
CO-OP FAIRTRADE

This article is written by Terry Hudghton, Corporate Marketing Manager, Co-op. It gives the background to the Co-op's attempt to bring Fairtrade into mainstream retailing, and provides a case study in marketing ethical consumerism.

Introduction

The Co-op Fairtrade Initiative is a bold and unique attempt to bring Fairtrade into the mainstream for all the specific reasons outlined within this document. The stance that is being rapidly developed is the combination of a number of planned and strategic actions, carefully staged in order to maximise success in building Fairtrade support and that together demonstrate an industry leading positioning with the credibility to effect positively public perceptions of the Co-op as a retailer operating within a set of guiding values and principles.

Reasons for launching the Co-op Fairtrade Initiative

1 Epitomising the purpose of the Co-operative Wholesale Society (CWS)

The stated purpose of CWS is to be a 'successful co-operative business', where each of these three words carries equal weight. So, for example, we see no point in being a successful business if we do not act in the co-operative spirit, and there is little point in being co-operative if we do not succeed as a business. The Fairtrade stance is an initiative that has the potential to combine all the elements of being a successful co-operative business. Fairtrade is obviously about business (not charity), but doing business in a co-operative spirit reflecting the values and principles of the co-operative movement. Fairtrade also has the ability to return success in the form of helping to reinforce the Co-op's point of difference.

2 Acting on members/customers concerns

Being a consumer-owned organisation the Co-op is different to other UK retailers, the democratic structure enables those who want a say in the business to do so. It naturally follows therefore that our members' and consumers' concerns are at the heart of our business.

Many of our members and customers are concerned about the effects of world trading systems and about the people producing goods in developing countries. We know this concern exists because it is repeatedly expressed by many of our active members through the democratic structures, ordinary customers write in to tell us, and our own research into customers' concerns shows this is an issue moving rapidly up the public's agenda of concerns. It is also an issue that a lot of people feel powerless as individuals to do anything about. That is why the Co-op, as a large organisation, can, and is, acting on their behalf.

3 Co-operative values & principles

The Co-op was founded on a set of 'co-operative values and principles' that guide the organisation, and these are as relevant today as they were over 150 years ago. Building on our co-operative difference is key to positioning ourselves as a unique organisation in the eyes of both existing and potential customers. There are many links between our co-operative values and principles and those of Fairtrade. These include the values of equality, equity, solidarity and self help and the principles of concern for community and co-operation among co-operatives.

Fairtrade is aimed at the most disadvantaged sectors of production, the independent growers and workers who have been marginalised by world trading systems that favour large scale producers, and disassociates the grower from the consumer market place. Again, many similarities exist between the positives surrounding Fairtrade and the reason why the UK co-operative movement originally sprang up in the mid-1800s. This strong relationship is a key factor backing the motives behind developing Fairtrade. Being a responsible retailer is simply the right thing to do.

4 Enhancing the Co-op's positioning

The Co-op has for many years been acting as the Responsible Retailer. Fairtrade is a way of further implementing this approach and communicating ourselves as being different from other retailers – a retailer who puts people and ethics firmly at the centre of business. Fairtrade strengthens this positioning and creates a unique competitive point of difference in the market place. Although Fairtrade in itself is not new, it has up until now been confined to a niche market sector in all the major multiples, with low consumer awareness levels and relatively little in the way of practical retail support, and therefore quite modest sales. Taking the industry lead in bringing Fairtrade into the mainstream benefits the Co-op's positioning with a broad range of stakeholders and encourages reappraisal of the Co-op by current non-shoppers.

Investment behind the Co-op Fairtrade Initiative

In terms of managerial time in order to make this a success, the organisation's investment is substantial. To bring these projects to fruition has taken considerable management time in negotiating feasible logistics (especially bananas) and ensuring that the necessary NGO backing has been in place. In addition the 'risk factor' has been key, and managing this in a carefully co-ordinated staged process has been essential. The risk being in the potential opportunity loss and the potential levels of wastage that could have occurred. The opportunity loss is represented by the strategic decision to stock a representation of Fairtrade products in all stores, no matter what size, and in a large number of small stores. This has meant taking other branded products out in order to make space, and therefore losing the sales revenue generated from these lines. The wastage is particularly relevant to the decision to stock bananas in 1,000 stores, again including a large number of small outlets where turnover is a major factor for fresh products.

Introduction and integration of the Co-op Fairtrade Initiative

Sales of Fairtrade products in all UK retailers are at best modest, and up to now no supermarket has proactively backed their development as a fundamental part of their overall business. Consumer demand has been low due to a lack of awareness of both Fairtrade and the issues behind it. Research by the Fairtrade Foundation pointed to public awareness levels of just 12%. However, we know that once the issues are brought to the attention of consumers then the desire for something to be done about it is high. Therefore one of the fundamentals underpinning the whole initiative has been increasing the profile of Fairtrade and this has two main elements. Firstly, developing awareness of the issues, primarily with our members and shoppers but also with non-shoppers. Secondly, developing the presence of products available in our stores.

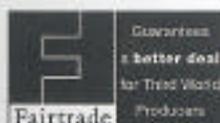
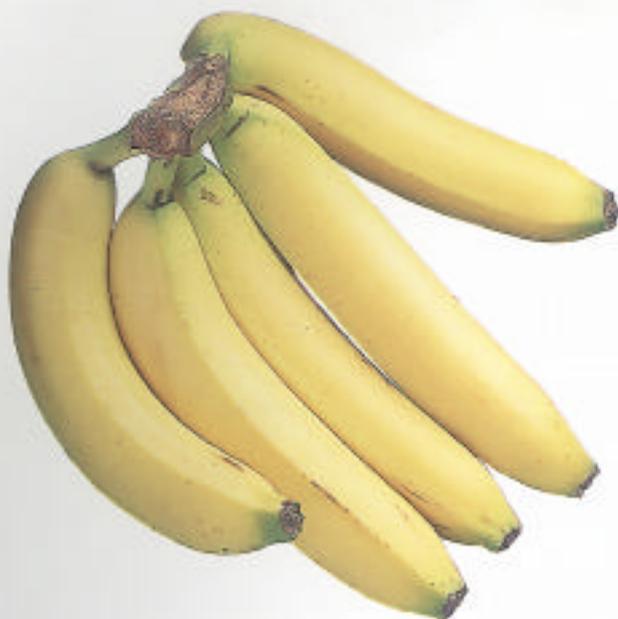
The stepped introduction of the initiative has been a vital component in managing the stance effectively. With the objective of – for the first time in the UK – bringing Fairtrade into the mainstream. On the back of continuous work to heighten awareness, the introduction and integration has been spread across a full year, with 3 critical milestones:

- strategic stocking implementation (March 1999)
- launch of Fairtrade bananas (January 2000)
- launch of Co-op Fairtrade Divine Milk Chocolate (March 2000).

1 Strategic stocking implementation

Against a background of relatively small market place demand, Fairtrade products have generally only been available in either specialist 'world' style outlets or in larger supermarkets that have large amounts of shelf space and where they have had comparatively low prominence in the face of high spending branded products. Therefore a significant move was to make a strategic decision to stock a presence of Fairtrade products in all our 2,000 grocery stores, no matter how small, and, given the dominance of convenience and community stores in our retail portfolio, this decision was particularly bold. It meant that for the first time Fairtrade products became widely available on the high street and in community areas. It also means the Co-op stocks Fairtrade products in more outlets than any other UK retailer.

WE'RE HELPING THIRD WORLD GROWERS GET A FAIR DEAL.



Look out for the Fairtrade Mark.

For now, the Co-op is the only place you can track down Fairtrade Mark Bananas, but we hope they catch on. Because the Fairtrade Mark guarantees that the Third World producers who grow these bananas receive a fair deal. Fairtrade means that a fair price is paid directly to the grower, cutting out any exploitation. So they don't have to rely on ruinous loans. All of which makes Fairtrade just the kind of way we like to do business. Look for the Fairtrade Mark on selected bananas in Co-op stores - they're obviously a decent bunch.

Offer subject to availability and while stocks last. Check individual stores for details. For more information Freephone 0800 0686 727 (7 days a week).


It's a family thing

The implementation of this first stage (March 1999) was timed to coincide with the annual Fairtrade Fortnight event and provided the basis and credibility to begin actively promoting our stance. The move was used immediately as a means of generating locally based publicity for the Co-op and in support of Fairtrade Fortnight.

The stocking policy provided the spring board for an essential and ongoing awareness building campaign working particularly closely with our active membership who were targeted as being key opinion formers.

2 Launch of the UK's first Fairtrade bananas

Given that increasing public awareness needs time to build and develop the next critical milestone came in January 2000 with the introduction by the Co-op of the UK's first Fairtrade mark banana. The logistical, political, and trade barriers that had prevented Fairtrade bananas being available in the UK took both time and considerable managerial efforts to overcome, but represents a huge step in bringing Fairtrade into the mainstream.

Bananas are important – being the biggest selling individual grocery product they provide the opportunity to make maximum impact with consumers and, most importantly, for the growers in developing countries.

In order to demonstrate our real commitment to making Fairtrade mainstream and to maximise the initial impact, we immediately launched the bananas into 1,000 stores, allocating product out to stores in order to ensure full availability. The first stocks were from a co-operative enterprise in Costa Rica, Co-opetrabatur – making a nice link between co-operatives, and so reflecting the co-operative principle of 'co-operation amongst co-operatives'. The launch was supported by prominent in-store point-of-sale – shelf strips, A4 cards, shelf wobblers and window bills. A press release was issued in close conjunction with The Fairtrade Foundation to announce the launch and this attracted good opportunities for awareness building.

A week after the press release and subsequent PR, the launch was followed up with a short burst of press advertisements aimed at extending the initial interest.

Single placements of full colour half page ads were placed in *The Guardian* and *The Independent* – for opinion formers – and the *Daily Mirror*, *Daily Record* and *Daily Mail* – for shoppers/non-shoppers. Full page colour ads were also placed in the specialist magazines, *Big Issue* (targeted regional editions), and *The Ethical Consumer*. Product sampling opportunities were provided by running in-store demonstrations in the top 65 stores.

Since launch, additional stocks of Fairtrade bananas have been brought in from Fairtrade registered plantations in Ecuador and Ghana, with work progressing on establishing Fairtrade bananas from The Windward Islands. The successful launch of Fairtrade bananas awoke interest in Fairtrade in general and provided the platform for the latest and arguably most significant Fairtrade development to date...

3 Launch of the UK's first supermarket own-brand Fairtrade product

Perhaps the action that demonstrates the Co-op's commitment to Fairtrade above everything else is the launch (March 2000) of Co-op Fairtrade Divine Milk Chocolate, the first in a planned range of Co-op Brand Fairtrade products – a major step to bringing Fairtrade into the mainstream. Although Fairtrade chocolate in itself is not new, up until the launch there was no supermarket own-brand Fairtrade products of any description. This is made particularly notable considering that approximately half of all supermarket goods sold are own-label.

The product itself was specially developed in conjunction with The Day Chocolate Company and in fact carries dual branding on pack and is important for a combination of reasons:

- ◆ the launch of a 45g single consumption chocolate bar ensured that we did not compete with existing Fairtrade products available and added to consumers choice rather than fragmenting existing choice
- ◆ the product qualifies for and prominently displays the Fairtrade Mark, providing an independent guarantee of the Fairtrade claim



- ◆ the packaging carries the partnership logo of Divine in order to provide both organisations with mutual consumer recognition, and giving the Divine brand greater exposure than it would otherwise obtain
- ◆ the 45g single bar format was developed to fit with the CWS retail strategy of increased concentration on community store retailing and the immediate consumption purchases associated with this format
- ◆ the product size and make up allowed for a 39p retail price, and although this represents around a 10% premium above the brand leader, it is important in that it makes it the lowest priced Fairtrade product of any category available in supermarkets – many existing Fairtrade purchases have required an initial consumer outlay of around £2 or more, eg tea/coffee, with the result that many consumers who may have been tempted to try Fairtrade have not risked this level of spend on an unknown, so have never converted from mild interest into actual purchaser
- ◆ the Day Chocolate Company is 30% owned by Kuapa Kokoo the Ghanaian cocoa co-operative where the raw material originates, again providing us with a direct link with the co-operative growers.

Demonstrating our commitment to making this work, the chocolate bar was launched into all 2,000 grocery stores, and merchandised along with other single chocolate lines within confectionery. The display box also allowed for additional merchandising opportunities during launch and Fairtrade Fortnight. The launch was supported by point-of-sale, including window bills, shelf barkers, shelf wobblers, and shelf edge runners.

Professional in-store demonstrations were held in the top 45 stores, with voluntary membership action as part of Fairtrade Fortnight adding a further 100 stores to the sampling exercise. In addition the product has been widely used at many organized events, including Co-op Congress, Fairtrade seminars, regional Labour Party conference and some public exhibitions.

Critically, the product launch was timed to coincide with Fairtrade Fortnight 2000. This was particularly relevant because this year's theme was cocoa growers. This allowed us to focus on Fairtrade Fortnight and to effectively make this event 'our own' from a retail perspective.

4 Fairtrade Fortnight 2000

Fairtrade Fortnight is an annual event loosely organized by the Fairtrade Foundation aimed at creating interest in Fairtrade, specifically concentrating on the supermarket sector. In comparison to other PR based national events this has traditionally gained a relatively low level of input from the supermarket sector, with activity in most retailers limited to a small selection of price deals and shelf barkers.

As part of establishing our overall stance on Fairtrade we set out to achieve two objectives for Fairtrade Fortnight 2000. Firstly, to raise the profile of the whole event to a level exceeding any previous year. Secondly, to be seen clearly as the lead retail supporter of the event through instituting a high level of activity. Both of these objectives were fully met through a package of actions:

- ◆ mobilising Co-op members resulting in voluntary member action in 100 stores
- ◆ launch of the consumer Fairtrade Pledge
- ◆ a five week promotion surrounding the Fortnight giving a consumer offer of a blanket 20% off all Fairtrade products, to our knowledge the first time a blanket promotion on Fairtrade had been done in the retail sector – the offer applied to all 2000 stores no matter how small
- ◆ substantial point-of-sale, including window bills, shelf barkers, shelf wobblers, A4 cards, shelf edge strip runners, leaflets
- ◆ distribution of relevant materials (leaflets, magazines) from NGOs and Fairtrade suppliers
- ◆ professional in-store demonstrators in 65 stores
- ◆ press release aimed primarily at regional press announcing the launch of the first supermarket own brand Fairtrade product, the launch of the Fairtrade Pledge, and the in-store promotional offers.

Co-op to launch first 'Fairtrade' own-label

The Co-op, owned by the Co-operative Society (CWS), is launching its first own-label Fairtrade product, a range of Fairtrade chocolate, in its K Supermarkets across the UK by the Day Chocolate Company, part-owned by the Ghanaian government.

5 The Fairtrade Pledge

The Fairtrade Pledge was a joint initiative between the Fairtrade Foundation, The Co-operative Bank and CWS Retail. There were two purposes – awareness building, and to provide the Fairtrade Foundation with a more substantial base of Fairtrade contacts.

The Pledge took the form of an A5 sized consumer leaflet that asked people to commit to buying at least one Fairtrade product every month. Once completed this was sent in to the handling point. A booklet was dispatched back to the consumer, telling them more about Fairtrade and providing an opportunity to demonstrate their commitment to their Pledge by returning proofs of purchase from Fairtrade marked products to the Fairtrade Foundation. This effectively put a 'sieve' mechanism into the process so that the limited resources of the Fairtrade Foundation did not become swamped by consumers who were not committed.

The target audiences were split between The Co-operative Bank and CWS Retail. The Co-operative Bank targeted opinion formers, and ran a successful trial launch at the Labour Party conference. This was then followed with a public launch at the opening ceremony event for Fairtrade Fortnight attended and backed by Clare Short, Minister for Overseas Development. CWS Retail targeted general consumers – running the Pledge in stores during Fairtrade Fortnight, assisted by many of our active Co-op membership.

Communications to staff, NGOs, members & customers

Fairtrade has been a relative unknown to the majority of people, and many of those who have heard of it have not fully understood the principles that lie behind it. Awareness building is therefore essential in turning ideology and responsible actions into commercially justifiable positions. We have been working on three basic levels of communications.

Firstly, intensive in-depth communications. As well as educating and keeping informed our own managers, in-depth communication has been required throughout with key stakeholders – relevant NGOs and a selection of Fairtrade suppliers. These have been in the form of ongoing face-to-face briefings and discussions to develop an agreed method of development that would satisfy all concerned.

Secondly, detailed explanations of Fairtrade to our active membership who are potential opinion formers:

- ◆ regional briefing sessions in the build up to Fairtrade Fortnight
- ◆ inclusion of Fairtrade issues in seminars and conferences aimed at Members (many of which are also opened up to the public)
- ◆ detailed articles in Members Magazine which is distributed direct to 85,000 of our most active Members
- ◆ editorial in Traidcraft's 'Y' magazine, well respected in Fairtrade circles, and distributed to 50,000 of the most active Fairtraders in the UK, with a further 50,000 copies distributed through Co-op stores during Fairtrade Fortnight.

For the launch of the Co-op Fairtrade chocolate bar we also contacted those customers and members of the public who had written in to the Co-op over the previous 12 months expressing an interest in ethical trading issues, to inform them of the product and send a sample bar. Some of these are church or Fairtrade group representatives who communicate on behalf of a wider base. Many of these spontaneously wrote back to us expressing their support for the initiative. The Fairtrade Pledge assisted with getting the message across to those most likely to take up the cause.

Thirdly, headline style communications aimed at ordinary shoppers and non-shoppers, staff, and non-active Co-op Members. Here a detailed message would not be appropriate and top line information stands a better chance of being read and remembered. The message we want to get across here is simply that Fairtrade is good, that people should think more about their purchases and that the Co-op has taken an industry lead in support of Fairtrade. For this we aimed our communications at public press, through Members News – a leaflet-style communicator direct to 600,000 members, in-store point-of-sale, staff communicators – electronic news lines, staff posters etc.

Success of the Co-op Fairtrade initiative

The overall objective was to bring Fairtrade into the mainstream, understanding that changing current perceptions of world trading systems is not an overnight task, but a long term commitment. We have satisfied our objectives, well ahead of expectations. There is still much work to be done but we believe that the Co-op Initiative represents the most significant step forward that Fairtrade has ever experienced.

1 Fairtrade sales results

It is only through developing Fairtrade sales that we can make a real impact on the marginalised growers and workers in developing countries. Profit is not a motive within this initiative but increased sales are. The figures that follow provide a flavour of the success:

- ◆ in the first 16 weeks of 2000 Fairtrade sales through CWS Retail have increased an amazing 500% on the same 16 weeks last year
- ◆ despite the retail premium above 'standard' bananas in this commodity area, sales of Fairtrade bananas through CWS Retail are accounting for around a third of all pre-packed banana sales – three times better than our original targets for the first year of introduction and represent a real impact on the banana industry
- ◆ importantly our actions have also led to other supermarkets following the Co-op's lead
- ◆ the launch is having the desired effect of boosting sales of all other Fairtrade products stocked through increased exposure
- ◆ sales of Fairtrade products (excluding the new launches of bananas and Co-op chocolate) during Fairtrade Fortnight 2000 increased by 96% over last year – if these are included, sales increased a staggering 615%
- ◆ Fairtrade sales for the 6 weeks post Fairtrade Fortnight have been 54% higher than pre-fortnight, showing a long term benefit
- ◆ the launch of Co-op Fairtrade Divine Chocolate helped enhance sales of other Fairtrade chocolate – Green & Blacks Maya Gold increased 80% against same time last year and Divine 150g increased 211%.

2 Member and customer responses

Active members have welcomed these actions with great support resulting in some of the very best membership active participation within the organisation in recent years. The mobilisation of Co-op members through a call to voluntary action resulted in around 100 stores benefiting from such activity during Fairtrade Fortnight, with ongoing special events continuing. This type of activity is valuable because of the credibility it provides over and above professional sales demonstration activity. It brings to life the issues surrounding Fairtrade and makes Co-op membership meaningful.

Fairtrade sales results are the best indicator of customer reaction and the phenomenal increases in sales speak for themselves. Research by the Fairtrade Foundation 18 months ago showed that public awareness of Fairtrade was around 12%. Recent research into general food concerns conducted by NOP Consumer on our behalf points to 20% of our customers claiming to purchase Fairtrade products actively. Although the two sets of research are not directly comparable it does indicate a massive change in Co-op consumer attitudes in a short space of time, showing clearly that our communications are being received effectively.

3 PR/media coverage

Coverage has been comprehensive. The focal point was always regional press and radio but exposure has also been gained through TV, national press and radio, and other media channels. This has been instrumental in developing consumer acceptance and hence contributing to generating sales.

4 NGO sector

The Co-op's initiative has been warmly and enthusiastically greeted by development-based organisations. These organisations are influential within a large supporter base and this has proved valuable. The Co-op's initiatives have featured in many relevant NGO communications to their supporters (including magazines, leaflets, and web sites) where people are being called upon to reappraise their shopping habits and purchase Fairtrade products. Such independent endorsements from highly regarded and influential organisations are rare to attain.

The Future

The Co-op Fairtrade Initiative has undoubtedly had a major positive effect within our business. The sales levels being generated are spectacular and accelerating. The impact on disadvantaged growers and producers will be significant, eg the Ghanaian cocoa growers currently get 60% more income from Fairtrade than normal market prices would give them. The Initiative has given a major boost to active Co-op members by bringing to life co-operative values and principles and providing members with the opportunity to get involved within the business in an area that concerns them. The image of the Co-op as a responsible retailer has been enhanced – we are leading the industry on Fairtrade and are being recognised for doing so. The actions we have taken are now prompting other retailers to slowly follow our lead.

This Initiative is a long way from being over but we have taken a large stride forward which provides a solid foundation and motivation for all concerned to take Fairtrade into the heart of business. For the Co-op it is tangible evidence of how combining values and principles with commerce can work in a highly successful manner, a real example of being a 'successful co-operative business'.

Terry Hudghton, Corporate Marketing Manager, CWS (Co-op)