



Are consumers willing to go the extra mile for fair trade products made in a developing country? A comparison with made in USA products at different prices

Md Sanuwar Rashid^{a,*}, Sang-Eun Byun^b

^a Department of Consumer and Design Sciences, College of Human Sciences, Auburn University, 308 Spidle Hall, Auburn, AL 36849, United States

^b Department of Retailing, College of Hospitality, Retail, and Sports Management, University of South Carolina, 4010F Carolina Coliseum, Columbia, SC 29208, United States

ARTICLE INFO

Keywords:

Brand evaluation
Country of origin
Fair trade message
Price acceptability

ABSTRACT

We investigated whether fair trade messages (fair labor/environment-friendly production) can counterbalance the negative country of origin effect on brand evaluations and increase willingness to pay premium prices. Our findings suggest that fair trade messages led consumers to evaluate a product made in a developing country as favorably as a product made in the U.S. While brand attitude and brand trust were higher for a fair trade product made in a developing country, consumers hesitated to buy a product with a fair trade message when the premium price was 15% higher than the base price product with no fair trade message. We discussed implications of these findings.

1. Introduction

A major method that firms use to retain their competitiveness is to reduce manufacturing costs (Bartley and Child, 2014; Rudell, 2006). Despite many benefits of offshore sourcing, reduced manufacturing costs may result in inequity in business and harm workers (Rudell, 2006) and the environment (Chichilnisky, 1994). According to the U.S. Department of Labor, 86 million people around the world work in hazardous conditions and 168 million children are involved in the global work force (as cited in Linshi, 2014). Particularly, production facilities in developing countries that work for Western brands have been called international sweatshops (Meyers, 2007). Consequently, consumers tend to link offshore sourcing with labor and environmental exploitation (Bartley and Child, 2011; Powell, 2014; Rudell, 2006) and may favor products made in developing countries less than products made in the U.S. (Hyllegard et al., 2012).

In international trade, the term “fair trade” means assurance of the equity of involved parties (Moore, 2004). However, since there is no universal criterion to determine whether a business uses fair trade (Connolly and Shaw, 2006), firms’ adoption of fair trade can be manifested through their commitment to social responsibility (Goworek, 2011; Goworek et al., 2012; Wright and Heaton, 2006). Fair trade organizations, such as the International Federation for Alternative Trade (IFAT) and the Fair Trade Labeling Organization International (FLO),

work to ensure fair transactions and rights of workers in developing countries and to make consumers aware of ethical issues in supply chains (Moore, 2004). While fair trade labels are the most pervasive ethical labeling, other labels, such as eco-labels, organic food labels, and anti-slavery labels, play a role in demonstrating brands’ commitment to social responsibility (Castaldo et al., 2009). In line with previous research in the apparel and footwear sections (Hustvedt and Bernard, 2010; Joergens, 2006; Rode et al., 2008), fair trade is operationalized in this study as adoption of fair labor practices and use of environment-friendly materials and manufacturing processes for apparel and footwear.

The literature suggests that consumers have a less favorable attitude towards products made in developing countries, but this attitude may be offset when the brand carries fair trade messages on its products (Rashid, 2017; Rudell, 2006). However, adopting fair trade practices may drive up the product price (Campbell et al., 2015; Hustvedt and Bernard, 2010). Several empirical studies have examined whether consumers’ brand evaluations can be improved by the brand’s communication of fair trade practices (e.g., Goig, 2007; Hustvedt and Bernard, 2010; Hertel et al., 2009; Ma et al., 2012; Rode et al., 2008). Findings from these studies demonstrate a need for a deeper understanding of how companies can counterbalance consumers’ unfavorable perception of country of origin through fair trade messages. Furthermore, several studies have examined consumers’ willingness to pay a

* Corresponding author.

E-mail addresses: mzr0034@auburn.edu (M.S. Rashid), sbyun@mailbox.sc.edu (S.-E. Byun).

price premium for fair trade products (e.g., Campbell et al., 2015; De Pelsmacker et al., 2005; Hsu et al., 2017; Hustvedt and Bernard, 2010). However, little is known about how consumers' brand evaluations (in terms of brand attitude, purchase intention, and brand trust) change with premium price increases for fair trade products made in a developing country.

Therefore, this study aims to fill these gaps in the literature through two experiments. Section 2 investigates how consumers' brand evaluations are affected by country of origin and a brand's fair trade message on hangtags. Section 5 examines the extent to which premium price increases impact consumers' brand evaluations for a product made in a developing country that carries a fair trade message on its hangtag. The findings of this study extend the understanding of consumers' evaluation of brands that communicate fair trade messages for products made in developing countries (vs. in the U.S.) as well as consumers' willingness to pay premium price for fair trade products made in developing countries.

1.1. Literature review

Apparel firms use hangtags to provide information required by law, including fiber content, care instructions, and country of origin (Hyllegard et al., 2012). Hangtags are also used to educate consumers about product attributes, production methods/ processes, and more (Baker, 2002). As such information affects consumers' merchandise selections (Baker, 2002; Hyllegard et al., 2012), more firms have addressed social and environmental concerns on their product hangtags to influence consumer attitude and purchase intentions (Hustvedt and Bernard, 2010; Hyllegard et al., 2012).

1.2. Country of origin effect

Previous studies have found that consumers tend to perceive country of origin (COO), or country of manufacture, as relevant information for evaluating products (Usunier, 2006; Wilcox, 2015). Papadopoulos et al. (1990) suggested that consumers' perception of a sourcing country entails (a) the country's degree of advancement in industry and technology, (b) overall perception of the country's people, and (c) consumers' desired level of interaction with the sourcing country. Gestalt psychology posits an irradiation perspective in which a general impression of any object is subjectively linked to the evaluation of another object (Weiss-Richard, 2003). The irradiation perspective has been used to interpret COO effects: consumers' impression of a country can create a subjective link between a product made in that country and consumers' evaluation of that product (Diamantopoulos et al., 2011; Weiss-Richard, 2003). Namely, American consumers are likely to favor products made in the U.S. because they associate the products with positive effects such as creating jobs and boosting the economy (Balabanis and Diamantopoulos, 2004).

Some COO literature suggests that consumers prefer country-specific products. For example, consumers highly favor electronics from Japan, automobiles from Germany, and fashion goods from Italy are due to the respective countries' product specialty (Aichner et al., 2017; Magnusson et al., 2011; Papadopoulos, 2007). As far as apparel and footwear products are concerned, developing countries such as China, Vietnam, and Bangladesh specialize in manufacturing these products (Bartley and Child, 2011). However, despite these countries' specialties, consumers may not perceive such product-specific benefits from products from developing countries because irradiation perspectives may influence consumers to extrapolate an unfavorable impression of a developing country to its products. Given that COO influences consumers' brand evaluations, along with other product-related attributes such as design, quality, brand name, and price (Rashid, 2017; Wilcox, 2015), brands who produce their products in developing countries tend to promote country of design (Usunier, 2011) or country of brand (Pharr, 2005) to override consumers' unfavorable perception of

products' COO. For example, Chevrolet ("the heartbeat of America") and Volkswagen's Jetta ("German-engineered road sedan") promote a favorable country image of America and Germany (Usunier, 2006), whereas some other brands, including United Colors of Benetton and IBM, claim a world origin (Lim and O'Cass, 2001) to suppress the negative COO of their products.

Although there are some recent findings suggesting that a favorable brand origin persuades consumers to buy from the brand and that some developing countries demonstrate a product-specific country image through specialized skillsets to manufacture apparel and footwear products (Aichner et al., 2017; Diamantopoulos et al., 2011; Papadopoulos, 2007), understanding the effect of COO on consumers' evaluation of apparel and footwear brands is still vital. Moreover, no empirical studies have tested how fair trade messages can offset the negative COO effects on brand evaluations. Therefore, in order to test the overriding effect of a fair trade message, we first verify that there is a main effect of COO on brand evaluations; thus, consumer evaluations of products made in developing countries are likely to be less favorable in terms of brand attitude (Magnusson et al., 2011), purchase intention (Ahmed et al., 2004; Diamantopoulos et al., 2011; Pecotich et al., 1996) and brand trust (Rosenbloom and Haefner, 2009). Therefore, we hypothesize as follows:

H1: Consumers will have a less favorable (a) attitude, (b) purchase intention, and (c) trust for a brand that makes its products in developing countries than for a brand that makes its products in the U.S.

1.3. Fair trade message

More consumers are aware of brands' wrongdoing, such as the use of sweatshops and environmental harm from apparel production, and this awareness has made brands' communication of a fair trade message more important (Goworek et al., 2012). Accordingly, many apparel retailers have endorsed fair trade policies such as fair labor treatment and environment-friendly materials and production processes (Hyllegard et al., 2012; Joergens, 2006). For example, American Apparel practices a sweatshop-free production system. Patagonia's fair trade product line is monitored and certified by Fair Trade USA (Clayton and Barrow, 2013). Marks & Spencer, Monsoon, and New Look are UK-based retailers who have introduced product lines made through fair labor and ethical environmental practice (as cited in Goworek, 2011). Moreover, non-government consumer groups, including Clean Clothes Campaign, Labor Behind the Label, and Ethical Trading Initiative, have persuaded fashion retailers to develop codes of conduct for sourcing from developing countries to ensure fair treatment of labor and environmental protection (BBC, 2008).

Previous studies have found that consumers are more favorable towards fair trade products (Hertel et al., 2009; Goig, 2007; Ma et al., 2012). Ethical labeling of sweat-free and environmental-friendly production processes may lessen consumers' concerns about products made in developing countries (Hyllegard et al., 2012; Rudell, 2006). Thus, fair trade messages on hangtags may help consumers form more positive attitudes (Andorfer and Liebe, 2012; Hyllegard et al., 2012). Consumers have higher preferences for apparel products with a sweat-free label (Hustvedt and Bernard, 2010; Dickson, 2001) and higher purchase intentions for products made without child labor (Rode et al., 2008) and in good working conditions (Prasad et al., 2004). Furthermore, fair trade messages enhance consumers' trust in brands' fair trade products (Castaldo et al., 2009). Therefore, in order to investigate how fair trade messages can offset the negative COO effects on brand evaluations, we first verify that there is a main effect of a fair trade message, hypothesizing as follows:

H2: Consumers will have a more favorable (a) attitude, (b) purchase intention, and (c) trust for a brand that conveys a fair trade message on

Download English Version:

<https://daneshyari.com/en/article/7433626>

Download Persian Version:

<https://daneshyari.com/article/7433626>

[Daneshyari.com](https://daneshyari.com)