

Marketing Sustainable Products in the Retail Sector

The Potential Integration of Sustainability Marketing

Wendy Wallace

Supervisors:

Oksana Mont

Michael Kuhndt

Burcu Tuncer

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Tel: +46 – 46 222 02 00, Fax: +46 – 46 222 02 10, e-mail: iiice@iiice.lu.se.

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Abstract

This thesis investigates the ability of retailers to communicate sustainable products through sustainability marketing. Sustainable products are defined as products that “make a contribution to the solution of socio-ecological problems” (Belz, 2005). Whereas traditional marketing aims at increasing business revenues, sustainability marketing aims at reaching sustainability and business goals. This research aims to find how retailers are promoting sustainable products and if these promotional techniques integrate sustainability marketing. A qualitative methodology was undertaken in order to assess these two main goals. Eight mass-retailers from the European Union served as main case studies for reviewing and understanding their marketing practices for sustainable products. These retailers, as well as a number of other organizations who work with sustainable products in the retail sector were presented with a semi-structured interview. This investigation finds that retailers are communicating sustainable products via a number of different techniques. Placement, consumer experience, and communicating the added value are particularly important.

Furthermore, this thesis develops Karstens and Belz’s (2005) criteria for integrating sustainability marketing into the traditional marketing mix (product, price, place, and promotional mix): fair and suitable prices, accessible distribution, and communication via credibility, emotional stimuli and motive alliances. The analysis of these criteria for marketing mix integration finds that they are mainly integrating sustainability marketing via accessible distribution and credible communication through third party labeling, dialogue, and access to information. There is only some integration of emotional stimuli and motive alliances. The analysis, in part, parallels some of the findings regarding which criteria were most important for increasing sales. It is suggested that a deeper awareness of third party labels for communication is raised. Furthermore, the issue of fair and suitable prices is difficult to assess, and possibly points to the issue that sustainability marketing is not comparable with current business practices. This thesis suggests that more studies are needed to understand and assess the true value and integration possibility of sustainability marketing. Several recommendations to retailers on marketing of sustainable products are also provided.

Executive Summary

Introduction

Sustainable products are important for creating more sustainable consumption patterns. They can be defined as products that “make a contribution to the solution of socio-ecological problems” (Belz, 2005); it is also important to note that these products will change over time. Retailers, as the main link between consumers and their products, are imperative to communicating sustainable products and increasing their demand. Yet, there is a lack of research regarding how they market sustainable products.

Retailers traditionally communicate via marketing. However, sustainability marketing, a new theory, coined by Belz (2005) but also found in similar writings, is more suitable for promoting sustainable products, and for encouraging sustainability. Sustainability marketing (SM) is “building and maintaining sustainable relationships with customers, the social environment and the natural environment” (Belz, 2005). This thesis aims at understanding how retailers are marketing sustainable products, and what ways are useful for increasing demand. Furthermore, it aims to understand if these techniques reflect SM. The purpose of this research is to increase knowledge about SM theory, and find practical applications for retailers.

The two research aims will be investigated by learning how eight mass-market food retailers in Europe: CO-OP Switzerland, CO-OP Sweden, Waitrose, Metro, ICA, ISO, Albert Heijn, and Kesko are marketing sustainable products, specifically Organic, Fair Trade and/or Utz Kapeh coffee. Retailer interviews, as well as interviews with other organizations that are working with marketing techniques and strategies, are used to understand the techniques the retailers are using. From this information, findings and analysis are conducted.

Traditional and Sustainability Marketing

The purpose of traditional marketing is to increase profits via meeting consumer demands. The implementation of traditional marketing involves the 4P's of the marketing mix: product, price, place, and promotions. Products can be divided into three categories according to attributes related to the information gap between consumers and producers. *Search attributes* are when the product information is available to consumers prior to purchase through information gathering (Franke, Huhmann, and Mothersbaugh, 2004); *experience attributes* are goods whose quality aspects are only available following purchase, on product use. The final category is *credence attributes*. For a product with these attributes, information about the product is based on trust in the attributes and is not previously known or understood through use. Sustainable products are often defined as credence products (Belz, 2005).

Price and placement are very important for selling products in retail, as are promotional techniques. Retailers can promote products via: advertising, direct marketing, modern technologies, personal marketing, sales promotions and other in-store techniques. Retailers mainly rely on point of purchase marketing, as it is the most efficient and effective for them. The content of the messages that retailers provide, such as displaying product attributes, also plays a role in their marketing strategies.

Sustainability marketing (SM) alters the traditional marketing paradigm, by integrating sustainability goals. The following table illustrates the differences between sustainability marketing and traditional marketing.

	TRADITIONAL MARKETING	SUSTAINABILITY MARKETING
FOUNDATION	Business profitability	Sustainability + business
AIMS	Customer satisfaction to meet business goals	Social, environmental, and customer satisfaction to meet business, environmental and social
CONSUMER BEHAVIOR	Only purchase behavior	Purchase, use, and post-purchase
COMMUNICATION	More one-way	Open, two-way communication
PRODUCT	<ul style="list-style-type: none"> • To meet consumer needs • Search or experience products 	<ul style="list-style-type: none"> • To meet sustainability requirements and consumer needs. • Credence products

SM involves six steps: 1) analysis of socio-ecological problems, 2) analysis of consumer behavior, 3) normative SM, 4) strategic SM, 5) instrumental SM, 6) transformational SM. The focus of this thesis is on Step 5, which involves the integration sustainability marketing into the marketing mix.

In order to integrate Step 5 into the marketing mix, there are a number of criteria that should be met. These criteria include: fair and suitable pricing, accessible distribution, and communication which is credible, and involves emotional stimuli and motive alliances. In order for communication to be credible, it should involve third party labels, dialogue and access to information. *Fair and suitable pricing* ensures that externalities are taken into account by the price; but at the same time, is still suitable for its price range. One way to accomplish this is by indicating the added value of the product (Orsato, 2006). *Accessible distribution* refers to the idea that the inaccessibility of sustainable products has traditionally made them unavailable to the general public. However, as this research investigates habits of mass retailers, the focus is on the in-store distribution, or the placement. *Credible communication* refers chiefly to the idea that sustainable products are credence products by definition. Thus, the consumer must “trust” in the added value of the product. The idea of *emotional stimuli* refers to enticing pictures and slogans that reverberate with consumers, and make them feel moved by a particular purpose. One of the more important areas to connect with people is through increasing their perceived consumer effectiveness (PCE) in purchasing products. Finally, *motive alliances* are purchase criteria that attempt to ally sustainability criteria with normative marketing criteria. Motive alliances should thus show consumers the importance of sustainability, while at the same time acknowledging that consumers do have their own needs. They can make sustainability seem more important, while at the same time, enticing a consumer to buy the product.

The above criteria are particularly important to this thesis, because they will be used to analyze whether the retailers are integrating sustainability marketing into their marketing strategies. Also, these criteria will be compared against the findings from the first research question, to understand if retailers currently understand them to be important for marketing sustainable products.

Investigation and Findings

In order to market sustainable products, this research investigated the ability of the eight food retailers to market sustainable coffee: organic and/or Fair Trade and/or Utz Kapeh. Specifically, non-labeled coffee suffers from two major problems: the environmental problems, caused by large-scale farming, which destroys the natural habitat of the area where coffee is normally grown; and the social problems, which are caused by an extreme oversupply of coffee on the market, and the inability of farmers to adjust to this oversupply. Organic coffee, Fair Trade and Utz Kapeh coffee are environmental and social alternatives to the injustices of non-labeled coffee.

This research found that the retailers use a number of different techniques to communicate sustainable products and their attributes to consumers. Despite the aspiration to find the technique that was the most successful, retailers mainly felt that it was important to use at least a few of the techniques together. The interviewees generally agreed that price, sales, place and communication of the product attributes are important to increasing demand. Furthermore, many specifically felt that product exposure, through good product placement and special placement in-store was necessary. Experiencing the products was also thought to be rather important. For example, farmer visits (although not for coffee) were one of the more innovative techniques, along with taste tests. Explaining the added value of the products was often cited as one main technique where marketing sustainable products differed from marketing other products. Furthermore, several retailers felt strongly that staff training was important to increasing sales of sustainable products, so that they knew how to place the products, but also how to communicate its attributes.

However, price was often seen as a barrier. Even though there seems to be growing consensus that sustainable coffee is becoming cheaper, in some cases it is still uncompetitive. Furthermore, in several countries and retailers, the assortment of products was still too low to expect any large increase. This problem was most notable in Finland, where there is only one type of mainstream Fair Trade coffee.

Regarding the marketing techniques and their application to sustainability marketing, this research elicited several interesting findings. First of all, fair and suitable prices may not be currently possible; the inadequacies of the current marketing paradigm may not allow for fair pricing schemes. It is no question that suitable prices are important, but fair prices are debatable. Accessible distribution is a clear necessity and furthermore, was integrated into most of the retailers' marketing strategy. While a clear holdover, the ability of retailers to place sustainable products where they may not belong according to their level of sales suggested a move to sustainability marketing. Credible communication was promoted through third party labels, dialogues, and increasing accessibility to information; however, there is a potential to corrupt third party labels. External dialogues were held with Fair Trade organizations, with organic interested NGOs and with local farmers. Retailers were able to increase access to information via the Internet, direct mailings, and to a larger extent, modern information technologies. Increasing access to information was also viewed by the retailer as important for increasing sales; albeit because information can help portray the added value. Emotional stimuli and motive alliances were not used to a great extent. However, as they both can also communicate a type of added value to the consumer, perhaps their use could be increased. Therefore, while there is some movement towards sustainability marketing, there are varying degrees of integration.

This study suggests that retailers are integrating several of the criteria of SM into their marketing strategy. Furthermore, it shows that a well-planned marketing strategy, including

SM techniques could increase demand for sustainable products in retail. One noted possible recommendation is to increase the cooperation between retailers and NGOs for communicating sustainable products, by focusing on the strengths of each group.

This research also raises a number of issues for future research regarding sustainability marketing and retailers. First of all, there is a lack of understanding exactly how SM can improve sales of sustainable products, and thus more controlled tests or consumer surveys should be carried out to gain a greater understanding of SM in the retail sector. Other steps within SM should be investigated as well, as they may affect Step 5 of the SM process. Another important topic is to assess how mass market retailers affect the reliability of sustainable products, which is a large debate in Fair Trade especially. Furthermore, there is also a discussion as to whether or not SM can even be integrated fully into today's business culture.

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1 Introduction

1.1 Background

Sustainable Products and Sustainable Consumption

Many products today are creating an extensive amount of problems for the environment and for society. Current consumption contributes to increasing levels of carbon dioxide (CO₂) emissions, loss of biodiversity and the depletion of finite resources, such as oil, water, soil, and increased waste production (Southerland, Vliet and Chappells, 2004). Furthermore, some systems of production create an imbalance between the wealthier and the less developed societies.

Since 1960, the idea of damaging consumption was introduced from Vance Packard in *The Waste Makers* (Spangenberg, 2004). This idea was later brought to the top of the world agenda in 2002 at the World Summit on Sustainable Development held in Johannesburg. Shifting towards a more sustainable consumption and production was noted as one of the key aspects of creating a more sustainable society (UNEP et al., 2006).

The Organization for Economic Cooperation and Development (OECD) (2002a) suggested that the increased drive for unsustainable consumption is created through the social and economic decisions of households. Therefore, one of the items on the agenda is the improved sustainability of the consumption and goods and services that households purchase.

Despite this proposal, products and services that present better environmental and social options have not yet been able to fully break into mainstream society. Ottman (1998) estimates that the share of green products in 1991 was 13.4% of all products, but it has declined in recent years, due to critical consumer attitudes and higher prices of these products (Banerjee, 1999). Despite the number of products, some product segments see very little infiltration, i.e. organic food accounts for less than 2% of the market share in Europe (EEA, 2006). Both the decline and the low market share show that more can be done to further incorporate these products into the main stream.

Sustainable Products Integration into the Mainstream

As sustainable products are important for decreasing societies consumption problems, yet are not very prominent on the market, studies have focused on ways of trying to increase their prominence.

Marketing research has shown that consumers are interested in purchasing more sustainable products. In interviews with consumers, studies often show that they are willing to pay more for sustainable products and are interested in purchasing them (Sammer and Wüstenhagen, 2006; Tanner and Kast, 2002; Almaani et al, 2005) However, in a combined consumer-retailer analysis, Jensen et al., (2003) find that consumers may over-state their greenness, as electronic retailers in Denmark do not see a consumer demand for green electronics, despite surveys of consumers who stated they wanted more green electronics. Thus, there is an interesting noted discrepancy between consumers and retailers. However, it is important to look at the discrepancy between what consumers are saying and that retailers do not reflect some of the same sympathies.

In an effort to understand this gap between what consumers say and how they act, Vermeir and Verbeke (2006) conducted a consumer survey that found that consumers have a lack of knowledge about where to find these products. Therefore, it can be gathered that retailers are not seeing demands because they are not making their customers aware of the more sustainable products that they sell.

In order to make customers aware of their sustainable products, retailers can use promotional techniques. However, there seems to be a lack of understanding from marketers about how to promote sustainable products. Through content analysis and consumer analysis of advertisements used for environmental marketing, Carlson et al. (1993) found that green advertising can create distrust through claims of environmentalism (Shurm et al. 1995; Mohr et al., 1998). Also (Sciulli and Bebko, 2005) found that environmental advertising was often unappealing.

Therefore, it can be gathered that through increased and improved product communication, retailers may realize increased demand for sustainable products; yet more needs to be done to understand sustainable product communication as a way to further the sale and demand of sustainable products.

Sustainability Marketing

The difficulties in understanding the marketing atmosphere around green products have spawned a new theory on sustainability marketing. As conventional marketing is often cited as being one of the leading causes of today's over consuming society, developing a new idea of marketing is of interest. Jacquelyn Ottman (1998) discusses that a shift away from conventional marketing towards green marketing is essential to promote a more sustainable lifestyle and to further business interests. Yet, it is McDonagh who first coins the phrase "Sustainable Communication" in 1998, which involves changing the dynamic of marketing towards a more eco-centric approach¹, acknowledging the problems of society, and placing the environment at the core of business actions.

Since McDonagh (1998) attempted to develop the theory of sustainable communication, several authors have attempted to further the concept. Belz (2005) proposes a model for *sustainability marketing*, taking into account consumer, social, and ecological issues throughout the marketing process. Sustainability marketing is defined as "building and maintaining sustainable relationships with customers, the social environment and the natural environment." As Karstens and Belz (2005) describe, integrating sustainability marketing into the marketing mix is important to increasing sales of sustainable products, which are central to the idea of sustainability marketing.

Retail Sector

As the main interface for consumer purchases of products and services, the retail sector can specifically target the consumer to purchase more environmentally friendly goods. Through marketing and promotional techniques, retailers have the ability to influence purchase decisions towards more sustainable products. Therefore, it is apparent why the United Nations Environmental Program (UNEP) has called the retail sector "fundamental [to] influencing suppliers to produce in a sustainable manner and influencing consumers to consumer sustainably" (Almaani et al., 2004). Influencing purchase decisions and thus market

¹ An eco-centric approach refers to the idea of focusing more on sustainability in the approach to marketing.

demand can also create a market that has a greater overall portion of sustainable goods, thus decreasing the current overwhelming resource use (Tanner and Kast, 2002).

As discussed earlier, improved communication of sustainable products can be important to making consumers more aware of sustainable products and thus influence purchase decision which can create greater demand for these goods. Almaani et al. (2005) provides a basic review of a range of promotional techniques that are being used in the retail sector to promote sustainable consumption. Furthermore, Storebrand Retail Investments, SRI (2003) provides an overview of how the larger retailers are performing in terms of sustainability. While these papers provide a descent starting point for understanding how retailers can promote sustainability, neither attempts to research in detail, a potentially more effective way of doing so, and how a more sustainable marketing system can be integrated into retailer marketing mix.

1.2 Purpose and Research Questions

Thus, while it is important to further promote sustainable products, there is little knowledge of how to improve practices to communicate these products in the retail sector, which is crucial in the product-consumer interface. Furthermore, there has been little research on the practical implementations of sustainability marketing, especially in what could be useful for retailers. In their paper on promoting Fair Trade coffee, Golding and Peattie (2005) propose that using social marketing techniques for increasing sales could be a way to further promote sustainable coffee. It is important to note that while social marketing purports a different perspective on marketing, it uses many of the same techniques as traditional marketing. As Peattie and Peattie (2003) point out, promotional techniques in social marketing are very similar to traditional marketing (although the premise behind them is slightly changed), while other techniques should slightly change. Yet, as governments mainly use social marketing, perhaps businesses would be more apt to use sustainability marketing, which still takes business profits into account.

Therefore, the purpose of this research is to further the discussion on sustainability marketing theory by investigating sustainable product promotion in the retail sector.

In order to undertake this purpose, this research asks the following questions:

- What techniques and information are retailers using to market sustainable products and which techniques do they find to be the most important for increasing the demand of sustainable products?
- To what extent is sustainability marketing used in the retail sector and to what extent do the techniques identified in the above question align with it?

The first question adopts that of Belz (2005), who suggests that one area in need for research is how can socio-ecological products and services be marketed successfully in mass markets, to look at the closer defined area of retailers. The second question takes a greater look at the techniques that retailers are found to be using and tests whether or not these techniques align with the concept of sustainability marketing. Testing this idea will further help to define and understand the idea of sustainability marketing.

It is intended that the research will be able to 1) make recommendations to retailers to help them effectively promote sustainable products and 2) to be able to better conceptualize and

further the theory of sustainability marketing by framing the idea of retail product marketing around this theory.

1.3 Scope

This thesis attempts to answer the above two questions by investigating how retailers are currently communicating sustainable products, with the product example of sustainable coffee. The retailers' chosen are generally mainstream retailers and located throughout Europe. In addition to retailers' actions and perceptions, opinions from other actors/stakeholders working closely with sustainable coffee products, such as NGOs or retail importers, are investigated.

1.4 Methodology

To reiterate, the purpose of this research is to further the discussion on sustainability marketing theory by investigating sustainable product promotion in the retail sector. In doing so, this thesis hopes to understand more about what retailers are doing and believe is important to promoting sustainable products and how these methods align with sustainability marketing.

This thesis uses a qualitative methodology, which is used to understand a phenomenon, in this case, retail-marketing techniques. It aims at knowing what they do, but also why they do it. As a qualitative method utilizes in depth interviews, this method is better for allowing subjects to elaborate on the answers they provide (Jobber, 2001).

1.4.1 Stages of the Study

In order to research the first question, the ideas behind retailer marketing techniques should be understood. Thus, chapter three attempts to provide a background of traditional marketing in order to illustrate how retailers currently market products. The framework given in chapter three is used to present the findings of the retailers marketing practices in chapter five. Chapter three also serves to provide a background for understanding sustainability marketing, as sustainability marketing originates from the idea of traditional marketing.

The middle section of this thesis, chapter four, aims at further understanding sustainability marketing and develops the criteria used to answer research question two: "to what extent are retailers using sustainability marketing?". The sustainability marketing criteria, while generated from the theory of Karstens and Belz (2005) are developed via a number of different sources that have written about sustainability marketing, social marketing, sustainable communication, and consumer studies on sustainable product marketing. The result of the analysis of these sources concludes in criteria for integrating sustainability marketing into the marketing mix.

Chapter five then goes back to chapter three, to demonstrate how retailers are using the marketing mix to market sustainable products. Then, chapter six employs the above criteria to investigate retailers' use of sustainability marketing. It must be noted that retailers' are not necessarily trying to use the scheme, but the analysis will assess if they are by default starting to use sustainability marketing.

1.4.2 Cases and Interviews

In order to test the research criteria, an analysis of retailers' marketing techniques was undertaken. The interviews were conducted to understand more about how retailers communicate and feel that sustainable coffee and other sustainable products should be marketed in the retail sector, and thus understand what the retailer can do to communicate sustainable products. The retailers chosen for the study were hoped to be those that were aware of sustainable products and sold sustainable coffee. Thus, Datamonitor's (2005a) list of leading European companies selling organic products, Almaani et al. (2005), and other sources were used to judge those retailers who were thought to be ahead of others in positioning of sustainable products. Retailers were then contacted for interviews. Those that finally agreed to be interviewed were accepted for the study. The following retailers are shown in this study:

- ISO from Denmark
- Kesko from Finland
- Metro from Germany
- Albert Heijn from the Netherlands
- CO-OP from Sweden
- ICA AB from Sweden
- CO-OP from Switzerland
- Waitrose from the UK

Interviews were conducted during July 2006. Within the retailers, interviewees were chosen for their familiarity with organic, Fair Trade, or Utz Kapeh coffee marketing. This occupation varied from retailer to retailer. A list of interviewees can be found in the Appendix A: List of Interviewees. All the retailers were given the same questionnaire, which was originally supposed to be answered via a telephone interview. However, due to time constraints, several retailers chose to answer these surveys' via email. The survey can be seen in Appendix B: Interview Questions. The others interviewed, including six national Fair Trade Labeling Organizations (FLOs), three Fair Trade product importers, Utz Kapeh, and two Swedish organic organizations, were all interviewed using similar questions that reflected those given to the retailers.

1.5 Limitations

Throughout the process of conducting the thesis investigation, there were several limitations that affect the outcome of the work, and hence the reliability and applicability of the results. The following illustrates these limitations:

- The interviews were conducted in English. As many of the interviewees' native languages were not English, the ability to communicate was potentially limited.
- As only eight retailers were investigated for the study, findings and conclusions are based upon information from those retailers, and cannot necessarily be transferred to other retailers. Furthermore, the results can only be based on the food-retailing sector.

- The investigation and any findings are limited to Europe, and to some extent, the US.
- The research is limited to marketing from a retail perspective, even though some applications for other sectors may exist.
- Limitations based on the geographical location of the investigator restricted several findings.
- The results of the research are only valid for coffee, although some of the results may be general enough to apply to other products.

1.6 Outline of the thesis

Chapter two focuses on a greater understanding of the current status of sustainable products in the retail sector. It provides a background to why focusing on sustainable products is important, their relationship to sustainable consumption, how they fit into the retail sector, and how retailers can find business benefits in promoting sustainable products and sustainability.

Chapter three attempts to give an understanding of the ideas behind the concept of contemporary marketing and promotional techniques and how these techniques are used in practice in the retail sector.

Chapter four presents the idea of sustainability marketing, how it differs from traditional marketing, and develops the criteria that can be used to understand if retailers have applied sustainability marketing to their marketing strategy for sustainable products.

Chapter five introduces the specific case study for this thesis and the findings from the investigation. Findings are presented via the techniques discussed in chapter three.

Chapter six analyzes the findings presented in chapter five according to the criteria presented in chapter four.

Chapter seven presents final concluding remarks and implications for further development.

2 Retail Market for Sustainable Products

2.1 Defining Sustainable Products

Vermere and Verbeike (2006) define sustainable products as those products that contribute to one or all of the goals of achieving sustainability in economics, environment, and social causes around the globe. Put another way, “sustainable products make a contribution to the solution of socio-ecological problems” (Belz, 2005). A more specific definition for sustainable food items is found in Tanner and Kast (2003) as “domestically cultivated rather than imported from foreign countries; organically rather than conventionally grown; seasonal and fresh rather than frozen; they are not wrapped: and they support fair trade.”²

There are very few products on the market that can claim to work towards achieving all three goals. Many products are environmentally friendly, but may have been produced with a disregard for social standards. Therefore, in practice, sustainable products include one sustainability aspect or another, as described by Vermiere and Verbeke (2006). Furthermore, Belz (2006) explains that sustainable products depend on the current levels of knowledge, latest technologies and society aspirations, which change over time.

The sustainable product of choice in this thesis is sustainable coffee. Coffee defined as being harvested through environmentally, socially and economically sound means will be considered truly sustainable. However, as all three aspects may be difficult to find in practice, examples ranging from one to all of the criteria will be analyzed. More information will be provided in Chapter Five regarding sustainable coffee.

2.2 The Role of Sustainable Products in Sustainable Consumption

Sustainable products present a way in which the problem of sustainable consumption can be confronted. The European Environmental Agency (EEA), the foremost European environmental body, has adopted the definition given by the Norwegian Ministry of Environment and the United Nations Center for Sustainable Development (UN-CSD); it states that the definition for sustainable consumption is:

“The use of goods and services that respond to the basic needs, bringing better quality of life, while minimizing the use of natural resources, toxic materials, and emissions of waste and pollutants over the life-cycle, so as not to jeopardize the needs of future generations.”

An encompassing definition, it provides a basic understanding of the idea of sustainable consumption.³ Within the concept of sustainable consumption, there is two issues which need to be addressed: consumption levels and patterns (Mont, 2004). The levels of consumption refer to the idea of decreasing the amount of consumption. The idea of patterns refers to the

² Domestic growth reduces the impacts of transportation of food products, which contributes to global warming, and other forms of air pollution, organic food, is defined in the US as free of chemical use (Datamonitor, 2005a) and reduces the amount of pollution and resource use caused by these chemicals. Frozen and non-seasonal foods can increase the amount of energy consumption and

³ Of course, there are other definitions available, but it is beyond the scope of this research to delve too deeply into the idea of sustainable consumption.

idea of changing what people consume towards less resource intensive and polluting products and services. Therefore, the idea of sustainable consumption leads to the importance of discussing the mainstreaming of sustainable products, to improve consumption patterns.

This type of change in consumption patterns allows for the continued prosperity of society. Consumption in the traditional sense is a way of measuring the well-being and continued growth of a society (Gabriel and Lang, 1995; OECD, 2002a). With a change towards more sustainable products, economic and environmental efficiencies can be increasingly linked even allowing for an increase in consumption of environmentally friendly goods due to an increase in efficiency gains (OECD, 2002a). As it is a retailers' position to promote more products, shifting consumption patterns in this direction is more feasible and possibly even more valuable than advocating the promotion of fewer goods (Knight, 2004).

Along with continued prosperity, the switch to more sustainable products also provides for a better environment. The way products are produced, used, and even disposed of, creates many environmental problems. For example, large-scale agriculture creates problems such as biodiversity loss, soil erosion and loss of fertility, air pollution such as green house gas emissions and pesticide sprays, water pollution from waste and even wastes water. It can even damage human health from polluting drinking water (Miller, 2005). Organic products, which do not use pesticides and can be less resource intensive, would help limit some problems from industrial agriculture. Furthermore, the use of products can also cause large environmental problems. Roy (1997) shows that during the lifecycle of a washing machine, the use-phase has by far, the greatest amount of energy consumption, air pollution, water pollution, solid waste, and water consumption (Ottman, 1998). Product waste can also cause large problems for the environment, for example, toxic industrial waste from the developed countries sent to developing countries for "recycling" leaves behind hazardous waste that is not disposed of properly (Clapp, 2002). Creating electronic products with fewer hazardous chemicals can contribute to the decrease of these problems. Switching to sustainable products, that cause fewer problems during production, have fewer problems over the use-phase, and create less waste, will thus behoove the environment.

Furthermore, not only do they encourage environmentally sustainable consumption, but also ethically sustainable consumption. The ethical consumer understands a more direct connection between what is consumed and the social issue (Vermeir and Verbeke, 2005). While free-market economies are supposed to create increased wealth, it has happened that wealth has become mainly concentrated in the hands of a few (Miller, 2005). Through the ever-insatiable will to decrease costs, businesses are encouraged to seek cheaper places of production, in so-called *frontier countries* that are less regulated than elsewhere; and although they do appear to be creating wealth, they are also creating environmental and social problems (Princen, 2002). Helleiner (2002) shows that large transaction flows from smaller localities to larger firms can degrade local cultures, for example (2002).

To combat these problems in the developing world, different initiatives such as local producer cooperatives are becoming popular means of supporting local people, societies and cultures, while helping them to develop. Products made by these initiatives, like those certified by the Fair Trade Labeling Organization (FLO), can create better lives for people than if the same products were bought from larger companies, by providing them with better wages, ensuring a certain amount of environmental protection, and lifestyle.⁴ Thus, sustainable products are important for the movement towards more environmentally and ethically sound societies.

⁴ Fair Trade Labeling Organization. www.fairtrade.net

2.3 Retail Sector Importance to Sustainable Product Demand

The retail sector is an important outlet for sustainable products. Retailers are any outlets that sell individual units to the consumer, thus ranging from venues such as mom and pop stores, to major manufacturer stores, hypermarkets, online stores, and even TV shopping channels (UNEP et al., 2006). They are also significant drivers for the global economy and employment. Important to consumption, they are essentially the largest link between the consumer and the supplier of the goods. For example, in Japan, the average shopper spends \$9309 annually at retailers and in Sweden, \$5,208 annually (UNEP et al., 2006). Figure 2-1 shows a very simplified version of where the retailer fits into the supply chain for a consumer good.

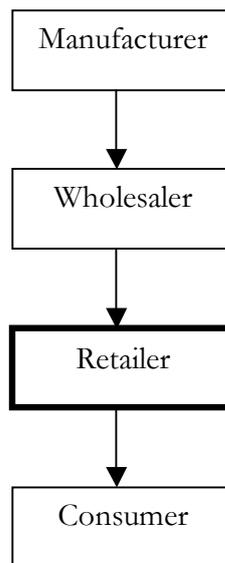


Figure 2-1 Consumer Supply Chain Highlighting Retailer's Role

Source: Adapted from Westwood, 2002; 157

Retailing has increasing market power to influence consumer purchases, as the final product distributor in the product supply chain, as has been shown in Figure 2-1. The retail industry is a \$7 trillion worldwide industry⁵. The World's largest retailer is US based Walmart, raking in \$285,000 million in 2005 (McIntosh and Valerio, 2005). Retailers are increasingly becoming larger and more chain stores are taking over (Jones et al., 2005). Furthermore, many retailers and large outlets, such as shopping malls, have become places where people hangout and often even constitute family outings (UNEP DTIE, 2005).

With such power, retailers have the potential to create a greater market for sustainable products. The OECD (2002b) proposes that retailers can improve sustainable consumption via providing better information and products to consumers. In fact, consumers may make purchase decisions from information they receive from retailers. Jensen et al. (2003) find that 58% of consumers receive information from retailers before making purchase decisions for electronic products. Moreover, retailers are important for providing information in-store, where consumers can transfer the knowledge gained from the provision of information into direct action (McKenzie-Mohr and Smith, 1999). Also, by increasing mass-market sales of

⁵ Business for social responsibility; www.bsr.org.

sustainable products, Erdmenger (2003) claims that green products become cheaper and can attract customers even without the green image. Thus, as retailers are significant outlets to the mass market, they have the potential to decrease the price of sustainable products enough to even attract all types of consumers.

Retailers have already proven to have a role in increasing sales of sustainable products. For example, retail sales of organic cotton are expected to have a 116% average annual growth rate by the end of 2008 (Organic Exchange, 2006). Furthermore, according to GEPA, the Fair Trade importer in Germany, sales of Fair Trade in the retail food sector had a turnover of 17.62% (GEPA, 2006)⁶. Also in Germany, retailers have fueled the increase of Fair Trade products on the mass market. Originally only featured in Fair Trade's own World Shops, they are now in 27,000 supermarkets in Germany (Grefe, 2006). Thus, retailers can be targeted for increasing mass-market demand of sustainable products.

2.4 Business Case for Retailers

The following section outlines the growing consensus that retailers should sell and further promote sustainable goods. From increasing pressure politically and from competitors, as well as towards promoting their own retail brand, promoting sustainable products will continue to be important for them.

2.4.1 Growing Political Pressure

Retailers are incrementally coming under environmental and social regulation. For example, retailers are often involved in the collection of consumer waste from the sale of products. In Sweden, retailers are expected to collect consumer batteries and returnable bottles. There are similar systems in Denmark and Germany.

Regarding consumption specifically, the trend for "bigger is better" retailing is also under fire from policy makers. In Denmark, several everyday-thing retailers, like Bilka, have recently received negative publicity for stores that are too large. Other stores were not allowed to build because they exceeded the 3500m² size limit. According to Politiken, a major Danish newspaper, environmental ministers are afraid that the countryside will begin to look like the "Wild West," with uncontrollable growth (Flensburg, 2006). Furthermore, large stores promote more consumption of products, but also of car fuel for customers coming to the store. Smaller stores can stay in the city centers, and are accessible via walking. While this case may be special for Denmark, it represents a growing awareness from policy makers and consumers alike that the growing trend in warehouse-size retail outlets may be coming under fire for their outright promotion of unsustainable consumption, as represented by the sheer size of the store.

A large number of information tools are available for consumers to research the products prior to purchase. As the link between product and consumer, retailers must be increasingly aware of consumers' product understanding and provide them with environmentally and socially friendly products. Products that generally have a good reputation are those with 3rd party labels. While environmental and social labels are mainly voluntary, their effectiveness shows increasing consumer awareness towards buying sustainable products. For example, the number of products certified by the EU Flower Label was more than 217 million in 2003 (EEA, 2005). Also, organic food labels are an effective measure for providing information to

⁶ Available online at www.gepa.de

consumers (EEA, 2005). Mandatory labeling is also growing. For example, the EU Energy Label scheme requires that retailers and manufacturers display the information on all white goods and household electronics. Winward et al. (1999) found that as information about the environment increases, labels, such as energy labels, influence consumer purchases. Retailers who fail to show that they promote sustainable products and have eco-labels could lose out on consumer business and influences.

As the policy focus turns from information towards regulation, retailers that are already more aware of environmentally friendly products will not have to incur so many changes. For example, the EU Commission, in coordination with the new REACH legislation⁷ on chemicals, is considering substitution of hazardous chemicals, even possibly from clothing.⁸ Furthermore, in the US, bans on soft drinks, candy and other products providing low nutritional value are increasingly popular in schools, and the products themselves are coming under fire from politicians and consumers alike (Egan, 2002). Retailers on the forefront of providing and promoting more nutritional products, has the advantage with the increasing stringency of legislation.

2.4.2 Thwarting NGOs, Consumer Groups, and Competition

Further promotion and investment in sustainable products not only allows retailers a respite from legislation, but also from other threats, such as non-legislative future risks, and increased economic competition.

In terms of risk, corporations that promote unsustainable products will become less popular in the future and possibly face consumer criticism. For example, McDonalds has become increasingly unpopular with consumers; for example, they have been taken to court for not informing the public that they were using beef extract in the cooking of their fries and have had to change their menu to appear healthier (Egan, 2002; McIntosh, 2004). McDonald's predicaments simply follow the current consumer trends to search for healthier, safer and less fattening foods, especially with increased concerns about obesity, pesticides, GMOs and disease's such as e-coli (McIntosh, 2004; EEA, 2005). Also, NGO's are renowned for targeting retailers from non-environmental and social practices. For example, Greenpeace has recently targeted Kentucky Fried Chicken (KFC) and McDonalds for using Amazon-raised soybeans in their food products.⁹ A retailer that is well aware of this risk can turn the danger into an opportunity by taking unhealthy product options away and promoting healthier options. Coca-Cola has shown an example by supporting the American Beverage Association's new industry-recommended school beverage guidelines, which strengthen the shifts towards more healthy options.¹⁰

Not only do retailers who have unsustainable product options face risk from consumers and legislatures, but also from competitors. Grocery stores who offer a wide range of more expensive organic products are becoming increasingly popular with the average consumer. For example, Whole Foods Inc, the world's largest retailer of organic/natural food products,

⁷ REACH stands for Registration, Evaluation, and Authorization of Chemicals (REACH). It aims at the improvement of human and animal life through the better and earlier identification of the properties of chemical substances. For more information see: http://ec.europa.eu/environment/chemicals/reach/reach_intro.htm

⁸ Green Peace Website <http://www.greenpeace.org/international/news/toxicfreefashion190606>

⁹ Greenpeace Organization. <http://www.greenpeace.org/international/news/kfc-180506>

¹⁰ The Coca-Cola Company. http://www2.coca-cola.com/presscenter/pc_include/nr05032006_americas_school_beverage_guidelines_include.html

has seen a staggering increase in sales in 2006, whose net profit increased 5.3% from 2004-2005 and same store sales increasing 13% three years in a row (Datamonitor, 2005b). Stores that neglect to inform consumers of more sustainable options may lose customers a growing number to stores like Whole Foods.

2.4.3 Increasing Consumer Equity, Following Trends, and Improving Management

Not only is selling sustainable products profitable, such as in the Whole Foods example, but it also increases customer equity and value (Ottman, 1998). By giving the customer more incentive to buy sustainable products, through communicating about the environmental value of the goods, increasing awareness about the brand, and increasing the information about customer programs, customer equity can also be increased (UNEP, 2005). A McKinsey Quarterly (2006) survey of 4,238 executives reported that the demand for more ethically produced products is likely to have the greatest positive impact on shareholder value for companies in the CEOs industry over the next five years. Demand for healthier and safer products came in next on their list of the most opportunistic to work with sustainability.

The CEO's are also reflecting current growth in the sustainable foods market. In 2004, the market value of organic food products worldwide reached 23.5€ billion, with the largest share of organic products marketed in Europe and North America. Ongoing growth of the market and organic land area is expected for the foreseeable future.¹¹ As of 2003, the number of EU Eco-labelled products sold has jumped from 79 to 259 million. Furthermore, in the US, the organic food market is expected to have a 20% annual growth rate, compared to a 3% growth rate for rest of the industry (Pas, 2005). A retailer who shows that they are aware of this demand will be able to capture the profitability and equity created through it.

Current consumer trends are also in line with increasing sustainable product awareness in retailers. Many people are trying to save money, and there are more high-end consumers that are willing to spend more money for value (McIntosh, 2004). Sustainable products fit into both trends: the growing luxury category, for which more middle-class consumers and splurging and upper-class consumers are creating a growing niche and also the saving category, as more energy efficient electronics represent energy savings (Reynolds, 2006; McIntosh, 2004). Also another growing trend for consumers is to look for more healthy, safe and less fattening foods, especially with increased concerns about obesity, pesticides, GMOs and disease's such as e-coli (McIntosh, 2004; EEA, 2005). Organic, natural, and other foods are often considered to fit into this category.

Retailers can also set themselves apart through greater innovation potential through the promotion of sustainable products. Wehrmeyer (1998; 41) points out: that "western consumer societies that produce more than 15,000 product lines for a supermarket have not been able to produce more than a dozen corporate approaches to the environment that are distinct from each other." While this acknowledgement may sound dismal from a sustainability perspective, it means that retailers have the opportunity to capitalize on this deficiency and create more innovations in terms of sustainability. Retailers are known as being innovative, using new technologies to trace products through manufacturing and tracing

¹¹ <http://www.orgprints.org/5161/>, cited from Willer, Helga and Yussefi, Minou, Eds. (2006) *The World of Organic Agriculture - Statistics and Emerging Trends 2006*. International Federation of Organic Agriculture Movements (IFOAM), Bonn, Germany.

consumer wishes and trends (Cerne, 2002). Those that become more innovative with sustainability issues, such as Whole Foods, will gain an advantage.

The same McKinsey (2006) survey noted earlier ranks ethical standards for advertising and marketing as having a 30% opportunity rate, and 30% risk rate, possibly showing that some firms have committed on ethical advertising, while others are still grappling with this issue. The same survey ranked increased transparency about products and processes and changing product lines and processes as one of the most effective ways to manage sociopolitical issues (McKinsey Quarterly, 2006). Because credibility and transparency are often concerns especially in promoting sustainable products, firms who do promote their sustainable products must be well informed of their supply chain (Almaani et al., 2005). For example, B&Q has revolutionized their supply chain management system by ensuring that suppliers comply with their environmental purchasing criteria (Ytterhus, et al. 1999). While supply chain management may seem like a chore, in doing so, they have improved their relationship with suppliers and even decrease in distribution costs (Green, et al. 1998). Home Depot as well has been able to take full advantage of beating out the competition in garnering credibility through increased supply chain management and product certification (Ottman, 1998). Thus, improved supply chain management through greening productions and promotion represents another advantage for retailers who take the opportunity before it becomes a liability.

Therefore, promoting sustainable products shows potential to capture customer equity and demand, contribute to innovations that allow for first-mover advantage, and to manage sustainability issues within the firm. It further allows the retailer to thwart growing risks from policies NGOs, consumers, and more competitive retailers as awareness of unsustainable products grows.

3 Traditional Marketing Theory

One of the ways that retailers can increase demand of sustainable products is through better marketing techniques. Marketing can increase consumer awareness about different product options and change purchase preferences from one brand over another, thus altering consumer preferences (Costanzo et al. (1986) from: McKenzie-Mohr and Smith, 1999).

3.1 The Concept of Marketing

The marketing concept is defined by Jobber (2001; 3) as “the achievement of corporate goals through meeting and exceeding customer needs better than the competition.” Thus, in order to meet the needs of the corporation, which are generally defined as increasing profitability, marketing has to meet the needs of consumer. Marketing involves the abilities of the company, the requirements of the customer, and the marketing environment (Westwood, 2002; Jobber, 2001).

Marketing is hence an overarching theory of how to create products that people want to buy and then entice them to buy the products. Marketing often involves trying to understand why people would buy a certain product, and then how should they do so (Golding and Peattie, 2004). According to Westwood (2002), the key thought of marketing is, “in the end, customers will always get what they want” and thus manufacturers must adapt to their needs and wants.

3.1.1 Customers

Marketing centers around understanding consumers needs and wants (Peattie, 1999). Needs can fulfill utilitarian requirements that have functional or practical benefits, or they can be experiential needs (Soloman et al., 1999; p.91). Also, consumers make purchase decisions according to involvement, attitudes, personal beliefs, and income (Kuhndt et al., 2003). A study by Corrigan and Attalla (2001) shows that the most important factors in purchase criteria are (from Peattie, 2005):

- Price
- Value
- Quality
- Brand familiarity

All of these issues (utilitarian, experiential, needs and factors) come into a consumer’s decision-making process, which leads them to their purchase decision. Figure 3-1 shows these stages.

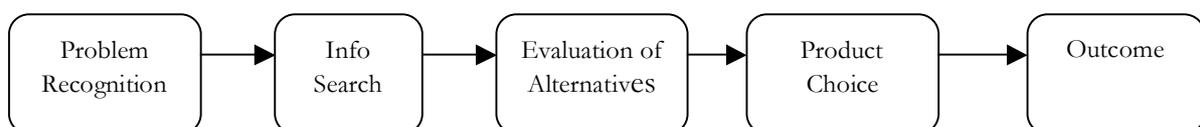


Figure 3-1 Stages in Consumer Decision-Making

Source: Soloman et al., 1999; 208

Value for the customer is created through understanding the perceived benefits offered by the purchase, versus the sacrifice made in the purchase (Jobber, 2001). For example, McDonald's success is due to quality customer service that can be expected everywhere in the world. Thus, it is more than just products that create value for the customers, but other aspects, such as service and quality. Likewise, *customer satisfaction* is created via meeting or exceeding the consumer's expectations through product purchase (Jobber, 2001). Sammer and Wüstenhagen (2005), in their study on washing machine purchase criteria, show as well that customers are willing to pay much more for brands that they are familiar with, which is often related to perceived quality and value of the purchase.

3.1.2 Marketing Mix

The marketing mix corresponds to the techniques that marketers use in order to increase awareness and sales of their products. The "4P's" are the main elements companies can change to create the appropriate marketing mix (Jobber, 2001; 13-15):

- **Product:** goods and services offered
- **Place:** ensures that products and services are offered at the right time and place, includes distribution channels, location of outlets, and method of transportation and inventory levels
- **Price:** what the company receives for the product or service
- **Promotion:** a mix of options including advertising, personal selling, sales promotions, direct marketing and internet and on-line marketing, and other means that make the target audience aware of what is being offered by the company¹²

An effective mix of the 4P's can only be applied when customer needs are understood (Jobber, 2001).

As shown in Figure 3-2, an effective marketing mix works if the following needs are attained: the 4P's are well blended to form a constant theme; they match corporate resources, and strategy creates a competitive advantage for the company (Jobber, 2001; 16-18). Furthermore, the product should relate to the price, to the promotion, and to the place, as described in the 4P's. This interrelation creates package of the 4P's, in which they work together for the same goal. However, finding this mix is not easily accomplished in practice. It has been found that only 46% of the year 2000 brand campaigns surveyed in the US had a positive effect on sales over a period of 12 months (Buckholz and Wüderman, 1998). That means that less than half of all marketing campaigns fail.

¹² Press relations are also generally considered part of the marketing mix, but will not be taken into account in this thesis, because the geographical limit of this study makes it difficult to assess this criteria.

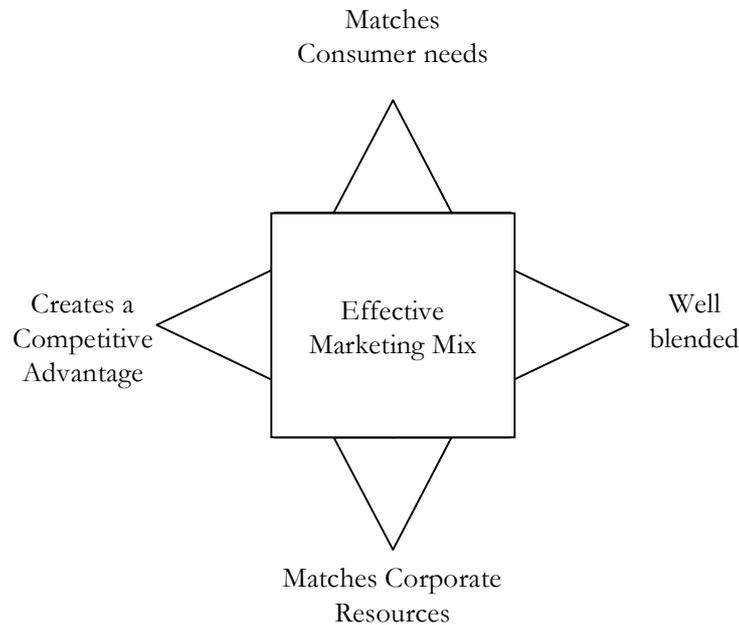


Figure 3-2 Hallmarks of an Effective Marketing Mix

Source: Adopted from Jobber, 2001; 16

3.2 The Marketing Mix in Retail

Retailers fulfill an important and special marketing role for products. Despite their apparent position in the supply chain as an outlet for products, their marketing habits espouse more than this role shows. As Rickard and Jackson (2000) point out, retailers have their own personality. They may consider their atmosphere, display skills and reputation “products;” retailers, in fact feel that their company is a brand of its own. As retailers feel that their retail brand is more important, decisions that used to be taken by the manufacturer, such as the marketing mix, are now more reliant on the retailer (Cerne, 2003). Retailers also have specific product brands. Through branding, the retailer has considerable power to influence the product that it sells. Thus, with the growth of the retail sector and greater importance on retail branding (company and product), their power to manipulate products to the consumer has also become greater.

Marketing in retail has three major objectives (Lam et al., 2001). The first is to attract consumers to enter their store. The second is to convert the people that go into their store into purchasers instead of visitors; and the third is to entice the customer to spend enough so that the amount spent represents the value and makeup of their purchase.¹³ Through these three objectives, the ultimate purpose of sales growth and profitability can be achieved (Cronin, 1985).

¹³ For example, retailers often sell items at below-cost to attract consumers to the store, yet in order to be profitable, they must encourage them to purchase other products at their full retail price.

Once customers have been attracted to the store, higher sales growth is ultimately achieved through in-store marketing; to a retailer: the coordination of production and marketing and developing advertising, display, and sales strategies to increase retail sales. Thus, in-store marketing can help promote products to convert visitors into purchasers and increase the chance that they are purchasing the products that create the most profitability.

3.2.1 Product

There is not one merchandising strategy for all products, because products respond differently to marketing according to their characteristics. The three main characteristics that determine how a product sells are volume class: fast-selling or slow-selling items; price class: high price per customer purchase or low price; seasonality class: seasonal vs. all year products (Curhan, 1974). Westwood (2002) defines consumer products in two categories, basically breaking down Curhan's volume class into further description. Fast-moving consumer goods are sometimes also called convenience goods, like food, tobacco and cosmetics that have quick turnover rates. Consumer durables are goods that are retained a long time, and thus have lower turnover rates (Westwood, 2002). These definitions are important to marketing, because products from different categories respond differently to different marketing strategies.

Outside of this description another classification system exists, using the idea that the information between the seller and the buyer is always different. Nelson (1970) introduced another way to differentiate products, according to attributes related to the information gap between consumer and producers as related to advertising (Stø et al., 2005 and Franke, Huhman, and Mothersbaugh, 2004).

- *Search attributes* are when the product information is available for the consumer prior to purchase through information gathering, which amounts to transaction costs. For these attributes, consumers can detect if there is false advertising associated with these products (Franke, Huhmann, and Mothersbaugh, 2004). For example, a search attribute of a car may be the features of the car. The potential buyer can see if the car has the features that it should, according to the claim.
- *Experience attributes* are goods whose quality aspects are only available following purchase and are based on previous use of the product. Frank et al. (2004) add that these products can not be as trusted in advertising claims because the consumer cannot know about them before purchase, unlike the search attributes. An experience attribute of a car is the driving performance; the consumer can test the driving performance of a car claim only after purchase.
- *Credence attributes*. For a product with these attributes, information about the product is based on trust in the attributes and cannot be previously known or through use. For example, environmental information usually falls into this category, as the customer cannot usually know the way a product is produced and researching this information is difficult and it may even be unavailable. For example, a credence attribute of a car is its carbon emissions, even though the information may be available, the consumer must trust that it is true.

Like the other classification systems of Curhan and Westwood, these attributes also present a difference in terms of marketing. Not only can the manufacturer influence the attributes presented to the consumer through marketing, but a retailer can as well. As the primary outlet

for consumers, retailers can provide added information to consumers to encourage knowledge of different product attributes.

3.2.2 Price

The price of a product is associated with the direct and indirect internal costs of production plus a profit margin for each segment of the supply chain (Peattie, 1999).

Compared with wholesalers and manufacturers, retailers have high costs in terms of staff, premises and stockholding (Rickard and Jackson, 2000). Retailers, at the end of the product chain, have the highest costs on the products per unit. Thus, one of their major concerns is to be able to make a profit on each unit sold; in order to make a profit, the price must reflect a margins above the retail cost (Jobber, 2001; 337). This concern means that they must have a high mark-up on the price they sell items, compared to the price at which they buy the items (Rickard and Jackson, 2000).

Therefore, retailers often compete using different pricing strategies. Price is often the criterion upon which customers make their final decision, especially if the products can be considered nearly interchangeable (Buckholz and Wörderman, 1998). The idea is that low costs often-mean lower prices for consumers. Thus, cutting costs is a strategy to offer lower prices. For example, German grocer Lidl has used the idea of low-cost through low service as their strategy of gaining customers. Wal-Mart also has a strategy of *everyday low pricing*, which they can accomplish through negotiating powers with suppliers, due to their large size and power (Rust, et al., 2000). It is interesting to note that when looking at product type determinants, low-cost strategies are with non-luxury goods items. For example, while many budget airlines now exist, airlines with high rate service and first class seating compete on a different market than the low cost airlines.

Like the high service airlines, an opposite strategy to low prices is to garner high prices through creating a competitive advantage through differentiating products by creating higher value (Porter and van der Linde, 1995). In retailing, certain product brands can often garner higher prices through increasing their brand equity. For example, as explained by Rust, et al. (2000), Liz Claiborne, who caters to women baby boomers, a generation of fit professionals, created a group of customers that identified with the brand enough to forgo sales on other brands because they feel loyal to the brand and feel that it is worth paying the extra money. Thus, pricing strategy can be summarized as either always low pricing or value pricing, dependent on the product offered (discount pricing or sales, will be discussed under promotions).

3.2.3 Place

Another important part of the retailers marketing mix is place. Place can be defined as distribution channels and coverage, transportation, outlet location, and product position (Cooper and Lane, 1997; p.13). In terms of retail product sales in the context of this thesis, the basic placement of the items in the store and on the shelves is of greatest concern.

Regarding display location in a store, products situated in high traffic areas will acquire higher sales than products in low traffic areas (Curhan, 1974). Regarding store level location, position on the shelf and the space filled by the product on the shelf is another very important marketing instrument. Often, the better a product sells, the more shelf space and better placement the product will obtain (Bultez and Naert, 1988).

Once again, product type comes into play regarding location as well. Curhan (1974) found that for “staple” products¹⁴, customers make purchases only if they have a prior purchase intention. However, for products considered “impulse buys” (those that are not “staples”), location quality is a very important factor on influencing product sales (Curhan, 1974).

Thus, while some items, such as staple foods, may not have much reaction towards placement, less selling items are very vulnerable to where a product is placed in the store and on the shelf, as well as to the number of products displayed.

3.2.4 Promotional Methods

The promotional mix is a very important part of selling, as it is a means of making the target audience aware of the product or service and what it can offer them (Jobber, 2001; p.15). These techniques are used during special promotional periods: however, sometimes they can be used under normal circumstances. The types of promotions that will be considered in this thesis and those that are particularly pertinent to retailers include: advertising, personal selling, direct marketing, Internet and technology, sales promotion and special display (Jobber, 2001; p.353).¹⁵

The main reason for promotions is to build store traffic, which increases sales in the store and of a particular item¹⁶ (Richards, 2006). However, other peripheral reasons exist for various forms of promotions. Strategic reasons for promotions include: increasing loyalty to a particular store and introducing new products (Richards, 2006). Promotions may often trigger retail merchandising of a new brand in order to capture enough market share to stay afloat (Struse, 1987; Lam, et al., 2001). Also, Blattberg, et al. (1995) note that several studies have found that promoting certain brands causes a greater switch to those brands than to others. For example, promoting higher-level brands generates more swapping than does promoting lower-level brands. Other factors include (Struse, 1987):

- Shifting inventory out of the warehouse to the consumer
- Shifting sales in time to “smooth out” financial or operating performance
- Lowering retail price without reducing list price
- Motivating the company’s sales force
- Maintaining distribution
- Maintaining shelf space
- Counteracting competitive actions

Rust, et al. (2001) describes promotion as a part of effective marketing because it can serve to increase customer equity- value equity, relationship equity and brand equity- and customer

¹⁴ Products that everyone needs and are not easily substituted (such as, bread, milk, shampoo)

¹⁵ Press relations is also considered an important part of the marketing mix, but it will not be discussed in the context of this thesis.

¹⁶ In a price promotion, this item is often defined as the *loss leader*: these items are sold at below cost to attract people to buy other things, thus accepting a loss on this product, while gaining profits on other sales.

lifetime value. For example, promotion can increase value equity through communicating messages about quality, price, or convenience, expand brand equity through increasing awareness or brand attitudes, or increase relationship equity through communicating messages about loyalty programs.

As described by Cooper and Lane (1997) one of the most important parts of the promotion is the medium for the message. Jobber (2001) lists a number of different techniques for selling products in promotions.

- **Advertising**

Advertising is the most wide-spread form of promotional technique and communicates messages to large markets. Table 3-1 shows the pros and cons of advertising.

Table 3-1 Advertising Pros and Cons

<i>Advertising:</i> Paid form of non-personal communication, such as TV, or print ads.	
Pros: <ul style="list-style-type: none"> • Wide Audience = Good Awareness Building • Creates good brand positioning through • Used to aid sales effort: legitimization 	Cons: <ul style="list-style-type: none"> • Impersonal • Limited capability to close sale

- **Personal Selling**

Personal selling allows for two-way communication between buyer and seller. It is largely used in industrial marketing contexts. In retail, the size of the personal sales force is largely declining, especially in grocery, due to the onset of large supermarkets (Jobber, 2001; 388).

Table 3-2 Personal Selling Pros and Cons

<i>Personal selling:</i> Oral communication with prospective customers in the hopes of making a sale.	
Pros: <ul style="list-style-type: none"> • Interactive: i.e. answer questions • Adaptable: change presentations to customer needs • Develop complex arguments • Build relationships • Close sale 	Cons: <ul style="list-style-type: none"> • Costly

In sales, especially retailing, *customer service* is one of the major tenets of effective sales. As Falk (2003) notes, retailers are “in business to please (their) customers because that’s the only way (they) are going to make that good income.” Knowledgeable and professional sales staff that help customers find what they are looking for is a must. In fact, staff is often included in an extended version of the 4P’s in the People mix (Cooper and Lane, 1997; 13). Cooper and Lane include friendliness, approachability, skill level, knowledge, helpfulness, present ability, and politeness in the people mix as a core necessity of the “ambassadors” of the company to have in order for good sales. Staff can also be an important part of the promotional mix, as described above.

- **Sales Promotions**

Sales promotions include different types of offers, such as money-off promotions (i.e. sales), free samples, coupons, prize promotions, free goods, competitions, and customer loyalty cards, among others (Jobber, 1999; p493). It is one of the most typical types of promotion techniques in retail.

These promotions depend on the market, firm and consumer behavior (Richards, 2006). Lam et al. (2001) found that price promotions and special promotions have a positive and significant impact on closing-ratio¹⁷ results and store entry ratio. Regarding promoted item, uncertainties existed between the amount of personnel spent on the promoted item and the amount that was spent on the other items in the store. Furthermore, different countries have different regulations for sales. For example, drawings, and sweepstakes are not allowed in some countries by law or only permitted under certain conditions (Jobber, 1999; p. 497)

Sales promotions are normally expected to have large impacts on sales (Curhan, 1974). During a sale, retailers can temporarily drop prices in order to entice new customers to make purchases at their stores (money-off promotion) (Rust, et al., 2000). Product type can often determine if a discount strategy will work as price does not make much of a difference on products with loyal consumers and “staple” products¹⁸, such as hard fruit, cooking vegetables and salad vegetables (Curhan, 1974).

Table 3-3 Pros and Cons of Sales Promotions

<i>Sales Promotions:</i> Incentives to consumers or the trade that are designed to stimulate purchase	
<p>Pros:</p> <ul style="list-style-type: none"> • Quick boost in sales • Provides cheap alternative to more expensive advertising 	<p>Cons:</p> <ul style="list-style-type: none"> • Effects may only be short term • Excessive use can decrease brand image • Not all types of sales promotions allowed in all countries

- **Direct Marketing**

Retailers often use such techniques as direct mailings and magazines that highlight products on discount for a certain period of time. The difference between direct marketing and advertising is that direct marketing information comes directly from the retailer, whereas advertising is paid for by the retailer, but published in a medium not directed by the retailer, such as magazine or TV. Also, with direct marketing, retailers can target their known customers, whereas in advertising, they may be getting a wider group. Retailers may take one of two approaches. Some retailers prefer to market their products to the local area, while others pick a target group, for example, a diaper company may target people that they know have had a baby recently.

¹⁷ Ratio of buyers to shoppers; reflects retailers ability to convert shoppers to buyers

¹⁸ There can be a difference, however, within the category.

Table 3-4 Direct Marketing Pros and Cons

<i>Direct marketing:</i> distribution of products and information and promotional benefits to target consumers through interactive communication.	
Pros: <ul style="list-style-type: none"> • Individual targeting of those consumers likely to respond • Personalized communication • Easily measure short-term effectiveness • Build continuous relationship 	Cons: <ul style="list-style-type: none"> • Low response rates • Consumer annoyance in poorly targeted activities

• **Modern Information Technology**

Internet and online marketing: The Internet is the most widely used form of modern technology marketing. Many retailers have begun to use the Internet to allow customers to search their stores and purchase products online. Several grocery retailers have even opened separate Internet, for example Peapod LLC, the online version of Giant Stores.¹⁹ Grocery chains to advertise special offers and entice people to come to their stores via the Internet. Gagnun and Chu (2005) explain that the internet is becoming a normal part of the shopping experience and allows customers the ability to access information whenever they want it. In Sweden, the Netherlands, Germany, the UK, Italy, France, and Spain a total of 40% of the population is online, 86% of those people do shopping research online and another 42% of the online population shops online (Gagnon and Chu, 2005).

Table 3-5 shows several pros and cons of Internet and online marketing.

Table 3-5 Internet Marketing Pros and Cons

Internet or on-line marketing	
Pros: <ul style="list-style-type: none"> • Global reach at low cost • Measure site visits • Establish dialogue between consumers • Change information quick and easy • Convenient for consumers • Avoids necessity of sales people 	Cons: <ul style="list-style-type: none"> • Loss of social experience (Rickard and Jackson, 2000; 91)

Screens and other devices: Retailers using more MITs in-store. One of the most popular devices is the in store touch screen, called an information kiosk. Information kiosks are interactive screens that provide the consumer with a dynamic format for searching information. These kiosks are a common feature to Japanese retailers, but are also growing in the US and European markets (Gagnon and Chu, 2005). Consumers can use them in store to find more information about the store and about its products.

¹⁹ Giant Stores are a subsidiary of Ahold grocery in the Netherlands. Further information is available at: <http://www.peapod.com/?001=523>

Radio Frequency Identification Data (RFID) are making these devices more interactive, by allowing the consumer to retrieve more information regarding their products. For example, RFID tags, which utilize radio frequency waves to transmit information about the product, are revolutionizing the traditional bar codes. Traditionally RFID tags store information about a product, mainly information such as price and inventory.²⁰

RFID can also help retailers achieve greater traceability of their products through the supply chain. Several retailers have begun to use the technology to even allow customers to trace specific items through the supply chain. Other retailers such as Metro are testing the system for supply chain and customer recall traceability. Metro is currently testing the “Online Service-Food Safety” system for allow customers to trace recalls for their products. Also, they currently combine RFID with the in-store Kiosk to use to allow customers to view the supply chain of eggs, including rearing methods, raw materials and additives, by scanning the RFID tag (Metro Group, 2006).



Figure 3-3 RFID Technology Used for Tracking Eggs at Metro

Source: Metro Group Corporate Social Responsibility Report, 2006.

While the newer technologies are not fully operative, they present possibilities for retailers to better manage their stores. Furthermore, there is the potential to entice customers to purchase products through ensuring that products are readily available, and that product chains are more transparent to the consumer. Especially to more ethical consumers, the latter purpose may play an important role in future purchasing criteria.

- **Other Means of Retail Promotion**

Retailers focus on in-store promotional mechanisms, often referred to as *point-of-purchase* (PoP). PoPs can be any change from normal placement and creating a *special display* or even adding signs to make consumers more aware of a special placement. For example, in Finland, retailers often take coffee out to the floor on warehouse pallets and sell the discounted coffee on these pallets. The items on the pallets are expected to incur high sales.²¹ In the UK last year alone, retailers spent £1.1billion on PoP promotions (Marketing Week, 2006). Also, nondurable goods manufacturers spend more money on promotions than on advertising (Blattberg, Breish, and Fox, 1995).

²⁰ British Retail Consortium. [online] Available: www.brc.co.uk

²¹ Hedman, Anne. *Reilukauppa* (Fair Trade Labelling Organization) (FI) Product Manager (28. July 2006) Telephone Interview.

3.2.5 Message Content

Also important in advertising and promotions is the content of the message. One area discussed frequently in advertising and media literature is the content of advertisements. Generally, content studies deal with understanding the nature of information shown in messages and categorizing this information. Message content can include information such as the product information, the language used and even the visual cues given. Often information such as message appeal, headline usage, price information, quality claims, and contact information appear in advertising (Turley and Kelley, 1997). For example, some types of advertising messages may show just the product, some show a symbolic type of setting, and some show a product with a brand name or even a person (Sayre, 1992). Understanding the messages are important, because they exemplify what type of information the advertiser (in this case the retailer) wants to communicate to the consumer (Sayre, 1992). Furthermore, the content of advertisements is often what draws and entices product purchase, as well as brand equity and customer loyalty.

Product type may determine the content of information provided in message contents. For example, a high value product may not display price information, while a low-value product may display price prominently. Furthermore, the type of information provided will also matter if it the product is a search or experience product (Frank, Huhmann, Mothersbaugh, 2004). It is interesting to see the type of information given to consumers from retailers, and can often infer who the retailer is and what type of information they want to get across (Budd, Thorp, and Donohew, 1967).

3.2.6 Chapter Summary

Traditional marketing theory is based on the idea that the firm must meet consumer needs, in order to be prosperous. Furthermore, there are a number of techniques within marketing that provide different insights into how to sell products through pricing, placement, and promotional techniques. Figure 3-4 shows the marketing techniques used for marketing in retail.

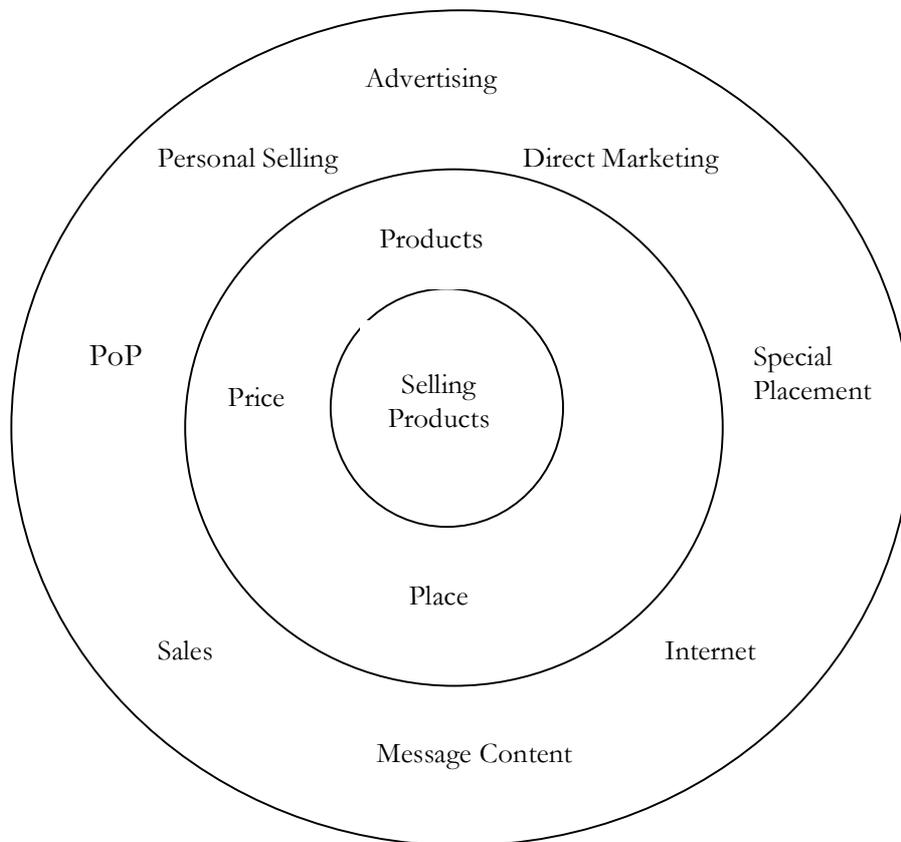


Figure 3-4 Marketing Techniques in Retail

4 Sustainability Marketing

Sustainability marketing (SM) is a new theory, dating back to only 1998, with little studied practical application (McDonagh, 1998; Belz, 2006). The following chapter serves to explain SM and how it differs from traditional marketing.

4.1 Overview and Background

Marketing can promote change towards sustainability, through increasing public awareness on sustainability issues (UNEP, 2005). Since retailers are one of the main suppliers of goods, their involvement is critical for the shift towards sustainability (Zinkahn and Carlson, 1995). However, traditional marketing methods may not be appropriate for “selling” sustainability (McKenzie-Mohr and Smith, 1999). With the goal of marketing profit oriented, the paradigm of marketing needs to be shifted to support the inherent goals of sustainability: to integrate economic, social and environment, in order to create a development that “meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development, 1987). By shifting the marketing paradigm in this way, it could potentially create a better format for marketing of sustainable products: that is integrating the idea of sustainability throughout the marketing mix.

Sustainability marketing builds upon ideas from both green marketing theory and social marketing theory. Green marketing theory is the idea of developing and promoting green products, most often specifically towards green consumers (UNEP, 2005; Zinkhan and Carlson, 1998). Yet, green marketing has not been very popular (Peattie, 1999). Its specific aim at this target group presents two basic problems. First of all, this group is very difficult to define and past research attempts to define the green consumer have not been very consistent (Peattie, 1999). Many organizations and polling institutions also have attempted to define the “green consumer.” The Roper Organization made the first attempt to categorize consumers according to the greenness of their purchasing behaviors (Ottman, 1998). The “lifestyles of health and sustainability” (LOHAS) scale has also attempted to categorize consumers, but differs because it takes into account health and personal development. In fact, the scales have markedly different results (UNEP, 2005). These attempts exemplify the difficulty of categorizing green consumers. As Peattie (1999) also points out, all consumers are green consumers; given the choice between two identical products, except that one is better for the environment, all consumers would choose the greener option. These conflicts within the definition of green consumers present an inherent conflict in green marketing.

The second main problem with this category is that green consumers are often skeptical of marketing. Marketing has been accused of manipulating consumers, for example, to believe that products are better for the environment. Furthermore, as noted by Shrum et al. (1995), consumers considered to be green are naturally more skeptical of advertising and do not hold loyalty to different brands. Therefore, potential green consumers are often confused by marketing claims or mistrust them (Ackerstein and Lemon, 1999; p.233).

Another basic problem is that green marketing manifested in the idea of green products, and often forgets to look at the full picture, thus putting less emphasis on the value of the product and the consumer. Even though the products were more environmentally friendly, they often had less traditional values than non-environmentally friendly products. This problem could have potentially led to the decrease in their production after a flurry of production in the early 1990s (Ottman, 1998).

On the other hand, social marketing theory is described as using conventional marketing concepts in order to analyze, plan, execute, and evaluate programs designed to influence voluntary behavior of the target audience (McKenzie-Mohr and Smith, 1999; Kurani and Turrentine, 2002). Social marketing is mainly a practice of governments and NGOs who want to change behavior by providing more information, assistance and other incentives (UNEP, 2005). Governments have used these programs in order to decrease drug abuse, and even promote safe sex (Weinreich, 2006). For example, the STOP aids campaign in Switzerland has influenced the increase of condom use among men ages 17-30 years old from 8% to 59%.²² However, there are few businesses involved in social marketing programs (UNEP, 2005).

Sustainability marketing diverges from both green marketing and social marketing (McDonagh, 1998; Peattie, 1999; and Belz, 2006). McDonagh (1998), the first to coin the phrase *sustainable communication*, notes that it is based on the idea that humans can preserve nature, rather than dominate it. Since McDonagh, Frank-Martin Belz has updated this idea to *sustainability marketing* (SM) and defines it as “building and maintaining sustainable relationships with customers, the social environment and the natural environment” (Belz, 2006). His definition sounds similar to that of Chamorro and Banegil’s (2006) definition of *green marketing philosophy*; “the way to conceive exchange relationships that goes beyond the current needs of the consumers, considering at the same time the social interest in protecting the natural environment.” Thus, there is a convergence among authors regarding the integration of sustainability and marketing.

SM diverges from normal marketing theory, and even green marketing theory in that it is meant to try and develop a society based on sustainable consumption, and not the current hyper-consumption model, and it accounts for the consumer when devising marketing strategies, a major downfall of green marketing (McDonagh, 1998). Sustainable products, thus, are at the heart of SM because they reduce impact on the natural environment, consider social aspects and can satisfy customer needs (Belz, 2006). Furthermore, unlike the limited attempts of green marketing, SM does not suppose that there is one green consumer group, such as in green marketing, but it sees all consumers as green (McDonagh, 1998).

4.2 Comparison Between Sustainability Marketing and Traditional Marketing

In order to clarify the SM concept, the following section presents the core differences between SM and traditional marketing.

Foundation: Traditional marketing is built upon the idea of increasing company profits. SM is built upon the premise of achieving sustainability goals, which attempt to balance the needs of the corporation with socio-environmental needs (Peattie, 1999; Belz, 2006).

Goals: One of the basic differences from traditional marketing and sustainability marketing is that sustainability marketing has its goals directed at greater social goals and business goals, whereas traditional marketing campaigns are directed solely at monetary gains (Andreasen and Drumwright, 2000). Belz (2006) specifically notes that the aim of sustainability marketing is to create social and ecological value and thus increase customer value. In other words, the focus is on improving society and not the marketing organization (Peattie and Peattie, 2003). For example, from social marketing, some of the major campaigns have been geared toward the

²² Social Marketing Institute. <http://www.social-marketing.org/success/cs-stopaids.html>

greater good of society, such as the “5-a-Day” program of the US Department of Agriculture, which encouraged all US citizens to eat at least five fruits and vegetables a day (Andreasen, 2003). Whereas SM is engrained in ethical and moral ideas, traditional marketing calls itself ethically neutral, and only based on consumer wants and needs (Peattie and Peattie, 2003). An idea behind SM is to change consumer behavior for the greater good.

Consumer Behavior: Traditional marketing focuses consumer behavior on the act of buying. However, SM includes the purchase, use and post-use of products (Belz, 2006). By including use and post-use of products in consumer behavior and purchasing criteria, sustainability marketing further includes environmental aspects. This process is further illustrated in Figure 4-2.

Communication: SM directly represents a shift from marketing to communication techniques to advance sales in products. Marketing theory is based more on one-way communication between the marketer and the consumer. However, SM theory is based on the idea of interacting by informing and educating the general public in order to create change towards a more sustainable society (Peattie and Peattie, 2003). The very definition of SM incorporates building relationships with the consumer, and even integrates dialogue into the marketing mix (Belz, 2006).

Product: In Belz’s (2005) theory of SM, sustainable products are the heart of the theory. There are two major differences between traditional marketing and SM regarding products. First of all, products in traditional marketing serve to meet customer needs and wants. However, in SM, they serve to meet the needs of society, the environment and the customer.

Secondly, traditional products can be chosen via *search* or *experience* attributes; however most sustainable products are *credence products*: their distinguishing attributes are not readily assessable to consumers and must be understood and trusted (Stø et al., 2005; Sammer and Wüstenhagen, 2006).²³ For example, consumers cannot easily assess attributes such as decreases in pollution produced during production; decreases in waste in disposal; or improved lifestyles of producers in developing countries from simply looking at or even purchasing the product. Subsequently, as Peattie (1999) points out, the marketing assumption is that value and satisfaction is created by material consumption. However, with sustainable products, often the added value is not in the consumption of the product, but with the added value to the environment or quality of life, such as through cleaner production standards, high labor standards or decreased pollutants. For example, organic milk may not be easily differentiable from normal milk, except for the organic label and trust in the idea that it was produced without synthetic pesticides or fertilizers.

Sustainability marketing recognizes that the products are credence products (previous paragraph), and can help translate these values into *quasi-search products*, via recognizing those values and trying to translate them for the consumer. Belz (2006) points out, that due to the difficulty in assessing the value, consumers necessitate a higher level of trust, which is ultimately necessary to translate those values to the consumer. Whereas green marketing may only recognize the sustainable attributes of products, and traditional marketing may only recognize the normative products values, sustainability marketing recognizes both types of values, to translate them into consumer benefits, and thus (in-theory) product purchase.

²³ Also described in Chapter 3.2.1

Table 4-1 Differences Between Traditional and Sustainability Marketing

	TRADITIONAL MARKETING	SUSTAINABILITY MARKETING
FOUNDATION	Business profitability	Sustainability
AIMS	Customer satisfaction to meet business goals	Social, environmental, and customer satisfaction to meet business, environmental and social goals. (balance)
CONSUMER BEHAVIOR	Only purchase behavior	Purchase, use, and post-purchase
COMMUNICATION	More one-way projection	Open, two-way communication
PRODUCT	<ul style="list-style-type: none"> To meet consumer needs Search or experience products 	<ul style="list-style-type: none"> At core: to meet sustainability requirements and consumer needs. Credence products

Table 4-1 shows the above-described differences between SM and traditional marketing.

4.3 Steps of Sustainability Marketing

The concept of SM can be further described via the steps of SM. SM is conceptualized into six steps, which were devised by Belz (2005).



Figure 4-1 Steps of Sustainability Marketing

Source: Frank Belz, (2005)

As shown in Figure 4-1, the first two steps in sustainability marketing are initially overlapping, while the last four are direct.

The first step is an analysis of the social and ecological problems with respect to products and services that meet customer needs and wants. For example, one way to assess these social and ecological problems is through performing a life cycle analysis (LCA) of the product to be created (Jensen et al., 1997). A brief LCA is often used to create eco-label criteria for products (Belz, 2005). However, one problem with LCA is that it may fail to incorporate social and economic issues. For example, the Fair Trade organization has at the crux of its organization sustainability, yet it focuses primarily on economic and social sustainability issues. Thus, one tool may not be enough for overall sustainability.

The second step analyzes consumer behavior in greater detail; SM accounts for purchase, use and post-use of products. Thus, the traditional consumer decision-making process is transformed from normative marketing to include the added aspects, shown in Figure 4-2.

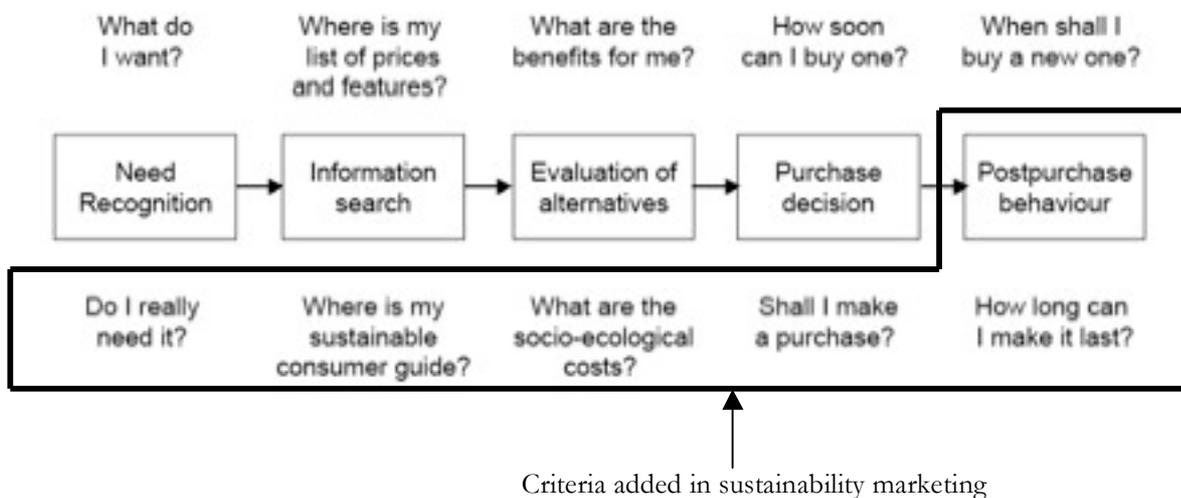


Figure 4-2 Consumer Buyer Decision-Making Process Integrating Purchase, Use and Post-Use phases

Source: Adopted from Belz and Karstens, (2005)

The first two steps, which show an overlapping of ideas between analyzing social-ecological problems as well as consumer behavior, are at the basis of SM, and play a large role in strategic direction of the marketing campaign.

The third step, normative sustainability marketing, entails corporate commitments to sustainable development, corporate visions, principles and guidelines and the development of marketing objectives and goals that align with SM. In practice, reviews have shown that retailers are moving towards this step. For example, 64% of retailers have created corporate environmental policies that express their concern for sustainability and their sustainability goals (Storebrand Investments, 2003). Even retailers like Wal-Mart have begun to integrate these types of statements into their businesses:

“At Wal-Mart, we know that being an efficient, profitable business and being a good steward of the environment are goals that can be accomplished together. And our environmental goals are simple and straightforward: to be supplied 100 percent by

renewable energy; to create zero waste; and to sell products that sustain our resources and our environment.”²⁴

Despite its commitment to the environment, Walmart has been highly criticized for its social practices involving employees.²⁵ Many retailers have also begun environmental reporting, thus furthering their principles. According to StoreBrand Investments (2003), 50% of retailers in their study of 86 world-wide retailers had environmental reports and a significant number of these retailers had moved towards making full Corporate Social Responsibility (CSR) Reports. While these statements and reports do not ensure that companies are sustainable, they signal a shift towards acknowledging sustainability in the corporate sector.

The fourth step, strategic sustainability marketing, deals with socio-ecological product quality and strategic product positioning. For example, the retailer CO-OP in Sweden has been able to generate competitiveness in its strategic position for its Änglamark eco-brand labeled products, through product differentiation and first-mover positioning (Öström, 2003)

The fifth step, instrumental sustainability marketing, follows the socio-ecological aspects through to integration in the marketing mix. As this step deals with communicating the sustainable products to the consumer, this step will be the focal point of the remainder of the thesis.

The sixth step, transformational sustainability marketing, describes actions that begin to transform society towards sustainability, namely civic engagement activities. According to Belz (2005) the objectives of transformational sustainability marketing are to create incentives for the purchase of sustainable products or the sustainable use of products, or to discourage the purchase of normative products and unsustainable use. He admits this step is difficult, but adds that it is only for the sustainability pioneers. One good example of the sixth step from the retail sector, is the do-it-yourself retailer (DIY) B&Q from the UK. B&Q have run campaigns to reduce the value added tax (VAT) on energy saving materials. Their campaign was so successful, that the UK government has agreed to discuss this issue with the European Commission (Almaani et al.).

4.3.1 Criteria for Realizing Instrumental Sustainability Marketing

This research deals particularly with *step five* of SM and the involvement of sustainability issues in the retail marketing mix for communicating sustainable products and potentially increasing the demand of sustainable products. As chapter three described the marketing mix in detail, this section will analyze the criteria for changing the marketing mix to an SM mix.

As discussed in chapter three, the traditional marketing mix includes the products, price, place, and promotional techniques, such as advertising, direct marketing, personal marketing, sales, and other techniques, like special displays. However, as the product has already been defined as a sustainable product, this section will not discuss product in terms of changing the marketing mix for sustainability marketing.

In order to change the marketing mix to reflect SM, the mix will be reviewed in terms of the aspects that integrate sustainability.

²⁴ Statement available at: <http://www.walmartfacts.com/featuredtopics/?id=1>

²⁵ For more information, see The Walmart Website: <http://walmartwatch.com/home/pages/healthcare>

Figure 4-3 shows the criteria for changing the marketing mix: fair and suitable pricing; accessible distribution; and communication by means of trust creation, emotional stimuli, and motive alliances. Furthermore, credibility of communication is accompanied by several criteria of its own: third party labeling, dialogue and access to information. The following section explains these criteria in greater detail, and in relation to retailers. Furthermore, in the analysis section, these criteria will be used to establish if the retailers are able to integrate sustainability marketing into their marketing mix.

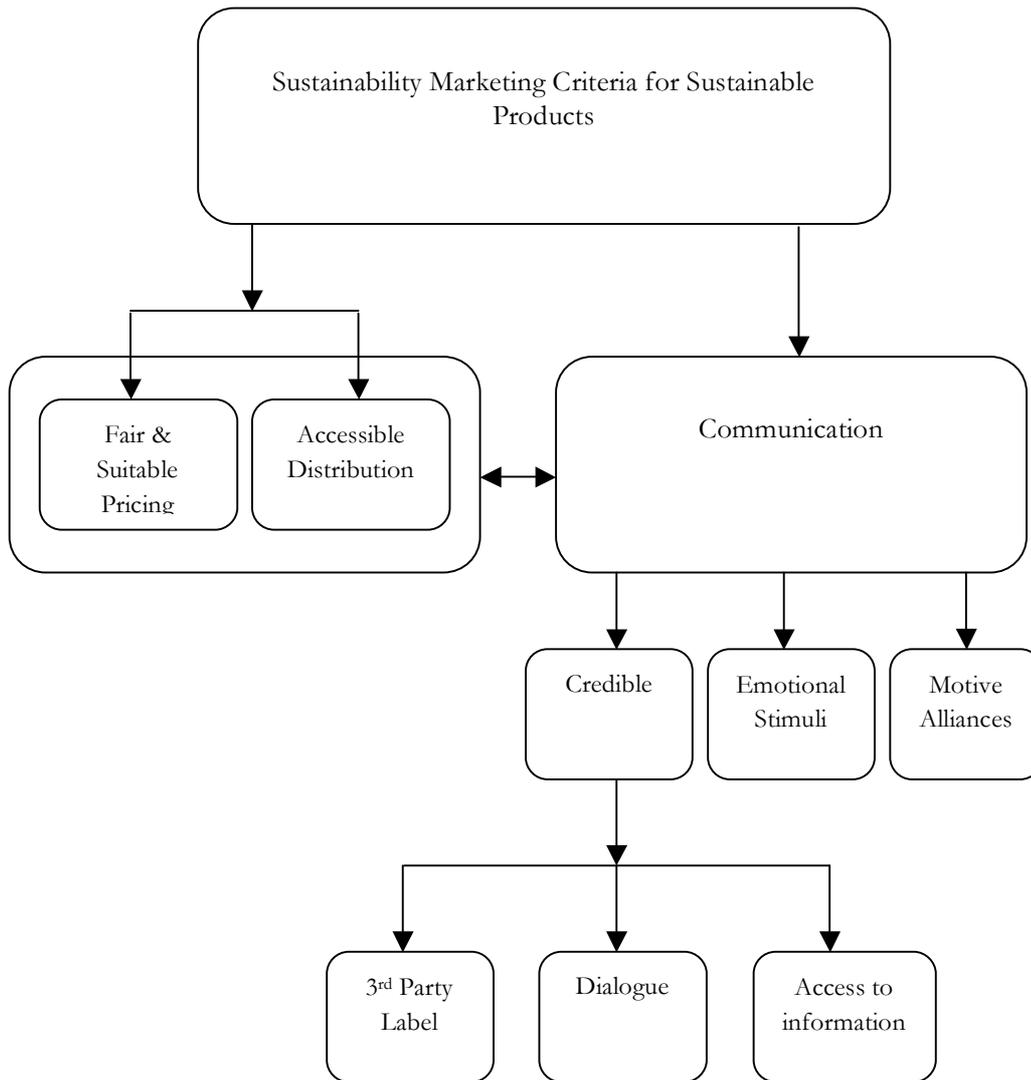


Figure 4-3 Instrumental Sustainability Marketing Criteria

Fair and Suitable Price: Price in traditional marketing reflects the amount of money paid for the product (Jobber, 2001; 787). According to SM theory, prices should be fair, as well as suitable: they should be customer value oriented (Karstens and Belz, 2005).

First of all, it can be argued that sustainable products ought to reflect *fair pricing*. In traditional markets, prices do not always reflect the actual costs of the product, such as costs of production or external costs- costs to environmental or society. Fairer pricing would take these considerations into account, but often are not accounted for in current markets. Due to

the ultimate goal of achieving sustainability, SM should consider all costs to society in setting prices of exchange. In terms of sustainable products, they must compete on a market where other products do not include their external costs to society. For example, even though the production of organic food causes less harm to the environment, non-organic food is less expensive. Even though organic food must overcome market-entry barriers, non-organic foods are not pricing their negative effects on the environment. Therefore, although the costs of non-organic may be more overall, organic is priced higher to the consumer.

For socio-ecological consumers, the fair pricing strategy is apparent; however, in order to make these products mainstream, the price also has to be relatively close to similar products (Karstens and Belz, 2005). Mainstream consumers cannot always assume that sustainable products cost more or their purchase may be deterred. Therefore, the prices should also be *suitable*. Communicating the added value of sustainable products can increase suitability. Through marketing differentiation, products with a perceived higher value may obtain a higher price from consumers (Porter and van der Linde, 1995). According to Orsato (2006), environmental products that give consumers clear benefits from purchase, are credible, and hard to imitate, can receive a price differentiation by showing themselves to be worthy of a higher value to consumers. Clear benefits, such as health benefits from organically produced food, or even personal benefits from “doing the right thing,” must thus be effectively communicated to the consumer. Therefore, while prices should be fair, they should also be comparable to other products in the same range.

Accessible Distribution: Place in traditional marketing refers to the distribution systems for products (Jobber, 2001). Distribution can refer, as in traditional marketing, to the physical retailer where their product is distributed. Karstens and Belz (2005) note that a high degree of distribution is essential to go beyond niche consumers.

However, a more important issue to this thesis is the physical location of the product *within* the store. In-store location of the product is especially important in this research, considering the main focus is mass retailers, which already have specific store-location strategies. The more the consumer must search for a product (even in-store), the less likely he/she is to buy a product. Weinreich (2006) points out that when social issues are involved, *accessibility* is of utmost importance. In their study, Vermeir and Verbeke (2006) show that low perceived availability is a key deterrent to sustainable purchase behavior. In their study, they found that sustainable products were often available at frequently shopped retailers’ but the consumers had failed to find them. Thus, perceived availability can be influenced by the product location in the store.

Furthermore, other tools can be added to help increase awareness, and hence perceived accessibility of product location (McKenzie-Mohr and Smith, 1999). For example, McKenzie-Mohr and Smith (1999) cite a study by Geller et al. (1971) in which convenience stores that provided a prompt (information directly related to desired purchase) at point of sale, increased sustainable purchase by 32%. Prompts ensure that people know and understand that the products are available. Thus, placement in store can increase the accessibility of products, and added tools like prompts can act to improve perception of the placement.

Communication: Communication reflects promotion in the normal marketing mix. According to Karstens and Belz (2005), “it is the bilateral communication between the company and its current and prospective customers which builds and maintains any kind of relationship which again constitute the core of sustainability marketing.” Thus, SM tries to build more of a two-way communication flow than traditional marketing. In addition, there

are a few criteria communication should include to be considered part of sustainability marketing: credibility, emotional stimuli and motive alliances.

Credibility: Sustainability marketing aims to rebuild and create trust of consumers in businesses (McDonagh, 1998). One of the main problems with environmental advertising in practice is that people rarely trust it (Ottman, 1998). This lack of trust comes as no surprise, as Mohr et al. (1998) have found that green ads are occasionally untrue or misleading. They relate trust in claims to one of the reasons why consumer purchasing has lagged behind the claims. Thus, in order for industry to move towards changing society towards sustainability, they must be true, and further exude credibility.

Credible communication is of the utmost importance for increasing sales of sustainable products. As credence products, the consumer cannot ascertain the value of the products on their own, and thus information about the added sustainability value must be communicated. This added information has the possibility of turning credence products into “quasi-search qualities,” which means that consumers can make some assessment of the products on their own (Karstens and Belz, 2006).

Therefore, they must be able to trust in the information that is given them or this transformation will not happen. Stø et al. (2005; 23) state that “consumer trust is important” because consumers have very little access to information regarding production of environmental goods. Orsato (2006) points out that one of the key factors for obtaining a higher price for the product is that the sustainability criteria are credible. Vermiere and Verbeke (2006) in their recent study, also suggest that certainty in product purchasing is a reason why people who have good intentions about sustainability do not act on them. For example, Ariel Ultra was advertised heavily as a green product, but their marketing efforts were negated by media coverage that it had been tested on animals (Peattie, 1999). In this case, trust in the product was lost.

Therefore, communicating credibly is important for consumers to believe the information given to them and to thus reap the benefits of the added sustainable value. However, the transformation also depends on the objective and subjective perception of the consumer (Weiber and Adler, 1995, from Karstens and Belz, 2006). Thus, while it can be assessed that the retailer can improve product credibility, it must be noted that it is difficult to assess the actual transformation of a credence product to a quasi-search product.

Credibility and trust can be gained through *third party labeling, dialogue, and access to information.*

- *Third Party Labeling*

Third party labels on products can create consumer trust (Belz, 2005). Chamorro and Banegil (2006) show in their study of Spanish firms that eco-labels lend credibility to the green image of the product. Labels show the consumer that the information that is being given to them by the company has been verified by an independent and outside body. Eco-labels are defined as labels, which identify the environmental preference of a product (good or service) within its product category based on life-cycle considerations.²⁶ The most well known eco-labels include the German Blue Angel, the first European Label created in 1978 (Manzini et al. 2006) and Miljömarkt in Sweden (Sammer and Wüstenhagen, 2006). Different energy labels for appliances also exist, such as the EU Energy Label, a mandatory initiative ranking the energy

²⁶ Global Ecolabelling Network. <http://www.gen.gr.jp/eco.html>

efficiency of all white goods, home appliances and light bulbs (Sammer and Wüstenhagen, 2006). Labels for food products, such as organic and fairly traded labels also exist (see chapter 5).

Despite the purpose of creating trust, third party labels are not always trusted, much less understood by consumers. In their analysis of Danish consumers, Jensen et al. (2003) noted that 38% of their sample was skeptical of eco-labels (generally); however, only 5% distrusted the Nordic Swan label and 15% the EU-Flower. Hill and Lynchehaun (2002) found in their study of organic milk, that consumers did not fully understand what the organic label meant, nor that it was related to environmentally improved production methods.

- *Dialogue*

According to McDonagh (1998), in order to encourage trust and to engage in sustainable communication, and thus sustainability marketing, firms should maintain an open dialogue and hopefully draw their public into the process of decision-making. Dialogue will also help to increase trust among consumers.

Today, businesses are beginning to turn toward this principle through stakeholder dialogues. A stakeholder is anyone or group that affects or is affected by an organizations activities. Different environmental, social, and economic issues are all important to the company in the ways that they affect their stakeholders, either positively or negatively. Retailers have a number of different stakeholders and partners that they can work with, as shown in Figure 4-4.

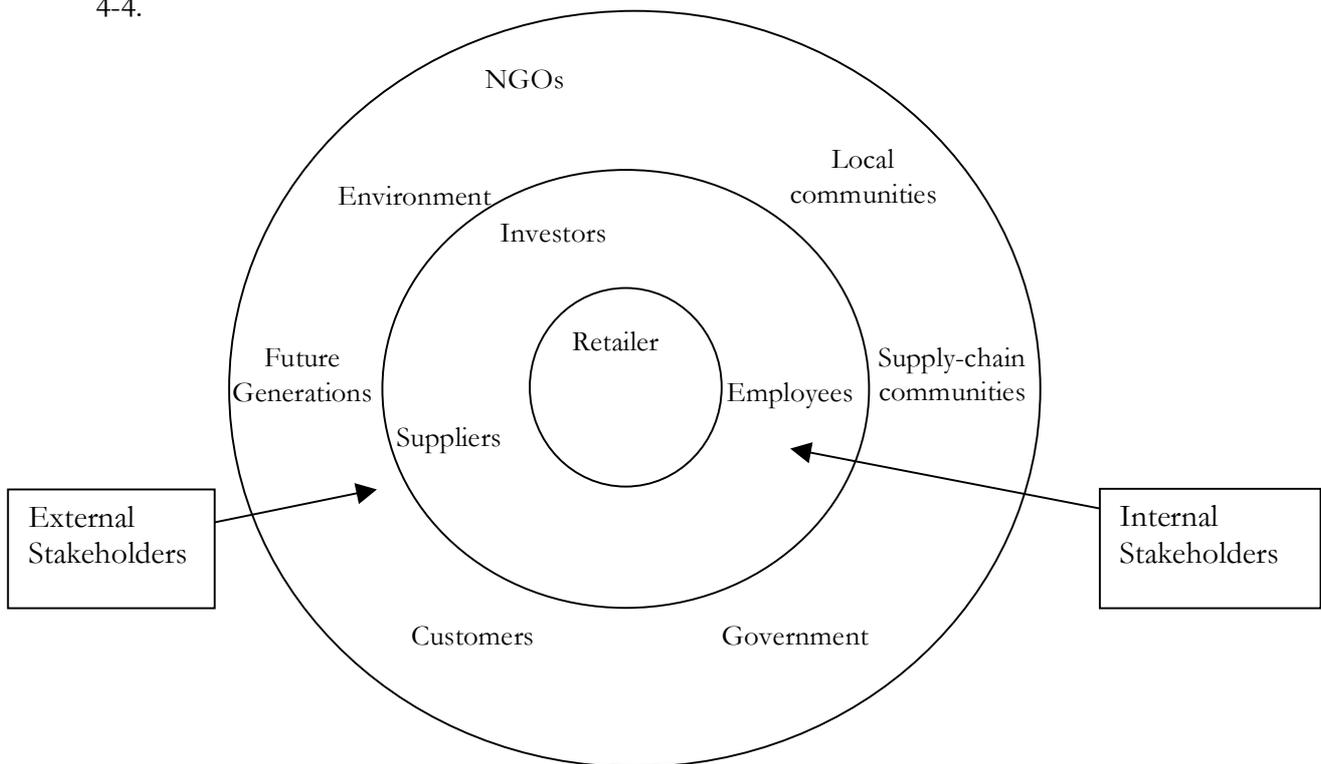


Figure 4-4 Retail Stakeholders and Potential Stakeholder Dialogue Candidates

Adapted from Cerne, 2003.

Dialogues for sustainable products are valuable tools for increasing demand. Dialogues between different stakeholders about sustainability allow organizations to better understand

stakeholders issues and increases their transparency as a company (McDonagh, 1998). For example, Jensen et al. (2003) found that electronics retailers in Denmark were not aware of customer interest in energy efficient appliances and thus did not provide extra information for them. Perhaps consumer dialogues could have provided retailers with a better understanding about consumer's wishes.

Furthermore, as Ottman (1998) shows, corporations that have developed partnerships have found benefits that not only include help with technical expertise, but also further opportunities to educate consumers about key environmental issues relating to one's firm and industry and improved credibility for green products and communication. Sammer and Wüstenhagen (2006) further support this idea, in their findings that educating sales people regarding sustainability will help inform consumers about product choice. Therefore, dialogues can increase retailer awareness of issues, improve their relationships with different organizations, and improve their communication efforts for sustainable products. As this section and this thesis focuses on communication of sustainable products, this issue will be most focused upon in the analysis in chapter 5.

- *Access to Information*

Access to information provides a two-fold benefit to the consumer. First of all, it increases transparency, and thus credibility. Secondly, it increases consumer knowledge of products (McDonagh, 1998). Gabriel and Lang (1995; 36) state very clearly, "information is a precondition to real choice." Access to information for the consumer can also provide greater knowledge. Knowledge is especially important for sustainable products, as they are credence products, and thus understanding their value is difficult for consumers unless they are informed about what benefits this value translates into for them personally and for sustainability (Stø et al., 2005). For example, Toyota's Prius campaign is touted for providing Toyota a boost in brand image, through a mix of non-financial reporting, public awareness campaigns and public relations (PR). It allowed them to build trust through making their business case transparent, and avoiding the distrust that often comes through green advertising. It displayed corporate dedication to sustainability through its products; connecting to the consumer and giving the consumer further information about the product, thus increasing trust and knowledge (UNEP, 2005).

Emotional Stimuli: According to Belz and Karstens (2005) emotional stimuli can serve to push sustainable purchases. They explain that they should be used together with credible information. Belz (2005) describes that emotionalizing pictures, for example, can be used beside text to evoke positive emotions from consumers.

Creating consumer demand is often linked to creating an emotional attachment (University of Cambridge, 2006). According to the OECD (2002b), often the information is available, but perhaps not in as convincing language as advertising for other products. Basically, simple, interesting messages can make consumers feel encouraged to find out more information (Scott Keiller from Starbucks: From University of Cambridge, 2006). Banerjee et al. (1995) explain that advertisers use emotional appeals to meet different objectives in their ads. The authors illuminate five types of emotional stimuli: fear, guilt, humor, self-esteem, and warmth. Self-esteem is also linked with consumer behaviors to highlight their role in environmental production. It has been found that perceived consumer effectiveness (PCE), the extent to which a consumer believes that he/she is contributing to the solution of the problem through his/her actions, has a key positive correlation in contributing to the consumers sustainable purchase (Vermeir and Verbeke, 2006; McDonald and Oates, 2006). PCE is thus a considerable emotional stimulus to take into account when creating messages.

Motive Alliances: Motive alliances describe the combining of conventional purchase criteria with the socio-ecological benefit in order to encourage sustainable purchasing (Belz, 2005). The socio-ecological benefit of the product must be communicated with the normal marketing benefits in order to encourage buying patterns and sustainable consumer purchase behavior. Langner (2001) explains that the ideas must be communicated as a linkage of sustainability issues with normal issues, to create one combined motive; for example, linking environmental values of organic to those of health in the same context. Normal purchasing criteria includes factors such as reliability, durability, performance, style/looks, comfort, convenience, taste, price, value for money, status, fashion, self-image, morals, and brand recognition (Jobber, 2001; 69).

Several authors have come to the conclusion that in communicating sustainable products, it is important to explain sustainability issues, while explaining the normative issues (Strong, 1997). Carrigan and Atalla (2001) show that consumers are most likely to make purchases in regards to normative criteria, rather than sustainability criteria. In their analysis of Swiss consumers, Sammer and Wüstenhagen (2006) show that while consumers are willing to pay more for washing machines that are A-labeled, brand and price still make a large impact on their purchases. They show that ethics is a very weak purchasing requirement.

At the same time, expressing sustainability aspects to the consumer is important (Golding and Peattie (2005), Orsato, 2006). It is possible that including sustainability information can increase the likelihood of sustainable product purchase. Tanner and Kast (2003) show in their study that increased consumer knowledge about environmental protection is strongly related to the purchase of sustainable products. Also, Hill and Lynchaun (2002; 533) make it clear that in order to sell more organic products, “retailers need to educate consumers about the organic story because currently they are only stressing the key benefits and this does not always influence consumer purchase behavior.” For example, in order for products marked as organic to show greater environmental credentials, not only does the idea of organic need to be understood, but also the symbol or label that will identify the organic product (Stø et al., 2005). Secondly, there is the potential that including sustainability information can improve consumer awareness of sustainability in general, and thus aid in advancing sustainability. Princen (2002) argues that when consumers do not have enough information about production conditions, they are more separated from their consumption; thus they are likely to make decisions for self-interested consumption and not take into account externalities, such as environmental and social concerns.

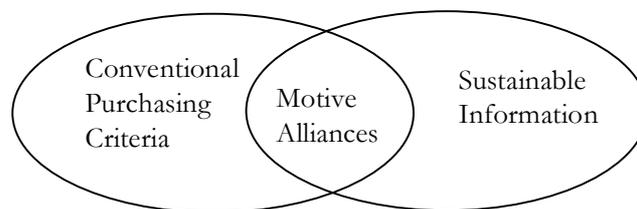


Figure 4-5 Visualization of Motive Alliances

Figure 4-5 explains motive alliances by showing the combination of sustainability issues with traditional purchasing criteria. The more that sustainability issues become important, than they can increase their overlap with normative criteria. Several authors propose that there are levels of integration between sustainability criteria with normative criteria (Meffert and Kirchgeorg, 1998 from: Meyer, 2001; Belz, 2006). Sustainability criteria can be communicated either as the dominant factor, equally with conventional attributes, supporting conventional attributes, or ignoring conventional attributes. Belz (2006) indicates that the target consumer market determines the level of involvement. For the mass market, which this thesis is

investigating, he suggests that the sustainability dimension be communicated as an integral part of the normative criteria. As depicted in Figure 4-5, the area that represents motive alliances can be made larger or smaller depending on the integration of criteria.

5 Investigation of Retail Practices to Increase Demand of Sustainable Products

5.1 Investigation Overview

In the last chapter, sustainability marketing was explained as it could be used in the retail sector to market and improve communication of sustainable products. Sustainability marketing uses techniques from traditional marketing, yet integrates the criteria described in Figure 4-3. In order to understand if these techniques can be used in the retail sector, an investigation of retail marketing techniques for sustainable products was undertaken.

The investigation focuses on what actions and approaches, mainly dealing with marketing, retailers are using to increase sales of the sustainable products. The case product chosen was sustainable coffee, in order to create a better basis for a qualitative analysis. The investigation primarily entailed interviewing retailers, Fair Trade Labeling Organizations (FLOs), organic labeling organizations, Utz Kapeh, and others that may be involved with or have an interest in marketing sustainable coffee through the retail sector. Furthermore, most retailers interviewed were major food retailers, usually within the top four food retailers in their country, and some with international locations. The goal is to investigate retailers and other organizations that are working with the marketing of sustainable coffee, in order to have a better knowledge of “best practices.”

Retailers interviewed were given specific questions to answer, in order to obtain comparable results (See: Appendix B: Interview Questions for survey). A brief overview of sustainable coffee is given below, followed by an overview of food retailing and the retailers surveyed.

5.2 Sustainable Coffee

In order to investigate retail marketing, coffee was chosen as a “case product.” In a marketing context, coffee is a convenience good. Coffee is sold largely according to brand familiarity, price, and taste.²⁷ It is an important product in the world commodity market today: it is the most widely traded commodity after oil (Golding and Peattie, 2005). The coffee industry is also posting large profit gains. For example, Nestle’, the world’s largest coffee company posted a 2001 profit of €4.5 billion, which was higher than its previous years profits.²⁸ Like Nestle’ the major players in the coffee industry are mainly large corporations, including Sara Lee, Kraft Foods, and Procter and Gamble. This large corporation dominance is indicative of the fact that coffee largely sells on brand competition (Golding and Peattie, 2005).

Despite these apparent financial boons, there are underlying problems in the coffee market. Overproduction has been caused by decreased consumption of coffee and the corresponding increase in production in new areas, most notably Vietnam. The problem is then further exacerbated because farmers continue to increase their production, due to the decreased profits caused by over supply (Golding and Peattie, 2005). From 1999-2002, the world coffee market prices halved to \$0.45-0.50 per pound-their lowest levels in 40 years, due to this overproduction and hence strong price competition.²⁹ According to the World Bank, this

²⁷ S. Freiden. Max Havelaar Switzerland. Interview. 20. July 2006. Telephone Interview.

²⁸ Fair Trade Labeling Organization.: 15. July 2006. <http://www.fairtrade.net/sites/products/coffee/why.html>

²⁹ Fair Trade Labeling Organization, 15. July 2006. <http://www.fairtrade.net/sites/products/coffee/why.html>

price is not sustainable for the farmer-the prices do not cover production (Golding and Peattie, 2005). In fact, they estimate that 400,000 temporary and 200,000 permanent coffee farm workers have become unemployed in Central America alone (Golden and Peattie, 2005). Furthermore, because it takes the coffee berry three years to grow, the coffee farmer is slow to react to market forces (TransfairUSA, 2006b). Therefore, while the large corporations are reaping profit, the actual farmer of the coffee is suffering from the current market for coffee.

Aside from the social and economic problems, large-scale coffee production is also considered environmentally unsustainable. Traditional coffee farming is (for the most part) a sustainable approach to harvesting the rainforest. The leafy canopy above the coffee bushes serves as shade for the coffee, allowing it to mature naturally, but also as a sanctuary for numerous types of wildlife, especially birds. In large-scale coffee farms, these shade trees are clear-cut, destroying the canopy and wildlife sanctuary. For example, studies in Colombia and Mexico have found that there are 94-97% fewer bird species in large-scale sun grown coffee farms compared to the shade grown coffee plantations (TransfairUSA, 2006c). Furthermore, often the coffee bushes are packed into dense areas and doused with chemicals. These practices increase soil erosion, and pollute streams and rivers, harming wildlife and people.³⁰ Therefore, coffee has a large potential for becoming more sustainable, environmentally, socially and economically.

5.2.1 Organic Coffee

In order to fill this need, there are more environmentally, socially and economically sustainable types of coffee production. Organic farming serves to improve the situation of the environmental aspects of farming. The IFOAM (International Federation of Organic Agricultural Movements) is the international body that has created international standards for organic products, including coffee and also certifies third-party organizations, such as Krav in Sweden and Bio in Germany.³¹ While the IFOAM does exist, not all organic labels heed the IFOAM standards. Governments also have regulations. The European Commission has its own organic standards, according to EC Regulation Standard, 2092/91, which is updated yearly.³² The standards restrict the use of fertilizers and pesticides to natural substances, and land must be rested. Furthermore, sewage sludge and Genetically Modified Organisms (GMOs) are restricted.³³ In the US, organic production is regulated through the US Department of Agriculture's (USDA) National Organic Program, by the Organic and Foods Production Act of 1990. In farming, the standards set forth by the Act restrict the use of synthetic pesticides and fertilizers, and they do not allow for GMO's or ionizing radiation. Furthermore, there are requirements that the farmer must use soil management techniques. Thus, while the regulations may be similar, different labeling bodies do exist.³⁴

As shown in Figure 5-1, the EU and the US have the highest shares of the organic food market: the EU has 35.7% of the global food organic market respectively, while the US has 46.6% of the global market value in organic (Datamonitor, 2005a).

³⁰ Rainforest Alliance Website. <http://www.rainforest-alliance.org/cafe/english>

³¹ IFOAM website. <http://www.ifoam.org>

³² Waitrose Website:
<http://www.waitrose.com/about/corporatesocialresponsibility/environmentreport/html/foodresponsibility/organicfoodandfarming.asp>.

³³ Waitrose Website: *ibid*.

³⁴ The National Organic Program Website. <http://www.ams.usda.gov/nop/indexIE.htm>

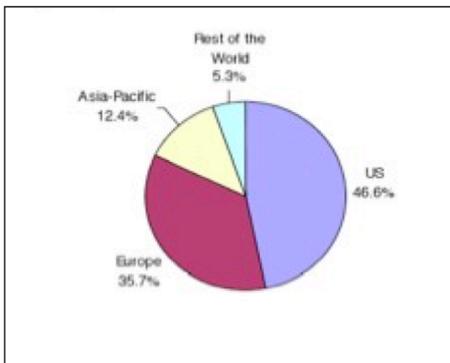


Figure 5-1 World Organic Food Market Segmentation, % Share, 2005

Source: Datamonitor (2005)

That not all organic products can be certified by IFOAM shows that organic standards differ around the world. One point of interest about organic, is that not all farmers, especially in the developing world, can afford to have their product certified organic, and thus some coffee that is produced organic, may not have the certification for the consumer to tell whether or not it is certified.³⁵

Specifically, organic coffee strives to be more environmentally friendly through the decreased use of synthetic pesticides and fertilizers and wild harvesting (not allowing the shade trees to be chopped down).³⁶ In some ways, this type of production is how most coffee used to be produced, until large coffee farms came into existence.³⁷ Unlike traditional marketing theory, organic products have the environment at the core of the value systems.

5.2.2 Fair Trade Coffee

Since organic does not necessarily guarantee high social standards for producers, other certification schemes have been developed to ensure that products are produced ethically. The Fair Trade movement affirms that products with the label are certified to conform to the Fair Trade Standards and provides development assistance, through a price premium, to disadvantaged farmers and workers. The Fair Trade movement has in fact been an idea for about 50 years, but is recently beginning to blossom (Perez, 2006). FINE, the informal umbrella network, made of various partner organizations, defines the current definition of the Fair Trade movement:

Fair Trade is a trading partnership, based on dialogue, transparency and respect, which 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. Fair Trade organizations (backed by consumers) are engaged actively in supporting producers,

³⁵ Interview with Dan Olson, Transfair USA, 10. July 2006. Telephone Interview.

³⁶ IFOAM website: www.ifoam.org. 20. July 2006.

³⁷ IFOAM website Ibid

awareness raising and in campaigning for changes in the rules and practices of conventional trade (Golding and Peattie, 2005 from FINE, 2001).

From the definition, it is clear that Fair Trade is aligned with sustainable thinking. In fact, there are similar characteristics within the Fair Trade definition and sustainability marketing, namely dialogue, and transparency.

In the world markets, the EU accounts for 60-70% of the world marketing for Fair Trade products (Krier, 2005). Coffee represents an important Fair Trade commodity. Overall, coffee accounts for 60% of all of the Fair Trade coffee sales (Golding and Peattie, 2005). In the UK, 20% of all ground coffee is Fair Trade. In Denmark, it is the most highly bought Fair Trade commodity and represents 2% of the total coffee sales (Krier, 2005). Furthermore, in places like Germany, the Netherlands and the UK, prominent institutions and companies are switching to all Fair Trade coffee, such as Volkswagen in Germany and Marks and Spencer's coffee shops in the UK (Krier, 2005; Perez, 2006).

Table 5-1 shows the growth in the Fair Trade coffee market share in Europe and US.

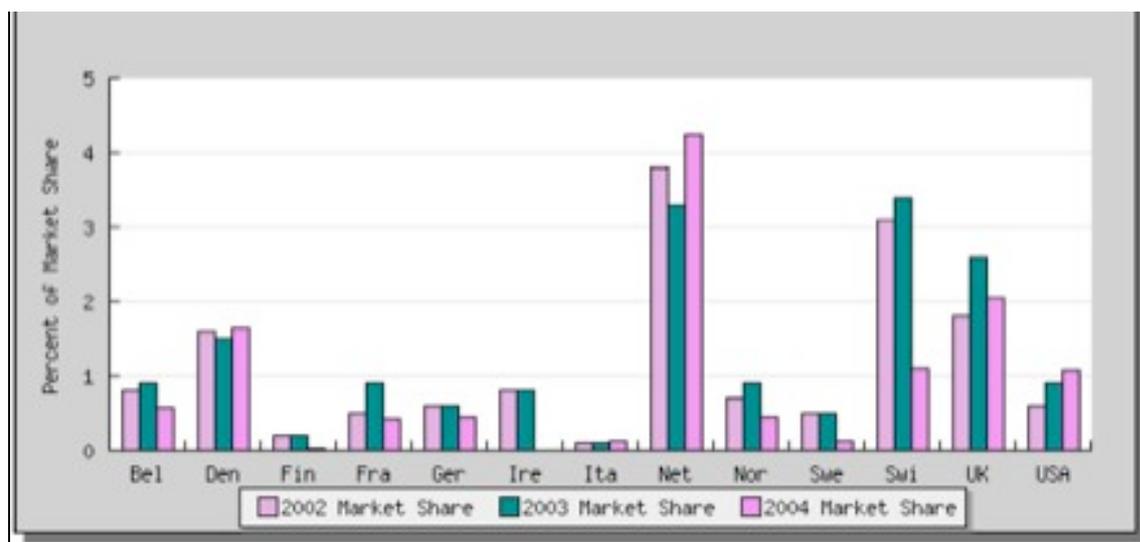


Table 5-1 Fair Trade Coffee Market Shares in EU Countries and US

Source: Transfair USA, 2006a

As Table 5-1 shows, the Netherlands has a rather high share of Fair Trade coffee in the market, and its consumption is continually growing. The UK, Denmark and the US also show high market shares. However, what is interesting is that except for in the US, market shares have not always grown. For example, while Switzerland had very high shares in 2002 and 2003, in 2004, market shares decline nearly 2%. A similar situation can be seen in Sweden, Finland, Belgium, Norway and to a lesser extent in Germany.

The main Fair Trade coffee criteria are the following (TransfairUSA, 2006b):

- Guaranteed floor price or income paid directly to the producer. (At the time of writing, the Fair Trade minimum price is \$1.21 (Barrientos and Dolan, 2006)).

- Fair labor conditions for all people working on the farms
- Freedom of association for farmers and workers, and democratic decision-making processes
- Environmental standards that restrict the use of agrochemicals and foster sustainability
- For cooperatives, pre-harvest lines of credit

Furthermore, Fair Trade coffee does not work independently from organic labeling. For example, 70% of Fair Trade coffee in Austria and 85% of Fair Trade coffee in the US is certified organic (TransFairUSA, 2006c).³⁸

An interesting aspect of Fair Trade is that it requires producers and packagers of Fair Trade coffee to be licensed under the Fair Trade label. However, it does not require that retailers be licensed to sell Fair Trade products. Thus, Barrientos and Dolan (2006) note that they have not necessarily made the commitment for Fair Trade.

5.2.3 Utz Kapeh Coffee

A final labeling scheme for sustainable coffee to be observed is the Utz Kapeh certification scheme. Described by Rachel Diender as an “alternative to Fair Trade,”³⁹ the Utz Kapeh label was originally an idea of the Ahold, the largest Dutch grocery chain. The Utz Kapeh label can only be applied to coffee that upholds certification standards by abiding by responsibility principles for coffee growing, fair labor practices, and environmentally sustainable agricultural practices.⁴⁰ Its ethical code is based on the Euro Retailer Producer Working Group Standard for Good Agricultural Practice (EurepGAP), but is more detailed (Barrientos and Dolan, 2006). Utz Kapeh’s aim is to integrate social and ethical standards into the mainstream, and thus they often certify the larger brands (Barrientos and Dolan, 2006; Almaani et al., 2004). Very important to the idea of Utz Kapeh is traceability, so that the customer (mainly the corporations that buy the coffee to sell) knows where the coffee comes from and how it was produced.

Utz Kapeh is much younger than organic and Fair Trade, starting only in 1999. Yet, it is the fastest growing coffee certification program in the world with at least 1% of total world coffee production is certified Utz Kapeh (Almaani et al., 2004).⁴¹ Unlike Fair Trade, Utz Kapeh does not guarantee a price minimum nor premium for coffee, thus making it more affordable to the average consumer than Fair Trade, which is generally more expensive. Utz Kapeh has been criticized by FLO for not offering a minimum price to producers. Utz Kapeh’s normal response to the criticism is that it opens up markets for smaller producers and provides the opportunity for ethical sourcing beyond niche markets (Barrientos and Dolan, 2006). While the criticisms are acknowledged in this thesis, there will be no attempt to assess the overall sustainability of the different labels.

³⁸ Interview with Gerd Haslinger, EZA, 20, July 2006, Telephone Interview and Dan Olson, Transfair USA, 10. July 2006. Telephone Interview.

³⁹ Interview with Rachel Diender, Utz Kapeh, 18 July 2006. Telephone Interview.

⁴⁰ More detailed information can be found at: <http://www.utzkapeh.org/index.php?pageID=145&showItem=116>

⁴¹ Utz Kapeh Website. <http://www.utzkapeh.org/>

5.3 The Food Sector

5.3.1 Industry Overview

The food sector is a large outlet for sustainable coffee. In this thesis, the mass food retailers are the main focus. There are a few mentionable points to the grocery sector. First of all, due to shifting regulation power to the food retailers and away from manufacturers in several countries, a few larger companies rule the food sector. For example, in the UK, there are five major players, and in Switzerland, only two major players (Marsden and Wrigley, 1996). Likewise in Germany, the top five food retailers control 70% of the market share (Gagnon and Chu, 2005). These shifts have given retailers much more buying power than before. Large discounters and mega-retailers are becoming ever more popular. In Germany for example, discounters account for nearly half of the market (Anonymous, 2006). It is further expected that larger stores with discount prices will continue to grow (Gagnon and Chu, 2005).

In terms of sustainable products, mainstream supermarkets in Europe dominate the market for organics (Datamonitor, 2005a). This recent breakthrough from the niche markets is expected to cause an increase of 50.8% from 12.9 to 19.5 billion. Grocery retailers have also become a key player in terms of Fair Trade products (Grefe, 2006). However, as the authors of Datamonitor note, organics are still in a premature phase (Datamonitor, 2005a).

Grocery stores have a strong position on the ability to choose what products they want to market to the consumer. Many retailers do have products that can be considered more sustainable than other products, but as mentioned previously, many customers do not know or understand that these products are better in terms of sustainability. While the retailer has made the first step in finding the sustainable products, it is important to market these products.

5.3.2 Food Retailers Investigated

As stated earlier, the retailers investigated for this thesis come from the EU-15. The goal was to understand different ways that they were marketing and promoting sustainable coffee, and then relating the findings to the theory sustainability marketing. Therefore, instead of a case study of one retailer, a survey of different retailers and their practices is considered to be more conducive to this investigation. Thus, to clarify, the investigation was not of the retailers per se, but of their sustainable coffee marketing techniques. There were eight retailers whose techniques were investigated, from the Denmark, Finland, Germany, the Netherlands, Sweden, Switzerland, the UK. A brief description of the retailers and their responses the investigation will be presented here.

ISO

ISO is a middle quality Danish grocery, operating in mainly larger outlet stores, in the area of Greater Copenhagen. It is the smallest retailer in this study, with only 12 stores. It describes itself as both a “discount and delicacy” grocery, able to compete with the discount chains, but also offering a wider variety of specialty and higher quality items.⁴²

⁴² ISO website <http://www.iso.dk/Default.aspx?page=omISO>

Kesko

This grocery is the largest retailer in Finland. It is a marketing and logistics company operating 1100 grocery stores and 700 specialty outlets in Finland (Almaani et al., 2005). Its profits have recently been on the rise, increasing 7% from 2004 to 2005. In 2003, they were ranked among the highest by StoreBrand Investments' worldwide analysis of retailers' sustainability (SRI, 2003). They have a purchasing policy regarding the purchase of environmentally friendly goods. In 2004, they were ranked among the best in the world for carrying sustainable products by the UNEP (Datamonitor, 2006a).⁴³ The sales of sustainable coffee as defined in this thesis amounts to less than 1%, which is about average for the Finnish market for sustainable coffee.⁴⁴

Metro

The third grocery among the surveyed is a major German retailer and one of the largest in the world (McIntosh and Valerio, 2005). In this survey, their group of hypermarket and supermarket chains is studied. Metro saw a 5.3% increase in revenues from 2003 to 2004. Furthermore, Metro is listed as one of Datamonitor's top suppliers of European Organics (Datamonitor, 2005a).

Albert Heijn

Albert Heijn is a member of the Ahold group of retailers, which operate around the globe (although Alber Heijn stores are in the Netherlands). There were 400 Albert Heijn stores, including hypermarkets, supermarkets, and convenience stores, operating in the Netherlands in 2004. Many of these stores are their own franchise. Ahold's European revenues rose 1.7% over 2005 (Datamonitor, 2006b). Albert Heijn accounts for 62% of the market share of organics in the Netherlands, the largest provider of organics (Ahold Sustainability Report, 2004). Roughly 2% of all of the coffee that Albert Heijn sells is Fair Trade and 1% organic. Albert Heijn stores were the founder of the certification for Utz Kapeh, which now operates as an independent organization. All of their own-brand coffee, AH Perla Brand, is Utz Kapeh certified.

CO-OP Sweden

CO-OP Sweden is owned by the CO-OP Norden cooperative group, which operates supermarkets, hypermarkets, and discounters in Denmark, Sweden and Norway. CO-OP Sweden has 1200 organic products, the largest assortment of organic products in Sweden.⁴⁵ 11-12% of all coffee sold at COOP is organic and 1.5% of all coffee is Fair Trade labeled. COOP also sells its own brand, Änglemark coffee, which is 100% organic and Fair Trade certified.

⁴³<http://dbic.datamonitor.com.ludwig.lub.lu.se/companies/company/?pid=767EF6A8-7282-415C-83D0-AA8C1D2D0914#MajorProducts>. Datamonitor, 2006.

⁴⁴ Anonymous, Interview. 10. July 2006. Emailed Question Response. And Interview: Hedman, 28. July 2006. Telephone Interview.

⁴⁵ COOP Sweden Website: http://www.coop.se/includefiles/moduler/ccms/show_page.asp?iMappeID=191&sSideNavn=Coops+milj%F6arbete. Last Accessed 31. July 2006.

ICA AB

ICA Sweden is the second Swedish grocery retailer in the inventory. 50% of ICA AB is owned by the Dutch retailer Ahold. Each ICA retailer is its own store, and thus, managers at each store have a fair amount of independence about how they run their own store, and thus also their merchandising techniques.⁴⁶ ICA sells 8 Fair Trade products. They have their own brand of organic foods called ICA Ekologiskt, and they sell Utz Kapeh coffee.⁴⁷ In 2005 sales of organic products in ICA's Swedish stores rose by 12%, while the number of products stayed the same (ICA AB, 2006).

CO-OP Switzerland

CO-OP Switzerland is the second largest grocery retailer in Switzerland. The Swiss market is dominated by two retailers, CO-OP and Migros. CO-OP owns and operates 1400 stores in Switzerland. It is also known as the Swiss market leader in selling Fair Trade and organic products, with 13% of its sales coming from sustainable products (Almaani et al, 2004).⁴⁸ It has its own product range of organic labeled and fair husbandry labeled products, with over 1700 products in the range, called CO-OP Naturplan, CO-OP Naturline, and CO-OP Oecoplan (Almaani et al., 2005).⁴⁹ About 5% of all coffee is Fair Trade (Max Havelaar) coffee, and some of this is organic. All of its sustainable coffee is integrated into CO-OP brands and include the official organic Bud label of Switzerland and the Max Havelaar certified Fair Trade label.⁵⁰

Waitrose

Waitrose is an up market grocery store in the UK. It has 180 stores that are either in high traffic areas of cities or in more rural areas.⁵¹ Waitrose is part of the John Lewis Partnership, who supplies consumer goods to the fashion, household and food markets (Datamonitor 2006c). Overall, it accounts for 10% of the organics market in the UK, with 1400 organic product offerings. 23% of its ground coffee sold at Waitrose is either Fair Trade or organic or both, while 10% of its instant coffee is of these categories.⁵² Furthermore, in a recent survey by the UK National Consumer Council, Waitrose was given the best "green" rating of any supermarket in the UK, due to its Marine Stewardship Council range or certified fish, its good range of organics, local food sourcing and helpful staff (Smithers, 2006). This rating makes it a prime candidate for this thesis.

In addition to the retailers specifically investigated, other organizations and companies that work with retailers and/ or sustainable coffee promotion have been interviewed for their opinions and knowledge about how to better sell sustainable coffee in the retail sector. Results following reflect the retailer interviews as well as other information.

⁴⁶ Interview with Kerstin Lindwahl; Head of Environmental Responsibility, ICA AB. 20. June 2006. Telephone Interview.

⁴⁷ ICA website: http://www.ica.se/FrontServlet?s=butiker&state=butiker_dynamic&viewid=627393

⁴⁸ COOP Switzerland Website. <http://www.coop.ch/ueber/kurzportrait/kurzportrait-de.html>

⁴⁹ Interview with Stadler, Denise; Buyer, COOP Interview, 14. July 2006. Emailed Question Response.

⁵⁰ Ibid.

⁵¹ Waitrose Website http://www.waitrose.com/about/about_us.asp

⁵² Simpson-Jones, Michael. Waitrose Coffee Buyer, 21 July, 2006. Emailed Question Response.

5.4 Results of the Investigation

The following section will describe the results of the investigation relating to how retailers are promoting sustainable products. These findings have been compiled from the interviews conducted. The interview questions asked retailers to state the most important factors for selling sustainable coffee, asked the difference between promoting sustainable coffee and other coffee products. It also asked them to rank the merchandising techniques used for promoting coffee according to their importance, state the messages that the retailers attempt to convey, and asked them to rank the different promotional techniques used to market sustainable products, among other questions. Supporting remarks from other interviewees were also used. It must also be noted, that several retail contacts asked to remain anonymous, and thus their names will not be given. Results will be presented according to the traditional marketing mix, as described in chapter 3 of the thesis: product, price, place, and promotional techniques: including advertising, personal selling, sales promotions, product display, direct marketing and Internet or on-line marketing and message content.

It should be noted that more than one retailer reported that it was difficult to rank criteria according to the most important sales and promotional techniques, because they said that techniques should be used in concert with one-another. However, the following sections make an attempt to define the results as given.⁵³

5.4.1 Product

The sustainable product is a crucial element behind the marketing efforts: the type of product, as well as the quality of the product. While not all retailers were asked to make an assessment about how important the actual product is to the marketing scheme, those who did comment made it clear that it was very important. As noted by Trainsfair USA, “the products drive the sale of products.” Many retailers and other organizations seemed to feel that sustainable coffee had to have high quality. As noted by one retailer, “the quality has to be there, or customers may as well give money to charity otherwise.” Furthermore, in places where there is little selection of sustainable coffees, such as Finland, sustainable coffee sales are rather low. Anne Hedman from Reilukauppa explained that expanding the product range of Fair Trade coffees is the most important thing to increasing their sales. In Finland, there is only one mainstream type of Fair Trade coffee, while all of the rest are specialty coffees. Furthermore, as noted by ICA in Sweden, they would like to offer more products, but they often have trouble finding the products. Andrea Öström of Ekologiskt Marknadscentrum added extra searching is necessary because many places where retailers buy their products do not offer sustainable options.

Some retailers packaged sustainable coffee in their own retail brand. For example, CO-OP Sweden sells organic and Fair Trade coffee under its own ecological label, Änglamark. ICA, CO-OP Switzerland, and Albert Heijn do the same. Mikael Robertsson, Environmental Manager at CO-OP, expressed that, there is a greater sense of awareness of Änglamark and that since people knew the brand and trust the brand, they buy the brand. Albert Heijn stores have also integrated Utz Kapeh into their own brand. These companies generally feel that building their brand is an important way of selling sustainable products, including coffee. Also, the company’s feel that it is very important for their image to have sustainable products in their own brands.

⁵³ Unless otherwise noted, information in this chapter was obtained from retailer interviews, websites, and CSR reports.

By creating their own brands, retailers also have more control over what information is on the *package*. According to Kesko, with decreasing staff, packaging information is quite important to inform the consumer about the product. All coffee packages that are organic or Fair Trade or Utz Kapeh obviously contain the appropriate labels, however, other information can accompany these labels for increased consumer awareness. For example, the Änglamark coffee packages include some information about what Fair Trade means and a website address for further information, on the back of the package.

5.4.2 Price

Price is the largest difference in promoting sustainable coffee versus promoting non-sustainable coffee. Five of the retailers said that sustainable coffee is more expensive than Fair Trade coffee. One retailer also felt that the price of the coffee was maybe too high for its quality. Yet, the three others said that it is at an average price for the product range. For example, CO-OP Sweden sells their own brand (Änglamark) Fair Trade and organic coffee at “attractive prices” and notes that this coffee does not have to be more expensive. The four retailers that said they have cheaper prices for sustainable coffee sell coffee in Switzerland, Denmark, the UK, and Sweden, which have relatively high sales of Fair Trade and organic products (yet, even though CO-OP Sweden felt this way, ICA in Sweden did feel that Fair Trade was expensive). Furthermore, Transfair USA notes that in the US, Fair Trade coffee sells at an average price in comparison to other high-end coffees.

Andrea Öström from Ekologiskt Marknadscentrum (Organic Marketing Center) notes that while price is important for sales, a cheap price is not the main thing that will create major sales of sustainable coffee, especially organic. Only one retailer noted that a decrease in price would be a major way to increase sales of these products. Interestingly, Anne Hedman from Reilukauppa Finland, the national FLO, remarked that sustainable coffee competes on a tough playing field because all of the other coffees are sold at unrealistically low prices and that in reality, their prices should increase. She even estimates that since they are selling so low, there is a greater profit to be made from selling Fair Trade coffee. However, CO-OP in Sweden admits that they do not receive as high of profits on this product as they do with other products, in order to keep the coffee in competition with other coffee products (high-end).

It can be concluded then, that sustainable coffee, should be sold at value level pricing, but too much higher over similar high-brand coffees, will cause customers to not want to buy it.

5.4.3 Place

There is a concurrence among most of those interviewed that good placement of sustainable coffee is very important to increasing sales. In retail (and this this), placement refers to the place in the store and on the shelf. The best placement is usually among other coffee products, on the shelf that is eye-level: that is the one that the customers see most. According to Jakob Falkerby at Krav in Sweden, a retailer’s most important role is to expose the products in the stores; this is the key to selling more.

A few of the retailers interviewed said that sustainable coffee has best placement: eye level with other coffee products; these retailers correspondingly have relatively good sales of this coffee. These five retailers also noted that placement was the number one thing, among the list of other normal sales techniques, that could increase sales.

Three retailers did not have the best placement of the coffee, although it was still good. For example, ICA in Sweden mentioned that they did not have the best placement for sustainable

coffee because it did not receive the highest amount of sales, although the placement is still good. Only Zoegas, the best selling coffee in Sweden, is given the best placement. Kesko, who did not have the best placement for coffee, noted that when they made sustainable coffee more prominent, sales did increase. Both retailers expressed that it was too expensive to give sustainable coffee the best placing, because it does not sell as well as other products. In fact, Andrea Öström from Ecological Marknads Centrum in Sweden noted that often when retailers begin selling organic products, they do not give them good placement (nor good marketing in general) and many products fail; due to this failure, retailers are given a poor impression by these products, and are less willing in the future to include them in their product lines.

Another issue is whether the sustainable coffee should be with other coffee products, or in a special sustainable section, with other sustainable products. ISO, among those who felt that best placement is of utmost importance, noted that putting these products with other coffee products, as well in a special section with only Fair Trade or organic products (depending on the coffee) is also important: double exposure for customers who want more sustainable items, and those that do not yet target their shopping for these items. Dan Olson from Transfair USA notes the same sentiments that sustainable coffee should be with other coffee products; but also, placing all Fair Trade products together alerts consumers to the greater range of Fair Trade products. However, another retailer noted that setting sustainable products all in one section, had not worked for them, and that sales increased when they put sustainable coffee with other coffee products. Simpson-Jones at Waitrose agreed that within the main fixture for coffee is “the best place for customers to find the products as the battle is to attract non Fair Trade/ organic customers into these products.”

5.4.4 Advertising

Advertising is generally seen as an important way to increase sales of sustainable products. Most retailers listed it between two and three on a scale from one (most important) to ten (least important). However, one retailer felt quite differently, and ranked it as an 8 on a scale from one to ten.

Despite the enthusiasm for advertising, there is limited advertising made for sustainable coffee from the retailers interviewed. Albert Heijn does occasionally run corporate commercials about their environmental initiatives, as do a few other retailers. Waitrose in the UK uses its commercials to tell about the origins of their coffee and can even be viewed online.⁵⁴ Also, CO-OP in Switzerland runs TV, magazine, and newspaper ads for their Naturplan brand. A few other retailers used local newspapers, but outside of these local ads, advertising is limited. In Finland, Reilukauppa plans to run a large scale advertising campaign, mainly large posters throughout major Finnish cities. They hope that this effort will raise awareness of Fair Trade. Where retail comes in, however, is with planning promotions and making Fair Trade products obvious when Reilukauppa is advertising. Likewise, Andrea Fütterer from GEPA in Germany (Fair Trade importer) notes that TV advertising could be a possible means of increasing sales.

While it is difficult to find advertising relating to sustainable coffee, several ads were found relating to the theme of sustainable food. For example, CO-OP Switzerland has a few ads relating to the general theme of sustainability. They have a commercial that shows a “close to nature” approach, by featuring beetles, seedlings, and snails.⁵⁵ ICA in Sweden is promoting

⁵⁴ View online site at http://www.waitrose.com/food_drink/foodexpertise/advert/coffee/ourcoffeeorigins.asp

⁵⁵ UNEP. Creative Gallery on Sustainable Communications.
http://www.unep.fr/pc/sustain/advertising/ad/ad_details.asp?id=689&ccp=2&cat=9

their ecological food range via commercials that attempt to connect people to farms and the farmers.⁵⁶ More specifically, sustainable eggs seemed to be a common theme. Both CO-OP Sweden⁵⁷ and Waitrose had sustainable egg advertisements on TV and through other venues.⁵⁸ Figure 5-2 shows one of the CO-OP advertisements.



Figure 5-2 CO-OP Sweden for Sustainable Eggs; caption reads: “We’ve stopped selling eggs from cages hens. Take 219 people with you into this bus and you’ll understand why.”

Source: UNEP. Creative Gallery on Sustainable Communications.⁵⁹

According to Mariska Przyklenk from Transfair Germany, German discount retailer Lidl has added ads to a magazine in Germany to announce their added product range of Fair Trade products. Krav in Sweden mentioned they want to increase public advertising, especially to influence children. For example, they want to make advertising that is more “hip,” such as by using popular artists to promote the items. Falkerby mentioned that perhaps this is an idea for either retailers or for Krav and other suppliers of products.

The retailer who dissented felt that it is more important to get the consumer to taste the coffee and to communicate the differences between the many different labels that are now on the packaging.

Therefore, retailers are aware and did feel that advertising can reach masses, yet also felt that currently, it is more important for them to focus on in-store techniques that directly transfer to sales.

⁵⁶ Ibid. http://www.unep.fr/pc/sustain/advertising/ad/ad_details.asp?id=697&cp=&cat=12

⁵⁷ Ibid. http://www.unep.fr/pc/sustain/advertising/ad/ad_details.asp?id=43267&cp=&cat=

⁵⁸ Ibid. http://www.unep.fr/pc/sustain/advertising/ad/ad_details.asp?id=25799&cp=&cat=12

⁵⁹ Available online at: http://www.unep.fr/pc/sustain/advertising/ad/ad_list.asp?cat=all

5.4.5 Personal Selling

For grocery retailing of sustainable products, it was found that personal selling is applied in at least two ways:

- Training employees to understand the meaning of sustainable coffee (specifically organic, Fair Trade, or Utz Kapeh) in order to inform customers and to pay special attention to this type of coffee for placement etc.
- Employee selling during special promotional periods; usually in terms of demonstrations- for example, facilitating taste tests or explaining the meaning

There seemed to be different opinions among retailers regarding personal selling and its importance. Four retailers claim to use personal selling techniques, and say that it is among the most important things that increase sales and awareness of sustainable coffee. Rosengren at ICA in Malmö notes that one of the cheapest ways to do special promotions of Fair Trade and organic coffee is through product demonstration. He also finds that asking the farmers for the other organic products to come to the store and explain their products to customers is another good way of increasing sales. This finding is particularly interesting, because personal selling is traditionally thought to be expensive. ISO in Denmark also explains that demonstrations and taste tests are important for allowing the customers to taste and experience the products first hand.⁶⁰ Farmer visits, especially for more locally grown organic goods seemed to be rather popular.

The non-retailer groups interviewed felt that personal selling techniques are rather important. Andrea Öström noted that staff training is an important part of their campaigns for improving sales of organic products in retailers. Staff training allows them to understand the importance of the products and the special care that should be taken to increase sales. They encourage the farmers to promote their products in stores and talk about organic farming. For example, she noted that one store only made a special display and invited a farmer to talk about the products, and their sales of organics increased 167% from before to after the promotion. Furthermore, they increased their assortment of organics by 35%.

Interestingly, those that did not use personal selling generally marked a ranking of 6 on a scale from 1-9, one being most important and nine being the least important. Others chose not to even rank it. Thus, there is quite a split between retailers on whether personal selling is important. However, it seemed that most non-retailers agreed that personal selling is quite important.

5.4.6 Sales Promotion

It has been found that coffee is sold in many retailers through price discounts (a form of sales promotions) and even often as loss-leaders.⁶¹ Also, nearly all of the retailers said that they did put sustainable coffee on a sales promotion; it is often stated as the number one way to help the sales of sustainable coffee. For the sales promotions, retailers listed that they wanted to increase turnover of the products, but also that it is strategically important for their image. Furthermore, one store mentioned that they want to satisfy the customers who buy this

⁶⁰ According to Jobber (2001), taste tests are a type of sales promotion, rather than personal selling. However, the author has taken the liberty of adding taste tests to this section on personal selling, as with sustainable products, often the tasting involves more personal selling and information compared to normal taste tests.

⁶¹ A loss-leader is a product that is sold below price to increase sales of other products.

coffee. Simpson-Jones at Waitrose noted that money off and multi-buy activities, combined with other activities, like publications, helps to explain the favorable position of Fair Trade and organic.

However, a few retailers such as Albert Heijn, ISO and Metro, are often reluctant to put sustainable coffee on price promotions, especially in the case of Fair Trade coffee; mainly due to the guaranteed price. One buyer said that for organic, they are able to do more price promotions, but that with Fair Trade they normally did not do promotions, and they did not think it a good idea to do these kinds of promotions. He noted that customers would not understand that it is necessary to sell Fair Trade with a price discount because the low price on coffee is what has caused the problems in the coffee countries.

Another type of sales promotion is *prize promotion*. A few Fair Trade organizations mentioned that they conduct contests at retailers during the Fair Trade weeks and raffle off a trip for two to the coffee producing countries, to see how coffee is being produced. In fact, this is a major way that Transfair USA runs their Fair Trade week promotions. They encourage retailers to sell as many products as they can through having the best end-cap display (a display at the end of the aisle). The winning company, according to who has the best end-cap display and (in a separate sweepstakes) who encourages the most customers to visit the website, gets to send one employee, and a guest on an all-expenses paid trip to see the production of Fair Trade coffee. Also, a customer winner is chosen to take a guest down to see where the Fair Trade coffee is made.⁶²

5.4.7 Internet and Online Advertising

Internet has been incorporated into the marketing mix for retailers. All but two retailers indicated that they use the Internet to market and inform their customers that they sell sustainable coffee. One of the retailers had it as the second most important way of promoting sales, while another had it as the third most important. Many retailers thought that it would be increasingly important in the future for selling these products.

Several retailers, such as Waitrose, CO-OP Switzerland and Metro have extensive information on their website about sustainable products. Waitrose also marks the products that are Fair Trade and organic in their section of the site where consumers can purchase products. While still a new phenomenon, several retailers, such as Albert Heijn, and ICA show the tracing scheme, which is available for Utz Kapeh coffee. At home, a customer can type in the expiry date on the coffee and view supply chain information online.⁶³

5.4.8 Direct Marketing

Direct marketing via retailers refers to company produced magazines that often display products currently on sale. The magazines are usually sent to the local homes and placed in stores. For promoting sustainable coffee, all but one retailer indicated that they used direct marketing. Furthermore, many retailers had direct marketing in position two to four in the

⁶² Transfair USA website <http://www.transfairusa.org/content/about/fairtradedisplay05.php> and interview with Dan Olson at Transfair.

⁶³ The Albert Heijn website (in Dutch) can be viewed here: <http://www.ah.nl/perla/herkomst.jsp?brand=240&date=04-08-2003&x=58&y=11>

interview for the most important way to promote sustainable coffee. Furthermore, as noted by Max Havelaar Austria and Transfair USA, retailers in their countries are encouraged to use their personal magazines for promotions.

The direct mailings' purpose is often broadened when used for Fair Trade or organic. At the lowest level, these items are often put together on one page to draw consumer attention to the different types of products the retailer offers, and those on sale. However, these mailings may also be used to include information about the sustainable products, including coffee. These mailings are considered major forms of communication for retailers: exposing the products to the consumer and informing of their product range, showing the prices and sale prices of products, and providing even further information about the products.

5.4.9 Other Promotional Means

Special display's, like that shown in Figure 5-3, for sustainable items are when these items are placed in a different location from the normal shelves, so that they are more obvious to the consumer. These were considered important in all but one retailer. In fact, three retailers noted that it was one of the best ways to improve sales of sustainable coffee. Another retailer had it ranked in the middle of their promotional efforts. The retailer that ranked special display low did not use special displays.

Retailers such as CO-OP, ICA and ISO feel that special displays for these products are important for drawing consumers' attention to the product. Specifically, Transfair USA encourages the use of end-cap displays, and cross-product displays, which draw consumer attention to the products. Furthermore, Transfair USA notes that cross-product displays are part of an important mix, along with promotions, and events, to increase sales of Fair Trade products.



Figure 5-3 Example of Special Display from Wild Oats Markets, USA

Source: Transfair USA www.transfairusa.org

Point of purchase materials can be with displays and even in normal locations, to make sustainable products more obvious and thus encourage purchase. PoPs correspond to prompts, discussed earlier. According to Anne Hedman of Reilukauppa Finland, PoP materials are important for retailers because they cannot communicate very detailed information, but basic information, for example, pictures, a few words, and most importantly: the logo. She says that it is most important that consumers become aware of the logo, as this is a type of branding, and customers buy the brands that they are familiar with.

A more specific type of PoP technique is the *shelf tag*. In the grocery business, shelf tags (or talkers) are especially important to products sales, as they usually indicate which items are on promotion. Shelf tags indicating Fair Trade products are noted as one of the most important ways in the US to promote Fair Trade sales. Other point of purchase materials that are rather important to the Fair Trade and organic movements are brochures and even posters explaining what these different things mean. This material is often accompanied by special displays.

5.4.10 Message Content

While all of the other techniques focused on the modes via which the product was advertised to consumers, the message content describes the information that the consumer is receiving via the modes described above.

All of the retailers believe that the message and information for encouraging sales on an every day and special promotional basis are important and unique for how to sell sustainable coffee versus other types of products.

Label: The type of information that retailers tried to promote was mainly the *label*, either organic, Fair Trade or Utz Kapeh. At the very least, all retailers were using the label to promote sustainable products. The label, on product packaging, and possibly in displays and pictures around the products is thought of as being important for raising awareness of the products sold.

Information behind the label: Retailers felt that it was important to incorporate information that explained the labels, such as information about what organic and Fair Trade mean. To many retailers, explaining the value behind the label is quite important to the sales, and is what differentiates selling sustainable products from normal products. For many retailers, such as CO-OP Switzerland, the meaning behind the labels is added value to the consumer. For ISO, the communication dealing with sustainable products amounted to a different way of using the techniques than from selling non-sustainable products; for example, focusing more on the logo, the information behind the logo and even demonstrations, had to do with communicating the difference of these products versus the other products.

Fair Trade organizations often even give the retailer information to put with the products, such as small pamphlets etc. One interesting point mentioned by a few retailers and Fair Trade organizations, is that many people are not familiar with the brands that sell Fair Trade and organic coffee, and thus “branding the label” is important to sales of the more unknown

product brands, especially since many people buy coffee according to brand.⁶⁴ According to Anne Hedman, important information about the coffee industry and the problems afflicting the industry can be important information to add. For example, bananas and the banana industry was focused upon in Finland in the previous years, and now Fair Trade bananas account for 10% of the market share.

Happiness and Health: Several retailers and NGO's, such as Krav in Sweden mentioned that they are interested in portraying these sustainable products, as well as coffee, in a *happier light* than they may be normally portrayed. While two retailers mentioned happiness directly, one of these mentioned self-esteem and strength as well. Furthermore, Falkerby added that they wanted to get away from the "doomsday" routine, and start speaking to people's ego, by telling them, for example, that through picking organic, the consumer is treating him/herself better, and also helping others. Thus, not only does he propose speaking to the consumer regarding environmental and social aspects, but also about personal *health* issues. Andrea Öström also agreed, and said that in their campaign to increase sales through retailers, their campaign slogan was "better for me and tastes better." She also said that they were not focusing on environmental information as much as health and quality of the products, because they have realized that people do not pay extra for the environment. Mikael Robertsson, from CO-OP in Sweden, repeated that a similar slogan for organics: "more taste" was used in their stores.

Supplier information: Several retailers report they show supplier information. A few of the retailers and NGOs noted it is important to bring in the farmers to provide further information. The farmer is information in himself: he allows the customer to see where the food they are buying is coming from. While this method is a bit difficult for coffee products, it does work for local organics.

The online traceability schemes mentioned above of Utz Kapeh and ICA are also noted to include supplier information.

Normative Information: Along with the sustainability information mentioned above, retailers also indicated that it is important to provide information regarding normative purchasing criteria. For example, types of information that were mentioned as being important to sell sustainable coffee included: guarantee, nutritional information, quality, taste, safety, price and performance. This information is noted as very important to selling fair trade coffee.

5.5 Findings Summary

The above findings have shown what retailers are doing, and what they and others feel can be affective for promoting sustainable products and thus made an attempt to answer the first research question: what techniques and information are retailers using to market sustainable products and which do they find the most important for increasing demand of sustainable products? The most important knowledge gained from this chapter will be expressed below.

Utilize a mix of techniques: Despite the aspiration to find the technique that is the most successful, retailers mainly feel that it is important to use at least a few of the techniques together. Some even had difficulty to rank the different criteria. One of the crutches of

⁶⁴ On a side note, the idea of brand purchasing is central to the idea of Utz Kapeh coffee, whose main goal is to certify the major brands and thus allow people to buy responsibly grown coffee from their favorite brands.

marketing is that it does work as a mix together, and thus not one aspect can create increased demand. The same is true of the promotional mix techniques. The interviewees generally agreed that price, sales, place and communication of the product attributes are important to increasing demand.

Product Experience is Important: The farmer visit is one of the more innovative techniques. Also, several retailers expressed that taste tests were also important to increasing demand. Another interesting innovation is the Transfair USA contest among the retailers and sending them and a customer to the place where the fair trade products are made. Dan Olson mentioned that he could really notice a difference in the faces of the participants. He mentioned that it shows them that they are really making a difference by buying these products.

Expose the Products: “Exposure” of the products, as coined by Jakob Falkerby from Krav, is thought to be one of the most important things to increasing sales and product awareness. In retail, the *placement* of the product is crucial to exposing the product. Sustainable coffee should be foremost placed in a good position on the coffee shelf. Furthermore, several Fair Trade organizations as well as retailers state that sustainable coffee should be placed with other Fair Trade products to have greater recognition of the Fair Trade brand. Almaani et al. (2005) also found that product visibility is an important task of retailers. “Word of Mouth” also was mentioned a few times as being important to getting people to know about sustainable products.

Explain added value: It is common for retailers to note that it is important to explain the added value of the sustainable coffee to consumers. In most cases, the coffee is a bit more expensive, thus, the retailers wanted customers to know why they were paying the extra money.

Price is a Barrier: There seems to be growing consensus that sustainable coffee is becoming cheaper, but that in some cases it is still not competitive. Price competition is still noted as one of the largest barriers to both the retailers and the independent organizations. Also, they mentioned that discounts on these products are an important way of increasing sales; however, discounts on Fair Trade is not permissible, due to the price limit and premium.

Staff Training: Several leading retailers judged staff training as rather important in order to ensure that staff understood about the importance of sustainable coffee. An entire project called “Eko-Kick” at the Ekologiskt Marknadscentrum is dedicated to ensuring that grocery staff understands the meaning of organic products. Fair Trade organizations are involved in training staff as well. They feel that it is important because staff have to be able to 1) answer questions about the label 2) place products in order to be seen and 3) merchandise and develop products in the future.

Increase Product Variety: A finding that came through in the interviews, although not expressly asked, is that product variety should increase to become mainstream. An increase in the variety of products available to consumers can also increase awareness. It is expected that retailers must take a more pro-active stance on product development in order to increase levels of sustainable products. Those that have, such as CO-OP Sweden, CO-OP Switzerland, and Waitrose, have increased their shares of sales of sustainable coffee. On the other hand, Finland, who does not have a wide assortment of Fair Trade coffee, has one of the lowest market shares. Several other sources support this finding (Almaani et al., 2005 and Purvis, 2006). This finding agrees with that of Almaani et al. (2005) that found that retailers’ strong purchasing role allows them to increase the fraction of sustainable products, which is of

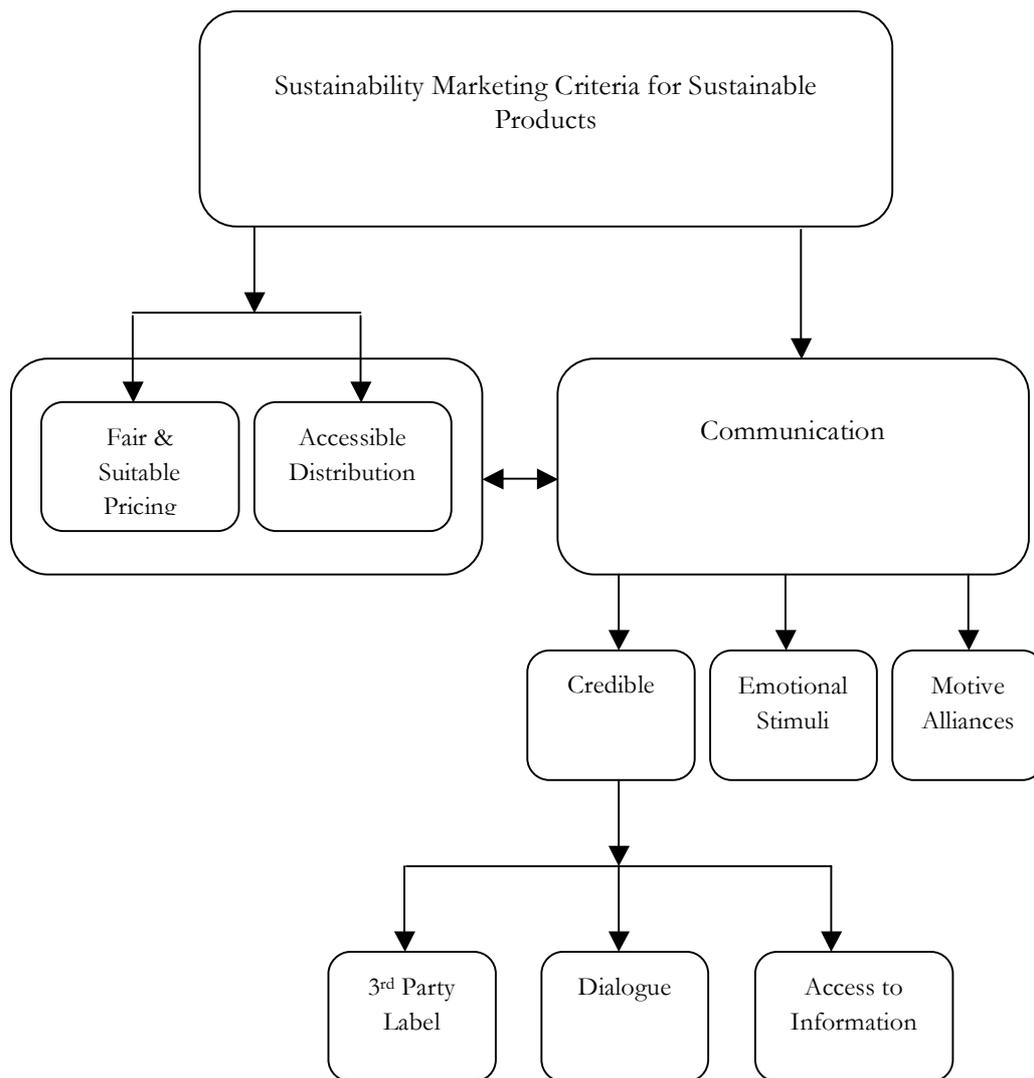
utmost importance for the success of these products. This finding shows that just because the product is sustainable, consumers will not necessarily purchase any product.

6 Analysis of Findings

The findings from the previous section illuminate what retailers and those working with retail and sustainable products are doing to communicate and promote sustainable coffee.

This section will attempt to answer the second research question: to what extent can retailers integrate sustainable marketing into the marketing mix? This will be analyzed using the criteria shown in

Figure 4-3 (and re-displayed here).



Thus, the analysis will go through each point separately, and assess if the eight retailers investigated were able to integrate these criteria.⁶⁵

⁶⁵ Unless otherwise stated, references in this chapter are from interviewees, corporate sustainability reports, and websites.

6.1 Fair and Suitable Pricing

In chapter four it was discussed that products in a sustainability marketing context should be fairly priced to include the necessary costs, but also suitably priced to remain competitive.

As one of the largest barriers mentioned to the sales of sustainable coffee is price, it is safe to say that suitable prices are important. Yet, the issue of fair prices is quite questionable. Several retailers felt that they were able to sell sustainable coffee at prices in the high value coffee range, such as CO-OP (SE and CH) and Waitrose. These retailers have their own product brands. Furthermore, the countries in which they are sold had slightly higher market shares of sustainable coffee than other countries. Thus, these findings partially support that of Orsato (2006) and Öström (2003), in their findings that proper positioning can gain a competitive advantage for environmental products, and enable them to sell at a customer value price.

Yet, there are other retailers who feel that price is still a hindrance for sustainable coffee sales, as described in the chapter five. While price barriers could be due to market infiltration of coffee products, it is difficult to conclude this from the current study. Price competition is especially strong in the coffee market, as described earlier, due to the market imbalances between supply and demand. As pricing is such a determinant of sales, there is the fear that retailers who want to be able to sell larger volumes of sustainable products will use their pressure to artificially decrease prices, as has happened with non-sustainable coffee products. This issue fuels the debate about whether larger corporations should even be allowed to market and sell sustainable coffee. Especially with Fair Trade products, many fear that larger corporations, such as Wal-mart, will be able to influence FLO and create lower premiums for farmers, thus deteriorating the credibility of Fair Trade generally. However, others believe that FLO is a strong organization that cannot be influenced.

Overall, truly fair prices are very difficult to define, and hard to estimate in non-transparent pricing schemes. Also, as price is such a factor in purchasing, there is a question to the real ability of retailers and manufacturers to provide entirely “fair pricing.” If only the prices of sustainable products are truly fair, than they will not necessarily be able to compete on the mass market, with other products. Kilbourne (2004), addressing the idea of sustainable communication, an indirect precursor to sustainability marketing, notes that because business is expected to put sustainability on the level of profits, this represents a change in the dominant social paradigm. On the opposite side, the retailer cannot be expected to ignore cost structures, in order to maintain profits for economic sustainability. It seems a precondition, that all products act equally on the market to be competitive. Therefore, achieving fair prices for sustainable products is nearly not possible in today’s society unless all products are priced fairly. Thus, the area of pricing structure may reflect a conflict between the theory of sustainability marketing and current business practices, as explained by Kilbourne (2004). Therefore, it is too difficult to assess fair and suitable pricing and make conclusions as to whether or not the retailers investigated use them.

6.2 Accessible Distribution

Sustainability marketing’s criterion of accessible distribution is to ensure that people do not have to go out of their way to obtain sustainable products, and thus can easily find them for purchasing. In this study, distribution within stores is the main focus.

In the last section, it was found that retailers felt that product placement is very important to the sales of the sustainable products. This finding is not a surprise, as location within the retail store is often a very important criterion of traditional marketing. However, a concurrent

holdover from traditional marketing is the idea that the best selling products receive the best placement. Thus, only three in the survey reported to have the best placement for sustainable coffee, which does not incur the highest sales in the coffee market.

While not directly placement, the availability of information regarding purchase is also important for providing greater accessibility. Several retailers promote product availability in their marketing literature; others are using prompts, such as shelf tags.

Thus, the retailers investigated displayed a shift from traditional placement to accessible distribution within the mass retail outlet, by placing the sustainable product better than the non-sustainable product, even though their sales did not always merit this placement. Furthermore, this placement is thought to be one of the most important aspects that retailers have to offer. Thus, in this instance, the retailers are moving towards sustainability marketing, and even feel that this aspect is important.

6.3 Communication

6.3.1 Credibility Creation

As stated in chapter four, credibility can be created through using third party labels, dialogue and increasing access to information. Thus, these three criteria will be analyzed to determine if retailers are communicating credibility, and if there is a possibility that this can increase sales of products.

3rd Party Labeling is one way that retailers can increase credibility of their communications and marketing. The investigation insured that the only coffee products that were analyzed were those with labels, thus, this criteria is satisfied by default. However, there were two different problems that have the potential to decrease credibility in the labels reviewed: (1) at least two retailers mentioned that there are so many different labels, that consumers are confused with what the labels mean and (2) the potential for label scandals. Several retail representatives mentioned that because of the number of labels, consumer information has to be available for consumers to understand them. These findings support those of Cerne (2003), whose study shows that retailers feel that more information is needed for consumers to decide between the labels.

Upon the concerns by the retailers, it was found that the difference in meanings between each label could potentially cause confusion for consumers. Regarding label confusion, perhaps these thoughts are not unfounded as there is often a difference between consumer knowledge and perception of labels and what they actually mean; also label recognition has been found to be quite low (Vermeir and Verbeke, 2006). In fact, according to Nillson et al. (2004), there are 107 different food-labeling schemes in the EU alone.

Furthermore, there is a possibility for scandal or even mistrust in the label system. For example, the organic label only ensures environmental sustainability; it does not ensure that working conditions on organic farms are better than on non-organic farms (Mark, 2006).⁶⁶ Revelations such as these could lead to mistrust, by initially giving consumers false expectations. Thus, certain labels may be misleading and allow the consumer to rely more on the label than perhaps they should. A potentially larger problem is that it cannot necessarily

⁶⁶ From: Grist Magazine.com: Mark, Jason. "Us vs. Stem" August 2, 2006. Available online at: www.grist.org/news/maindish/2006/08/02/mark

be trusted that the purported criteria of the label are upheld. Several authors have noted that the organic certification scheme in the US is not regularly checked, noting that there have been breaches of a label, without consequences (Ness, 2004; Lavigne, 2006).⁶⁷ When issues such as these are brought to light, the trust in the label is definitely brought into question.

Therefore, the information gained from this study regarding labels perhaps shows that consumers need to be able to differentiate between the labels, but even further, could draw into question the assumption of third party labels as creating credibility. Even though it can easily be stated that the retailers investigated are using labels to maintain credibility with consumers, consumer misunderstanding and trust within the label may demean the credibility in label. In order to be effective, the consumer must understand the label must be trusted to withhold its own standards. As it is an easy way for consumers to recognize the qualities of product, it can be assumed that labels will remain important to selling sustainable products, which further adds to the importance of maintaining trust in the label. Furthermore, they must be properly communicated.

Engaging in dialogue is the second criterion that retailers need to meet in order to achieve credibility in communication for sustainability marketing. All of the retailers in the study are engaged in internal and external dialogue for the communication of sustainable products to the consumer.

Several retailers are engaged in internal dialogue with their employees to ensure that sustainability is communicated throughout the chain. As noted by one retailer, it is important that employees understand sustainable products, because they are large avenues of communication; furthermore, they are consumers as well.

The food retailers are engaged in external dialogue with NGOs and suppliers in:

- Increasing consumer knowledge of product attributes
- Promotion planning: in-store and off-site advertisements

This type of dialogue helps to increase consumer trust by showing that there are third party organizations, not just the retailer, who support and in a way 'verify' the sustainable product. NGOs work with the retailers to provide support in terms of information, employee training and joint contests in order to improve their communication with customers. ISO noted that it is important for NGOs to talk to the consumers in store about organic products, and that this way of communication marked a difference between how they promoted normal products. Farmer visits and supporting information directly from NGOs are believed to increase trust in products.⁶⁸ As noted by one interviewee, customers are amazed that retailers know where they get their food. Thus, the ability of retailers to use dialogues for communication indicates a switch towards SM from traditional marketing.

Furthermore, some interviewees express that sales of sustainable products increase through working with partners on product communication. Ekologiskt Marknadscentrum reports show that farmer visits to stores work to increase sales of products. Also, Hedman, from

⁶⁷ From: Organic Consumers Association. Ness, Carol. "USDA allowing bogus organic labels on fish from fish farms." April, 28, 2004. <http://www.organicconsumers.org/organic/fish043004.cfm> and From: The Dallas Morning News: Lavigne, Paula. "Is organic food the real deal?" 17. June 2006. Available on line at :

<http://www.dallasnews.com/sharedcontent/dws/dn/latestnews/stories/071606dnccoorganics.19c550e.html>

⁶⁸ Farmer visits occur more often for local organic food, rather than sustainable coffee.

Reilukauppa Finland (Fair Trade Organization) stated that their relationship with retailers and roasters is very important, “Fair Trade sales have been booming because they have established good relationships with retailers and roasters.” For example, during awareness raising campaigns it is important that the retailers and the roasters are all on-board to ensure that the campaign is especially visible where it matters most: where consumers can purchase Fair Trade products, the retailer.

However, some retailers are less convinced than others regarding dialogues for communication. One retailer noted that it takes too long to work with NGOs for promotions. Also, it seemed that NGOs were often reaching out more towards the retailers rather than the retailers asking them for help. Thus, while many retailer/NGO/supplier partnerships do exist, there are differences in strengths between the relationships.

Overall, retailers did engage in dialogues with organizations in order to more credibly market sustainable products. Furthermore, while it cannot be quantitatively proven, it was mentioned a few times that these collaborations did also help to improve sales. Retailers felt that these collaborations were able to improve their communication strategy. A definitive finding on the ability of dialogues to improve credibility is difficult to assess, as the consumer understands their trust and as no consumer evaluations were made in this investigation. Yet, it is definitive that retailers, NGOs and suppliers working together have the possibility to improve credibility of these products and they felt that dialogues were important. Therefore, not only is it found that the retailers are integrating this aspect of SM, but also that this aspect of SM is considered important by the retailers for increasing sales.

Access to information is the third criterion for creating credibility in communication for SM. Retailers can provide greater access to information about themselves, information about products, and information about labels. By creating more accessibility, they can increase trust, knowledge, and even satisfy consumer demands (Gagnon and Chu, 2005). Many of the tools discussed in the findings section are in part to ensure the access of information to consumers.

The interviews and reviews of the retailers revealed that retailers were involved in providing information to consumers. Table 6-1 shows different tools that have been assessed for improving access to information about sustainable coffee. The Internet proved to be one of the most interesting modes of providing further information regarding sustainable coffee. This research corresponds to the statements of Karstens and Belz (2006) and Nilsson (2004) that a company’s website can offer product information that goes beyond what is on the package or in the store. Several retailers, including Waitrose, have easy to find information on their direct website. They also provided quite elaborate information about organic, Fair Trade and their own coffee expertise. Table 6-1 shows a double X for those retailers with explanatory information about sustainable products on their direct website. Some retailers only went as far as to have the information on their corporate website, which is less accessible to customers, while others simply mentioned the idea of sustainable products.

In-store communication is generally where the retailer prefers to communicate because this information makes the most important impression: it is where consumers make decisions and can act upon them. In-store, the retailer can communicate via a number of avenues, namely signs, such as shelf-tags, posters etc., and the packaging on retail own-brands. Retailers can also provide outlets by which NGOs and other consumer groups can distribute information.

Several retailers underscore that it is very important for them to have the information on the package. For example, on their Änglamark coffee package, not only do they show the labels,

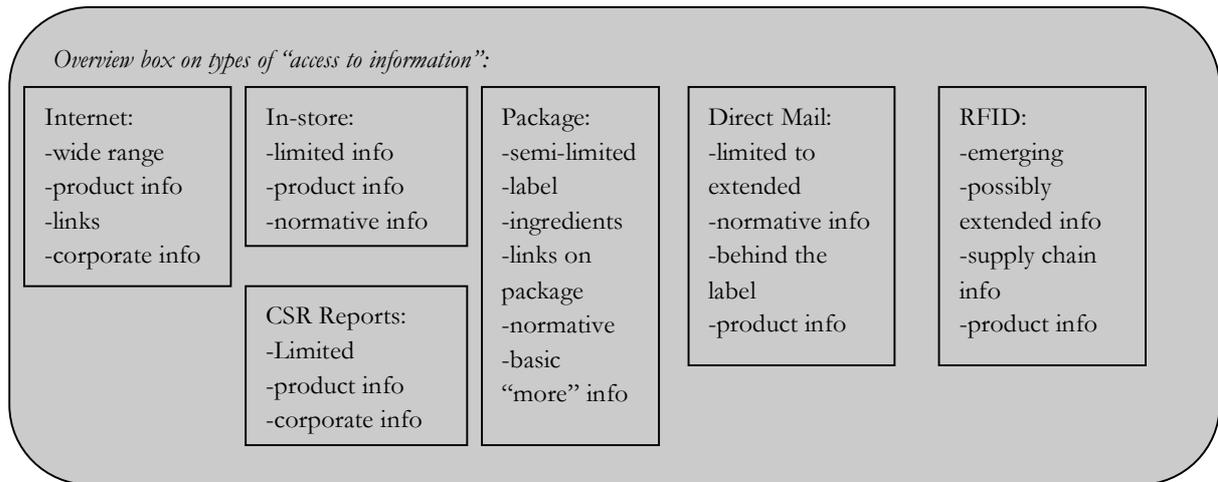


Figure 6-1 Overview Box on Types of “Access to Information”

but they also give the consumer more information on the back of the package regarding Fair Trade, and even a web-link to FLO. ICA has information on their own coffee brand as well, which is organic (Krav label) and Utz Kapeh certified. On the back, they also put more information about what organic means, they explain Utz Kapeh, and direct consumers to www.utzkapeh.com for further information.

Direct mailings were also noted as very important to the retailer for distributing greater information. COOP CH notes that in their direct mailing, the Coop Press, which is received by 3.5 million people, and has information such as reporting on special campaigns and new products and services. One of their main ways of communicating information about these products is in the Press, according to their report, it “presents the facts of the matter correctly and points up the various ways in which the flagship label products are superior to other products.” Nearly every other retailer also said that they use direct mailings as well as a key part of their communication strategy.

Tracking systems were used by a limited number of retailers for increased transparency. It was most utilized for Utz Kapeh brands. However, according to Rachel Diender, from Utz Kapeh, at the moment, roasters and importers are the most important users. Metro and a few others are beginning to use and test similar applications. Perhaps European retailers can look towards Japanese retailers, who currently have information kiosks that provide customers with detailed information about the farms where vegetables and meats are produced (Gagnon and Chu, 2005).

Corporate Social Responsibility reports (CSR reports) also have information regarding the retailer and their work with sustainable products, and may include further information to the consumer about sustainable products. However, very few customers look at or can be expected to look at the CSR reports. Therefore, many companies have begun to aim these reports at potential business partners or consumer organizations.⁶⁹

As pointed out by Olson from Transfair USA, it is important that the information provided to consumers translates into brand recognition, so that information can eventually be lowered.

⁶⁹ Machiba, Tomoo. UNEP/Wuppertal Institute Collaborating, Center for Sustainable Consumption and Production. 25, August 2006. (former employee of the Global Reporting Initiative (GRI)). Personal Interview.

Arnt Meyer (2001) shows in his study that COOP CH is able to decrease their information costs through branding the products as environmentally friendly. Thus, through the information that retailers, as well as the information producers themselves provide, the Fair Trade and the organic labels will become more trusted and the information amounts can actually decrease. There is some indication that this transformation has already begun in Sweden with organic and in Switzerland and Austria with their Fair Trade brand, Max Havelaar.

Table 6-1 Tools Used for Increasing Information Access on Sustainable Coffee to Consumers

	Internet	CSR Report	In-store	Direct Mail	ICT/ RFID	Personnel
Waitrose	XX	X	X	X	X	-
COOP SE	X	X	X	X	X	X
COOP CH	XX	X	X	X	-	X
ICA	X	X	X	X	X	X
Metro	XX	X	X	X	X	-
ISO	/	-	X	X	-	X
Albert Heijn	XX	X	X	X	X	-
Kesko	X	X	X	X	-	-

XX indicates internet sites that gave exceptional information about different labeling schemes or food products and was easy to find.

X indicates that information about the sustainable coffee was given

/ indicates a little amount of information given

- indicates no information given

Table 6-1 shows how retailers enable further access of information to consumers about sustainable products. It shows that they are using quite a few different techniques to present this information.

Thus, it would appear that retailers can and do serve as a direct outlet for information to consumers about the products that they buy, through email, their magazines, and on the product packaging. Several retailers have been more able than others. It was difficult to glean the extent to which the added information translated into trust, which should then transform credence qualities to quasi-search qualities, helping to increase purchase (and hence demand) (Karstens and Belz, 2006).

Furthermore, findings from the previous section illuminated that retailers felt that consumers needed more information on the value of the products. Hence increasing access to information provides not only for increased trust, but also for understand the value of products to a greater degree. Therefore, increasing access to information also has the potential to increase sales. Thus, the retailers in this study are moving towards credibility

creation and thus sustainability marketing, by increasing access to information. Furthermore, these findings align with those of the previous section, showing that they believe that access to information is important for increasing demand of these products.

Therefore, retailers from this study are trying to increase credibility via integrating all three of the criteria for sustainability marketing into their marketing mix. Furthermore, many retailers did feel that integrating these criteria into the marketing mix was important for increasing sales of sustainable products. Yet, they could perhaps increase the number of stakeholders, whom they are integrating into their communication schemes. Also, several retailers have proven to be better information providers than others. However, there are questions as to how much these three ways actually increase credibility to the consumer. Thus, several of the retailers are moving towards integrating credible communication into their marketing mix, thus showing an integration with sustainability marketing. Furthermore, several have noted that the criteria from credible communication: third party labels, dialogues, and accessibility of information, are important for marketing sustainable products.

6.3.2 Emotional Stimulation

In order to continue to work towards sustainability marketing, emotional stimuli should be used to encourage consumers to purchase sustainable products.

It was found that a few retailers are involved in paid advertising, showing pictures and presenting visions that amount to emotional marketing. Several of the advertisement cases described in chapter five amount to emotional stimulation, because they include information that is intended to incite feelings within the reader. For example, the CO-OP (SE) bus advertisement shown in Figure 5-2 is an attempt to provide emotional stimulation: no specific information, but the user can actually imagine how it feels to be “cooped-up” like a chicken. Also, several retailers’ direct mailings have included sustainable emotional communications. For example, CO-OP in Switzerland notes that they try to include practical information with emotional stimuli: pictures and slogans such as “organic range is growing, even without synthetic fertilizer.” ICA and CO-OP Sweden also have shown that they are trying to improve how the consumer feels about their contribution to buying a product (PCE). As shown in Figure 6-2 ICA displays an “Eco Sales Receipt” in their CSR report to show their consumers’ contribution to decreasing environmental problems. As not many customers read CSR reports, this idea may be more effectively utilized in different formats that are more visible to the consumer.

In fact, the idea of emotional stimuli is parallel to the idea of “interpretive techniques”, used in the field of sustainable tourism. Interpretive techniques are important for addressing concepts and ideals, as well as providing information. They provide information in way that can create attitude and behavior change towards sustainability (Wearing and Neil, 1999). Especially in the field of conservation, such interpretive techniques are provided via electronic information. However, perhaps retailers, as outlets for people to search products can provide more interpretive and emotional experiences for consumers via electronic media, such as the egg checking kiosks at Metro (chapter three). Such experiences could create a stronger push towards sustainable consumption as well.

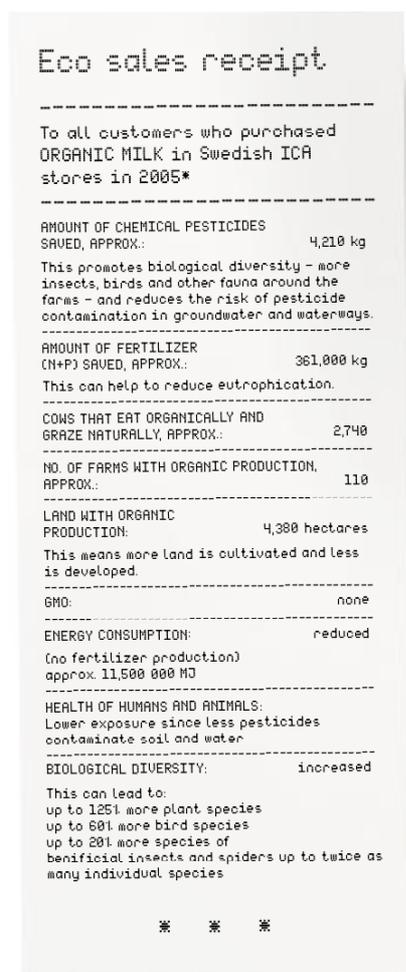


Figure 6-2 Eco-Sales Receipt from ICA CSR report

Source: ICA CSR Report

From the previous section, it can be seen that there are a few interviewees who said that creating an emotional connection is important; yet this was not a prominent finding. Therefore, there is no conclusion on whether or not emotional stimulation aligns with increasing sales, however, perhaps that there is so little emotional techniques used can be a reason that sustainable coffee has not broken out into the mass market.

As there are few examples of emotional stimuli found in retailers, perhaps they can look towards other industries, such as the sustainable tourism industry, which is much more focused on providing information to consumers of the protected areas. Also, as many retailers will begin to invest in electronic media, it could perhaps be more economical to use this media for such types of messages, rather than large-scale advertisements in the future (Gagnon and Chu, 2005). Although the information projected should be different, perhaps the idea of wanting to change behavior through interesting and emotional techniques is quite similar. Thus, while the importance of emotional stimuli cannot be ruled out, there are few retailers that are using this technique to date. Thus, in this area, they have not moved toward communication in terms of sustainability marketing.

6.3.3 Motive Alliances

Motive alliances are the final puzzle to understanding if retailer communications integrate sustainability marketing. According to the theory of SM, the sustainability information both normative and sustainability product qualities should work together to communicate sustainable products to consumers.

It was found that normative qualities are important for retailers to communicate. Interviewees expressed that price, brand, and taste were the three most important and common normative qualities that retailers try to promote to consumers regarding sustainable coffee, foremost because these are the three main criteria for purchasing coffee.

There is also a large emphasis on communicating sustainability aspects to consumers. Often mentioned statements of issues to communicate to the consumer included: the added value, the message of organic and Fair Trade, and the explanation of the label. Some retailers even promote the supplier and transparency aspect as part of the value. This differs slightly from the findings of Jensen et al. (2003) who found that electronic retailers in Denmark were only communicating sustainability values by default (i.e. the energy label on appliances in mandatory).

A few retailers and the NGOs interviewed seemed aware that there is a need to communicate and connect both normative and sustainable values. One of the slogans of the organic promotions in Sweden is “better for me and tastes better.” Also, Robertsson from CO-OP SE noted that while they explain Fair Trade and organic, they also tell about the price, because some people do not care about the ethical purchasing criteria, and it is important to still try and sell as many products as possible. They also use the slogan “more taste” for their sustainable products, making a link to the fact that the customer is paying more for the extra quality. Waitrose also expresses in their CSR report that they ask the customer to pay a little more for the sustainable products because of the price premium for Fair Trade and added costs to producers of organic. Therefore, there is some linking of sustainability criteria with normative values.

However, not many retailers are able to connect both types of values into a coherent message to consumers. More often than not, the two types of values are communicated separately. While it is important to communicate both, not many retailers were doing so in practice. One potential reason why they have not implemented this type of communication is that retailers may lack the knowledge or training able to inform consumers. Furthermore, traditional products, usually search or experience products, do not necessitate the added information of sustainable products. Thus, the third main criterion of SM communication can only be said to be half fulfilled, because the retailers investigated is communicating both aspects, but lacking on the area of linkage to any great extent. Regarding whether this criteria matches the findings from chapter five and can thus be interpreted to be important, it is difficult to say that allying the motives are thought to be important, but it is definitely important for retailers to portray both sets of motives: sustainable and normative.

6.4 Summary of Analysis

The analysis of whether or not the retailers were able to integrate sustainability marketing into their marketing mix had varied results. Table 6-2 shows that Waitrose, CO-OP CH, CO-OP SE and ICA were the leaders from the analysis on the integration of sustainability marketing into their practices for promoting sustainable products. Further information is missing from ISO and Kesko, thus the table is not 100% conclusive.

Table 6-2 Sustainability Marketing Criteria Achieved By Retailers

	Distribution	3 rd Party Label	Dialogue	Information Access	Emotional Stimulation	Motive Alliances	Total
Waitrose	X	X	X	X	X	X	6
COOP CH	X	X	X	X	X	X	6
COOP SE	X	X	X	X	X	X	6
ICA	X	X	X	X	X	/	6
Metro	X	X	-	X	-	-	3
Ahold	X	X	X	X	X	-	5
ISO	X	X	X	/	-	N/A	?
Kesko	-	X	X	/	N/A	N/A	?
Total	7	8	7	6.5	5	3.5	

Clarifications:

Distribution: X achieved if considered good place in store and assortment

Dialogue: X achieved if at least supplier and NGO included in communication of products

Information Access: X achieved if access to information was readily available to consumer, either via web or on the package.

Table 6-2 shows the SM criteria the eight retailers could best meet, and which retailers met the criteria for sustainable coffee. While it shows the criteria, it does not make apparent the degree to which each type of communication is used. For example, often the retailers make use of the Internet much more than emotional stimuli techniques. Yet, the X only marks if it is used. It is important to note that in the Labels column, just the fact that the retailers were using 3rd Party Labels gave them an X in the column. The issues dealing with label credibility in the above section could not be represented in the table. Furthermore, a “fair and suitable price” is difficult to assess, as pricing schemes are not 100% transparent and thus this criterion is not included in the table.

However, despite these potential criticisms, the table expresses that these retailers were able to:

- Provide increased distribution (7)
- Increase trust in communication via:
 - Labeling (8)
 - Dialogue (7)

- Increased access to information (7)

However, not all retailers in the scheme were able to use the following when communicating sustainable products:

- Emotional stimuli (5)
- Motive alliances (3.5)

Thus, the analysis suggests that the retailers investigated are moving towards integrating sustainability marketing, yet are still lacking in some areas. Furthermore, retailers felt that placement, a suitable price, dialogue -especially though product experience- and increasing information are important to marketing sustainable products. Furthermore, even though several interviewees noted that it was important to connect with consumers emotionally and use motive alliances, also to communicate the added value, it is not as infiltrated into their marketing plan.

The *fair and suitable price* criteria created two different problems. First of all, it is difficult to assess exactly what is a “fair price” on a market where environmental and social effects do not necessarily have a fixed economic cost. Second, a completely “fair price” may be beyond the capability of today’s retailers. Retailers cannot be expected to sell one item at an uncompetitive price, especially if they should become mainstream. Also, to minimize this problem, they cannot be expected to decrease too much of their profits either. Thus, it is possible that the “fair price” criteria could potentially be rethought in the idea of sustainability marketing. Moreover, the idea of fair prices is perhaps beyond the current dominant social paradigm, as described by Kilbourne (2004). He shows that there is the potential that sustainability marketing will be difficult to fully implement, as the current way of business is not to take sustainability as one of the main factors of business. Thus, since all products do not have a “fair price,” setting this price on a sustainable product is not yet possible. Thus, the inability of retailers to overtly show that they are trying to increase levels of sales by using fair pricing mechanisms may indicate that it is difficult to fully implement sustainability marketing at its current level of theoretical development.

However, that many the retailers investigated are working to ensure access to sustainable coffee via *accessible distribution* is a sign of a move towards sustainability marketing and that sustainability marketing can potentially be used to increase sales of sustainable products. While this is a likely holdover from their traditional marketing schemes, it differs because sustainable products do not receive the same demand as traditional competing products, thus they should not receive best placement under traditional marketing.

They were also able to use the three different analytical criteria to *communicate credibly*, which in theory, helps to translate credence qualities into quasi-search qualities. Also, retailers understand that credible 3rd party labels are important, even though they did express a certain degree of uneasiness about their continued credibility and the number of labels, which could add to confusion. Working with the suppliers and NGOs was important to the communications of many retailers. This finding reflects Peattie’s (1999) assumption that sustainability marketing will require companies to work with environmental interest groups in search of strategy performance. Many food retailers were able to increase access to information via packaging, CSR reports, Internet, and direct marketing practices. However, it is difficult to know if there was an actual increase in consumer trust as judged from this study. Furthermore, as explained by Karstens and Belz (2006), transformation from credence to quasi-search qualities is a complex process and the apparent best way to do it is through the

use of a number of different instruments. Yet, it is difficult to know if there was an actual increase in consumer trust.

Regarding emotional stimuli and motive alliances, few of the retailers investigated are able to meet these requirements. Emotional stimuli are mainly an application for advertising, and thus perhaps cannot be expected of retailers' who focus on PoP communication. However, retailers can try to improve these communications by integrating PCE, set by the example from ICA's CSR report. Even though retailers are not able to specifically ally the motive alliances together, they did feel that promoting both sustainability qualities and normative consumer purchase criteria together was of utmost importance. However, perhaps more steps can be taken by them to ally the criteria together, so that consumers can make the connections.

Thus, there is a mixture of applicable integration of sustainability marketing in the eight retailers' marketing strategy. Furthermore, the analysis shows that some retailers feel that these criteria could improve sales of sustainable products; thus having further implications for the implementation of sustainability marketing. It is difficult to gauge, however, to what degree they are able to transfer into purchase directly.

6.5 Discussion

The above section attempted to analyze the extent to which the retailers investigated were able to integrate sustainability marketing within their marketing mix and how important the criteria were for communicating sustainable products.

It must be noted that the analytical results of this study should be taken critically. While the integration of sustainability criteria into the marketing mix is of foremost importance to the communication of the consumer, other areas of the sustainability marketing mix can have implications for it as well. For example, the integration of the third step: normative sustainability marketing could possibly be important for communication to the consumer especially in the area of trust creation. Namely, if the retailer does not have sustainability as one of its core aspects, then there is the potential for a decrease in trust in the product. In fact, this is one of the largest concerns of the Fair Trade organizations. Thus, while this paper only looked at the communication aspects, other steps in SM could affect the value and credibility behind the communications.

Moreover, this research uses a qualitative methodology of eight retailers' perceptions and practices. A more in depth analysis, for example, involving a more quantitative data and perhaps an experiment to test the criteria could potentially illuminate the comparative effectiveness of sustainability marketing vs. traditional marketing for sustainable products.

On a more practical level, there are a few other issues that could have potentially altered the results of this investigation. First of all, the study aimed to analyze several good examples of food retailers that have integrated Fair Trade, organic, and Utz Kapeh coffee into their product range. Depending on the retailer, the retail sector and the country, results could have differed. For example, Jensen et al's (2003) study of electronic retailers in Denmark showed that the retailers were much less interested in sustainable products than this analysis showed. Also, the situation surrounding each country's relationship to Fair Trade and organic was only briefly discussed. This area was actually touched upon by a few retailers, who mentioned that some countries are more socially aware due to historical circumstances. Furthermore, some countries have different interests and different acceptable marketing strategies. However, these circumstances were not investigated in further detail.

Also, the research focuses mainly on coffee marketing, which may not be representative of other products. Coffee is a staple food product that is bought regularly by consumers. Products that fall under different purchasing categories may have different results according to how retailers feel it is important to market them.

The personnel questioned within the retailers may also have changed the outcome of the study. While the employee who was most appropriate answered the survey in most cases, these were often different personnel within each store. This differentiation reflects differences within each retailer's employee structure. Perhaps if at each store there were a few more interviewed, more in-depth and slightly more illuminating results could have been achieved. However, for the purpose of this thesis, the interview answers received were sufficient.

Furthermore, regarding price and costs for sustainable coffee, these figures were a bit difficult to assess. While price ranges or averages were asked to be assessed by the retailer employee during the interview, comparisons were not always possible in this study; a direct comparison could have led to more exact figures, and thus a more comprehensive analysis regarding suitability. Further, cost was difficult to assess, as costing structures are not always apparent, nor were the appropriate for the depth study.

This research only looks at sustainable product marketing from the retailer's perspective. Thus, it cannot be assumed that the work of retailers discussed here is the only marketing being conducted for sustainable products; yet as the link between product and manufacturer, they do play an important marketing role. Further sustainability marketing research can be conducted regarding other areas of the product chain, to assess their ability to integrate sustainability marketing. Also, marketing is not the only avenue to increase sales of sustainable products; regulations and informational policies may also be used. Yet, these aspects were too broad for this research.

Finally, this research accepts that the concept of sustainability marketing is currently developing. Therefore, the criteria developed and used in this thesis to analyze the retailers' marketing strategies in this study may differ, depending on future developments. Yet, for the time being, the criteria in this thesis are deemed appropriate.

7 Conclusions and Recommendations

This thesis aimed to further the discussion on sustainability marketing theory by investigating sustainable product promotion in the retail sector. Thus, this research intended on finding how eight food retailers, understood to be leaders in the sales of sustainable products (specifically coffee), were able to market sustainable coffee. Further, it aimed at understanding the potentiality of integrating sustainability marketing into these practices, since sustainability marketing is believed to be a better way of increasing sales of sustainable products, by assessing if and how retailers were able to integrate these practices into their marketing mix.

Regarding the first research question: “how are retailers marketing sustainable products?”, this research shows that they are:

- Using a number of different techniques, including in-store promotions, direct marketing, and even starting to use advertising
- Providing placement that gives products exposure
- Providing experience to the consumer
- Communicating the added value of the products

This research found that price is still a large barrier for selling sustainable products, and in some cases, hinders retailers from trying to promote them further. Especially with coffee, there is a large price problem in the market generally.

Regarding the second research question: “to what extent are retailers using sustainability marketing in their marketing of sustainable products and how do the criteria align with the findings from the first question?”, it was found that retailers are better at integrating accessibility and credibility in communication, than other criteria of sustainability marketing.

First of all, *fair and suitable prices* should possibly be reconsidered as a part of the criteria. Although an important issue to sustainability, it is extremely difficult to assess and it may be before its time. However, the analysis did lead to understanding that several retailers had overcome price barriers to make sustainable product prices more suitable and attractive, via branding products, and communicating product value.

Regarding *accessible distribution*, while it is to a great extent a holdover from traditional marketing, it differs in that retailers must put sustainability of products above their selling capacity (as items that sell the best usually receive the best placement). Some retailers were in fact practicing this criterion and it is seen as important for marketing sustainable products.

Regarding *communication*, the analysis indicated that retailers are definitely trying to communicate more *credibly* towards consumers. Here, a definite integration of sustainability marketing can be seen. Using third party labels, communicating via dialogue with NGOs and suppliers, and allowing access to information via a number of different routes, all provide the consumer with a greater sense of credibility. Also, retailers felt that these types of communication are important for marketing sustainable products to consumers. Yet, there is an underlying potentiality of credibility issues with the actual labels, which may undermine the retailers’ efforts to create further credibility.

However, perhaps retailers could learn from sustainability marketing and try to incorporate more *emotional stimuli* and *motive alliances* in their messages. Increasing the use of these techniques in their marketing mix may help the retailer to have a greater effect on consumers, and perhaps try to bridge the gap between consumers that want to buy sustainable products, and those that do purchase sustainable products. Retailers did mention that communicating the value was important, and both emotional stimuli and motive alliances can be an important part of value communication. Thus, the infiltration of these marketing tools from sustainability marketing should help them become more mainstream, in theory, and potentially in practice. Perhaps this idea can further be studied.

Since retailers are a very important part of the supply chain to consumers, their communication and marketing strategies are quite important for increasing sustainable consumption patterns via making sustainable products more mainstream. Sustainability marketing, with the potential of increasing their market demand, is beginning to be integrated into their marketing mix. However, the lack of its full implementation perhaps leave something more to be desired, or is a potential indicator to the idea that society is not ready for such a marketing strategy, as indicated by Kilbourne. However, the main lacking elements that could help mainstream the products, namely emotional stimuli and motive alliances, do not seem to be too far against the mainstream, even though such elements as fair pricing may.

One of the most interesting discoveries of the thesis is that retailers and NGOs are working together to promote sustainable products. This cooperation provides greater credibility to the marketing of sustainable products. Furthermore, NGOs, and organic suppliers have less money to support large advertising efforts, yet they have greater know-how about sustainable products. Therefore, one main recommendation that can be made is that an increased cooperation between the two partners could be very valuable to the improvement of sustainable product sales. NGOs could target their efforts to retailers in the following manner:

- Focus advertising and in-store communication efforts on emotional stimuli and especially on use of information that employs perceived consumer effectiveness (PCE)
- Strengthen use of motive-alliances in marketing efforts
- Retail employee training to inform of the importance of sustainable products

Furthermore, retailers can use their current abilities to translate into sustainability marketing integration. Especially dealing with placement and in-store promotional techniques, to inform the consumer at point of purchase to buy these products.

Thus, while this research has elicited information about retailers, it also raises more questions on the subject.

- How can sustainable marketing integration improve demand for sustainable products?

It cannot be concretely assumed that sustainability marketing can bring products in to the main stream and actually influence consumer purchase. As the theory is still developing, more testing and research should be conducted to direct the criteria and understand how to test it. Furthermore, a better understanding of how the criteria discussed in this paper effect consumer purchases and a transition from credence to quasi-search products is also very important to this line of research.

- As sustainable products become mainstream, will larger corporations' values and practices become more sustainable, or will their values undermine the principles of sustainability?⁷⁰

One of the large controversies in the Fair Trade movement, but also the organic movement, is that the criteria and values of their movements will be undermined by corporations who want to increase profits at the expense of the movement towards sustainability, thus potentially undermining the credibility of the movement and effectively harming the movement altogether. There is a brewing conflict between those that want to increase sales of sustainable products through any and all avenues, and those that are afraid some of these avenues will undermine the movement. With the passage of time, and the infiltration towards the mainstream, this idea may need to be revisited for the sake of the movement.

- Is it possible for retailers to further integrate/pursue other areas of sustainability marketing?

In chapter four, it was discussed that there are six levels of sustainability marketing. In this thesis, only step five was studied in great detail. However, the other steps of sustainability marketing are equally important. Thus, further studies to assess retailers' integration and if it is possible for them to pursue other areas of sustainability marketing are important to the assessment of retailers sustainability levels.

Furthermore, there is still a question as to whether or not sustainability marketing can be fully integrated, as it would seem that it represents a transition away from the dominant social paradigm, as discussed in Kilbourne (2004). For example, do businesses really integrate social and environmental issues into their overall framework? Can they still be competitive and do so? It is easily recognized that businesses need to move towards a more sustainable framework for society to move towards sustainable consumption patterns, yet is it possible for business to do this in today's society?

⁷⁰ Adopted from Barrientos and Dolan (2006).

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Abbreviations

4Ps	The Four “P’s” in the marketing mix: product, price, place and promotion
CEO	Corporate Executive Officer
DIY	Do-it-yourself (retail sector)
EEA	European Environmental Agency
EU	European Union
FLO	Fair Trade Labeling Organization
GMO	Genetically Modified Organism
IFOAM	International Federation of Organic Agricultural Movements
LCA	Life Cycle Analysis
NGO	Non-Governmental Organization
OECD	Organization for Economic Cooperation and Development
PCE	Perceived Consumer Effectiveness
PoP	Point of Purchase
RFID	Radio Frequency Identification Data
SM	Sustainability Marketing
UK	United Kingdom
UNEP	United Nations Environmental Program
UNCSD	United Nations Council for Sustainable Development
USDA	United States Department of Agriculture

Appendix A: List of Interviewees

- Anonymous. *Extra Metro* (DE) Buyer. (2006 June, 29) Emailed Question Response
- Anonymous. *ISO* (DK) Category Manger (2006, July 3) Telephone Interview.
- Anonymous. *Kesko* (FI) Buyer. (2006, July 10) Emailed Question Response.
- de Haan, Alice. *Albert Heijn* (NE) Merchandiser (2006, July 18) Telephone Interview.
- Diender, Rachel. *Utz Kapab.* (NE) Projects Coordinator; Traceability System Specialist. (2006, July 18) Telephone Interview.
- Falkerby, Jakob. *Krav.* (SE) Information Editor (2006, July 10) Telephone Interview.
- Freiden, Sandra. *Max Havelaar* (CH) Retail Accounts Manager (2006, July 20) Telephone Interview.
- Fütterer, Andrea. *gepa* (DE) Policy Advisor (2006, July 7) Emailed Question Response.
- Haslinger, Gerd. *Eza.* (AU) Sales Manager (2006, July 20) Emailed Question Response.
- Hedman, Anne. *Reilukauppa* (Fair Trade Labelling Organization) (FI) Product Manager (2006, July 28) Telephone Interview.
- Irani, Beate. *Max Havelaar* (AU) Retail Accounts Manager (2006, July 12) Telephone Interview.
- Lener, Andrea. *Altra Marcato.* (IT) Sales Manager. (2006, July 25) Telephone Interview.
- Lindwahl, Kerstin. *ICA* (SE) Head of Environmental Responsibility. (2006, June 20) Telephone Interview
- Machiba, Tomoo. UNEP/Wuppertal Institute Collaborating, Center for Sustainable Consumption and Production. (Former employee of the Global Reporting Initiative (GRI)). (2006, August, 25). Personal Interview.
- Olson, Dan. *TransfairUSA.* Retail Accounts Manager (2006, July 10) Telephone Interview.
- Östöm, Andrea. *Ekologiskt Marknadscentrum* Project Coordinator. (2006, August 2) Telephone Interview
- Przyklenk, Mariska. *Transfair* (DE) Retail Accounts Manager (2006, July 7) Telephone Interview.
- Robertsson, Michael. *CO-OP* (SE) Environmental General Manager & Commercial Director for Organic Products. (2006, July 27) Telephone Interview
- Rosen, Gerri. *ICA Kvantum.* Mobilia, Malmö (SE) Environmental Responsible Manager. (2006, July 20) Telephone Interview.
- Simpson-Jones, Michael. *Waitrose* (UK) Coffee Buyer. (2006, July 21) Emailed Question Response
- Stadler, Denise. *CO-OP* (CH) Coordinator Naturplan and Max Havelaar. (2006, July 14) Emailed Question Response.
- Weidacher, Josef. *Max Havelaar* (AU) University Contact (2006, July 18) Emailed Question Response.

Appendix B: Interview Questions

Retail Questions:

Questions to Retail on Sustainable Products:

My name is Wendy Wallace and I am a MSc Candidate at Lund University in Sweden studying Environmental Policy and Management. I am working on my MSc thesis on selling sustainable products in the retail sector. I would like to include your company in my study.

Thank you for the time you have taken out of our day to answer my questions. Please also respond to the following:

Can I record our interview to facilitate subsequent analysis?

Can I cite your name in my thesis or do you wish to remain anonymous?

Background

Sustainable products, such as organic, fair trade, and eco-labeled products, are notoriously better for the environment, but some of these products that have not broken into the market. Retailers are often at the forefront of developing innovative ideas to sell new products, which is why I am contacting you.

Overall/Demographics

1. A. Name
B. Company
C. Your Position

Organic and/or Fairtrade Coffee Questions

2. What are the characteristics/attributes of organic and/or fairtrade coffee as a sustainable product?

3. What are the most important determining factors in selling fairtrade / organic coffee?

4. Is there any difference between promoting fairtrade / organic coffee because it is sustainable and promoting non organic / fairtrade coffee?

5. Roughly what percentage of your coffee sales does organic/fairtrade coffee have?

7. How important are partnerships in selling Fairtrade/organic products (coffee)?

8. What is the average price of organic /fairtrade coffee (higher than average / average / below average) compared to non-organic/non- fairtrade coffee?

9. A. What type of placing in the store does organic/fair trade coffee receive?

B. Would you describe this as (optimal / average /suboptimal placing)?

10. Please answer Yes or No after the following list to tell whether you use the following daily merchandising techniques? For the same list, please rank 1-9 (worst to best) whether these are important for selling organic / Fair Trade coffee today. Please rank in the same for how you think these techniques will be important to sell organic / fairtrade coffee in 5 years.

Technique	Use: Y/N	Rank: Today	Future
Personal selling (ie staff training)			
Publications			
Website /Internet			
ICT tracing for environmental / health / labor purposes			
Product information with product			
Primary placement			
Special customer clubs for sustainable product purchases			
Low price			
Advertisements			

Please explain why you chose certain techniques over others in practice and ranking:

11. What type of information about organic /fairtrade coffee does your company try to communicate to consumers (ie. Quality; taste; social and environmental issues; waste information; use; trust)?

Promotional Techniques Questions:

12. Have you used promotions (price reduction and non-price reduction promotional events) for organic /fairtrade coffee ?

If Yes: A) Why do you promote organic /fairtrade coffee ?

If No: B) Why do you not promote organic /fairtrade coffee ? (skip to section on Sales Information)

13. Here is a list of techniques that could be used to promote organic /fairtrade coffee. Please answer yes or no to mark which techniques your company has used in the past: For the same list, please rank on a scale from 1-10 for promotions (worst to best); Please rank again according to which you think will be most useful to use in order to sell in 5 years.

Promotion:	Use: Y/N	Rank: Today	Future
Sales promotion			
Special display			
Personal selling			
Supplier information			
Partnership with local producer or NGO			
Publications			
Internet promotion			
Waste information			
Use of product			
Other (please elaborate):			

Please explain your ranking:

Sales Information

14. A. Has there been a change in the past year in any of the following indicators of sales for organic /fairtrade coffee in your store :

Indicator	Please indicate: positive / negative / no change
Sales increase	
Shelf space	
Change in shelf position	
Increased product inventory	
Increase in market share of product	

If Yes:

B. What reason would you attribute to the increases: Please rank from 1-7

Promotional Event	
Price Drop	
Price Increase	
Improved Placement	
Better Communication of Product Characteristics	
Awareness among consumers	
Other (please specify):	

Please explain your ranking:

15. A. Are there any other reasons that you chose to sell organic /fairtrade coffee besides sales increase? Why?

B. How do you measure this?

16. What main barriers do you face in the future for selling organic /fairtrade coffee ? Please Rank 1 (large barrier) -4 (non-barrier) :

Price

Consumer demand

Supply

Other (please specify)

17. How important are value and quality to the sales of fairtrade/organic coffee?

18. What have been the main positive and negative outcomes from merchandising organic /fairtrade coffee on your business?

Thank you for your participation!