



Family (and friends)



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# 1. Why read this?

One of the hottest grocery industry topics of recent months (other than Brexit) seems to have been the role and relevance of Fairtrade, highlighted by many companies moving towards self-certification and abandoning the Fairtrade accreditation.

This was notably summed up in the public spat between Fairtrade, Sainsburys and their customers over the move to 'Fairly Traded'.

With many Fairtrade brand owners as our clients, we wanted to gather thoughts and have an opinion about the changing face of Fairtrade. What does Fairtrade mean for brand owners? Is it still the best deal for farmers? Most importantly, what does Fairtrade mean to the consumer?

We interviewed 10 representatives and leaders in the ethical and Fairtrade sector, to gauge feelings from across the industry. We've digested it all and included anonymous quotes and comments (to protect companies and individuals) as well as official stances from major retailers.

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## What we've done:

- Used historical consumer research on Fairtrade assumptions.
- Looked at statistics and statements from leading supermarkets.
- Added our own opinion.

We think it makes for some very interesting reading. We'd be interested to hear your views as well.



## 2. Introduction

Family (and friends) works with grocery brands to strengthen their equity and presence on shelf. Part of our mission is to help ethical brands maximise their potential value – to ensure that their products can command the premium they deserve for supporting people and the planet.

All this echoes the modern mainstream consumer world view – people want quality products not just in terms of taste and ingredients, but in terms of ‘corporate credentials’ too.

One way to help consumers make an informed choice is through independent accreditation – or in layman’s terms, those little badges displayed all over packs next to the nutritional info.

Along with organisations like The Soil Association, PETA, The Rainforest Alliance etc., sits The Fairtrade Foundation, or simply ‘Fairtrade’ as it’s commonly known. The Fairtrade Foundation is a charity based in the United Kingdom that works to empower disadvantaged producers in developing countries by tackling injustice in conventional trade. It does this in particular by promoting and licensing the Fairtrade Mark, a guarantee that products retailed in the UK have been produced in accordance with internationally agreed Fairtrade standards.

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However now with Cadbury’s (Mondelez), Sainsbury’s and other brand owners establishing their own benchmarks, it seems there is a growing ‘hard exit’ from the established authority.



### 3. A once grand plan?

Back in 1992 The Fairtrade Foundation, together with a number of NGO's set a precedent, developed over the previous 20 years, culminating in the creation of an 'ethical gold standard' for just trade. Its central purpose was to get Fairtrade into the mainstream psyche, primarily designed for badging supermarket produce, not brands as we understand. But has the badging gone bananas?

As the Fairtrade Foundation grew and the badge became expected amongst consumers, industry giants (like Nestlé and Cargill) felt pressure to gain certification.

Gradually, and perhaps naturally the small NGO had to make many compromises and sacrifices each time they negotiated with the giants, leaving a sour taste with the smaller brands that had been there from the beginning.

"The standards have been vastly reduced to the point where the actual value of a Fairtrade certification is marginal"

Ultimately it seems that (in the last ten years) Fairtrade has spent a lot of time developing large partnerships with multinationals but apparently not investing in smaller partners and brands.

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Consequently, there is much resentment amongst the smaller brands that they've not been listened to over the years, that Fairtrade's decisions may not have always been the right ones and that they have not prioritised



## 4. Deep Rooted frustration

There is frustration amongst smaller Fairtrade brands, as some go a long way beyond requirement to meet the Foundation's principle criteria, whereas other brands apparently only need adhere to a minimum requirement (or maybe even less we heard).

The issue here is that in the eyes of the consumer, brands that carry the same badge operate on an equal playing field. However some of the 'more ethical' Fairtrade brands feel fearful of leaving the Foundation, aware of the "competitive advantage" of remaining in, but resent paying the same licence fees as the larger companies who are perhaps "less ethical".

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“the dilemma for many SMEs is knowing when to jump ship without annoying their customer base”.

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“For us, the mark is meaningless, we would never publicly criticise the mark, but we have very little faith in it, and are quietly moving away from it”.

## 5. Flexible rules – a good thing?

Yes, Fairtrade has succeeded brilliantly in helping reduce poverty, highlighting the concept of trade justice among the general population. In 2010, the four-fingered Kit Kat launched into UK shops with the Fairtrade mark. The Fairtrade Foundation revealed the move meant that it had doubled the company's purchases of Fairtrade certified cocoa. As a result, *"4,500 more Ivorian farmers were paid a price that covers sustainable production and a premium to invest in community or business development projects, such as improving healthcare and schools"*.

Clearly, Nestlé's investment meant a lot to the farmers (the whole point of all this). However it is infuriating for the smaller brands to be reduced to the same blue and green badge, when they are arguably 'more ethical' in their practice.

So back to the customers question at the Fairtrade stall – yes, all Fairtrade has to be 'good', but some might be 'more good' than others.

Some producers we spoke with are going way beyond what's required, but still struggle to get accreditation on some SKUs. One in particular was challenged with a small ingredient that didn't fit 100% with Fairtrade and consequently couldn't badge the product as a whole without a struggle.

In light of the 'easy' accreditation obtained by big confectionery manufacturers, that doesn't seem particularly fair, does it?

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**“I try to buy Fairtrade as it helps people live a better life. All Fairtrade has got to be good, hasn't it?”**

A customer browsing on a Fairtrade stall this week

So back to the customers question at the Fairtrade stall – yes, all Fairtrade has to be ‘good’, but some might be ‘more good’ than others.



## 6. Is it all about the money?

There is a tension here; smaller brands that are 'more ethical' vs the industry giants which can invest a lot of money with Fairtrade.

More than one brand has suggested that Fairtrade is a hygiene factor at best, and as a partnership it has started to feel like a cost rather than a benefit - on balance, a partnership which is out of balance, where *"much more is given than received"*.

*"It's very expensive, and as many people move away from Fairtrade, it's hard to say if it's a good partnership anymore"*

Loudly and clearly there is a lot of disquiet, both in terms of Fairtrade's dealing with partners and the merit of the mark at all. It questions the importance of it.

Why have something expensive to struggle with, when you can make up your own scheme?

As a result, there is a recent rise in self-regulated schemes, with larger companies and retailers now creating their own approaches and badges, and leaving Fairtrade in part, or altogether.

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*"It's very expensive, and as many people move away from Fairtrade, it's hard to say if it's a good partnership anymore"*

It seems that to some, Fairtrade has sadly played a role in this. It has allowed less ethical big corporates to ride on the coat tails of Fairtrade pioneers who have always done business differently, allowing the corporates to benefit from the halo effect of decades of hard work in building a movement. A movement that works for farmers and gives consumers the peace of mind that their purchasing power is going towards doing good.

We've also understood that most large farmer organisations in the Fairtrade system have multiple certifications too (up to as many as 14) - and some farmers have even started their own label (for example the Mexican producer owned 'Tui Symbolo') because of their dissatisfaction with Fairtrade – obviously commercially smart people who will go wherever the market is for their crops.

*"I don't know if companies like Sainsbury's or Cadbury's are actually paying the same price for the goods, but choosing to set up their own name so they don't actually have to pay the FT"*

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Why have something expensive to struggle with, when you can make up your own scheme?





## 7. Marking your own homework

The central premise behind an independent organisation is that a company can't 'mark its own homework' when it comes to assessing whether they are meeting criteria. But it only really works when it's the industry standard and it seems like more and more companies are trying alternatives that they claim to be better such as 'direct trade' or announcing their own label.

In regard to their 'Fairly Traded' scheme, Sainsbury's said: "we are the biggest Fairtrade retailer in the world and will continue to be. Fairly traded is a pilot project on one product only, which is our tea. All Fairtrade products will have the Fairtrade logo displayed on the packaging".

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### Sainsburys.co.uk:

*"There are many organisations across the world dedicated to this issue and they have achieved a great deal. This includes two decades of work by the Fairtrade Foundation, which has developed standards and improved conditions for some of the world's most deprived communities.*

*But the world is always changing and none of us can afford to stand still. Our farmers, many of whom are small-scale producers, are facing increasingly complex challenges ranging from climate change to political instability. To meet these challenges, we need to help them adapt and innovate.*

*So, apart from sourcing products ethically, we need to do so in a way that's sustainable. This means the farmers, growers and communities we support can have thriving businesses for years to come.*

“I think navigating which businesses are a force for good and which are not is incredibly difficult for consumers””

Anonymous brand owner



Mondelez International launched Cocoa Life in 2015 with a \$400 million investment. The organisation's website declares – “Cocoa Life is supported by all of Mondelez’ chocolate brands. It strengthens our global chocolate business and deepens our connection with the cocoa origins.”

*This all sounds very noble, but are supermarkets and big manufacturers painting a misleading picture of virtue? The cynic will argue that this is about saving money, or waiting to see how other schemes, theirs, or others, take off and fly.*

A major concern of one brand owner we spoke with is the impact this all has on the consumer:

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“...The wide range of certification and marks, including self-certification, like Fairly Traded and Cocoa Life are totally unhelpful and confusing. There are now so many schemes and I think people are losing interest”.

## 8. Well done everybody, now you've lost the consumer

Many Fairtrade campaigners, from church hall traders to on the street activists, as well as consumers, have put their blood and sweat into the mark over the years and remain deeply loyal to its principles. But many are now confused, mainly because they have not been informed of its "hollowing out."

With so many ethical marks, the ethical consumer will now have to do their own homework on what each mark might truly mean and how they are different from each other.

*"Whether this is better for the farmer or not seems to become irrelevant, as it serves to confuse the consumer as to what is the 'ethical' option and it stops influencing buying decisions".*

Declared, James Bryant, entrepreneurial co-founder of Buysmart, a new online tool to help consumers find ethical products.

*"One of our goals is to consolidate the marks under one roof in the name of transparency" continues James, "where we can break down the claims and marks in order to provide one source of information for an informed consumer".*

*Clearly there are inconsistent standards that are not clear enough for consumers to make an informed choice on.*

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With so many ethical marks, the ethical consumer will now have to do their own homework on what each mark might truly mean and how they are different from each other.

Clearly there are inconsistent standards that are not clear enough for consumers to make an informed choice on.



## 9. Time to get a grip, before it's too late?

Is it that Fairtrade has had its day? Or that another independent body needs to look at how best to create a transparent and easy to navigate way of choosing between brands?

Or, better still perhaps, can greater faith be restored for those inside the industry to rally behind Fairtrade on a longer-term basis?

Our viewpoint at F&f is that there is one thing that needs to drive the process - consumer understanding. Like any brand or communication, it needs to be devised to enable ease of purchase. We know that shoppers have very little time and very little appetite to do the research for themselves into products – both from a quality and health perspective, let alone an ethical one. Where is the joy in shopping categories that are surrounded by so much confusion?

All ethical retailers and brands have a responsibility to think consumer first, farmer second and themselves third in our opinion. Somewhat radical you might argue, but at the end of the day there is no fair trade without consumers – it is a virtuous circle of buying and supporting.

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“In a world where inequality and division is on the increase we would hope that we will find a way to build on what's been done, keeping the welfare of farmer at the heart of our businesses, and making sure we keep consumers engaged with a coherent message”

It's not all bad. It could be that new accreditations drive competition, forcing each organisation to battle out in the fight to become the most relevant and ethical. We could see standards scrutinised and a new generation of fairer organisations.

However, what must be remembered is that the most powerful here is the consumer. Make it easy for the buying public to understand and support the cause and you've made it easy for farmers.

How are consumers meant to navigate the confusing, ethical shopping landscape if more organisations keep adding new accreditation to the growing list?

One brand owner told us *"We have remained incredibly committed to Fairtrade – partly because of the impact model and partly to influence and hold to account Fairtrade [itself]"*.

Another opinion is that Fairtrade *"risks being dismantled before we [the industry] have collectively found a better alternative"*.

'As middle men', perhaps all ethical producers and retailers have work to do here? It seems to us that some heads need to be knocked together here, perhaps with a properly managed round-table that uses a consumer study as the best way to plot right course of trade-action.

So, it would seem to us, and indeed some of our respondents, just as with the EU situation, reform would be preferable to dismantling an important (though flawed) existing structure.

Throwing the baby out with the bathwater is neither wise nor kind.

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However, what must be remembered is that the most powerful here is the consumer. Make it easy for the buying public to understand and support the cause and you've made it easy for farmers.



