced and the role played by NGOs in the distribution and sale of fair trade products is presented. By way of illustration, the experience of Oxfam Intermón, an NGO established 50 years ago, is discussed. In recent years, this NGO has deployed a network of proprietary stores to sell products under the “Fair Trade” label. They offer a wide variety of products that range from staple foodstuffs to fashion products. Oxfam is an example of how marketing can be used to meet social goals.

Innovation in the Field of Commercial Distribution: Fair Trade

Since the late 1990s, the commercial distribution sector has undergone major changes. They largely have been due to the economic and social situations of the moment, responding to a constant search for new ways to carry out the functions of distribution and to structure the channel (Sanchez et al., 2011). This can be seen both in the restructuring of traditional distribution channels, where different agents work to develop new roles and functions, and in the use of different channels to distribute national and private brands. However, new distribution models have emerged in which some organizations, traditionally removed from distribution activity, have begun to play a role in retail.

This is the case of fair trade, which, promoted and managed by NGOs, offers an innovative and disruptive retail business model. It seeks to achieve sustainable development and sustainable supply, based on the fair and voluntary establishment of commercial relations between producers and consumers. Certification processes for quality assurance as well as comprehensive process control and distribution outlets make it possible to virtually eliminate trade margins.
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