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**Marketing and Consumer Behaviour**

# **“The Effects of Sales Promotions in Fair trade products”**

**Master thesis**

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# **“The Effects of Sales Promotions in Fair trade products”**

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## Abstract

**Introduction:** The growing consciousness of consumers about the ethical aspects of production and trade from the developing countries, as well as human welfare and especially of poor people and disadvantaged producers have turned consumers' attention to Fair trade products. However, the choice of Fair trade product is not always possible. Their price is higher than that of conventional ones, thus consumers are not always willing to pay a lot of money to purchase them. For this reason, in order to influence consumers and motivate them to buy Fair trade products, sales promotions can be offered. However, it should be kept in mind that price level is not the only factor that consumers take into account in order to purchase a Fair trade product, but also their values and specifically ethical orientation.

**Problem definition:** The price of Fair trade products are more expensive than the conventional ones, therefore consumers are not always willing to buy them.

**Aim:** First, to examine how consumers' buying intention and product choice, perceived product quality, perceived value and willingness to pay the full price towards Fair trade products will change, when a certain sale promotion is offered. Second, to explore the moderating impact of ethical orientation of consumers. Specifically, looking at consumers' response toward two different types of sales promotions which are: "feature and display promotions" and "price promotions".

**Method:** Hypotheses were tested by an experiment in the Virtual Supermarket in which sales promotions were manipulated, by asking participants to look carefully to all the coffee brands. The sample consisted of 135 Wageningen University students. The experiment was addressed to both Dutch and international students. The participants were divided in 6 groups (cases). A three (three levels of sale promotion: none, price discount, extra product) by two (two levels of feature and display promotion: yes or no) between subjects design is used to conduct the research.

**Results:** The expected main effects of sales promotions on purchase intention, perceived quality, perceived value for money and willingness to pay the full price were not supported. However, we did found an interaction effect of price discounts, extra product promotions and ethical orientation on purchase behaviour (product choice).

**Discussion:** Even if the results do not show that the two types of sales promotions influence purchase intention and product choice, perceived value for money, perceived quality and willingness to pay the full price, they support the notion that high ethical oriented consumers have stronger purchase behaviour, when they are exposed to price discounts and extra product promotions of Fair trade products. Some reasons for the fact that the hypotheses were not supported can be diverse such as, the type of product (coffee) that was used in the experiment, the limited variety of coffee products, the student sample only from Wageningen University, the manipulations (the discount level and the

picture of fair trade banner) and the conduct of the experiment in the virtual supermarket. Therefore, some suggestions for future research are that the study could be replicated with different kind of products, bigger variety, different target group and in a real environment.

**Key words:** Fair trade, price discounts, extra product promotions, feature and display promotions, ethical orientation



# Chapter 1

## 1. Introduction

### 1.1. Background of the study

In the last few years, even more and more consumers become conscious about the ethical aspects of production and trade and of renewable natural resources from the developing countries (Browne et al., 2000). Ethical consumers are concerned about the environment and human welfare, especially of poor people and disadvantaged producers in the developing world (Grankvist et al., 2007) and as a consequence they adapt their consumption lifestyles according to these issues (Shaw and Riach, 2011). The adaptation of sustainable lifestyles is considered as an efficient way to confront global problems, such as poverty (Hanss and Böhm, 2012). Moreover, growing awareness of consumers for the environmental and social costs (Tagbata and Sirieix, 2008) as well as the processes of food production leads to changes in their demand. The changes in consumers' demand have led to major changes in the food chain, as the food industry has been forced to create and develop new products and marketing campaigns that are able to fulfil all these requirements. These new requirements broaden the possibilities and alternative food networks are developed (Falguera et al., 2012).

As a response to the growing sensitivity of consumers to social and environmental aspects, Fair Trade came into the scene and gained ground in recent years, particularly for food and beverages from developing countries (Browne et al., 2000). Fair trade is an alternative approach to conventional trade and it is concerned about fair trade agreements, safe working conditions for disadvantaged producers and employees, sustainable and environmentally safe natural resource management and the decrease of poverty in the South (Browne et al., 2000; Loureiro and Lotade, 2005). Fair trade products also give an emphasis on care for the environment, social justice and quality standards of the products. They provide help to Third world producers, by assuring at least the cost of production. Producers in developing countries take advantage of fair trade practices, as both buyer and seller negotiate directly without middlemen (Loureiro and Lotade, 2005).

However, the problem begins when despite the fact that even more consumers are sensitive to the Third world needs; they are not willing to pay a lot of money for fair-trade labelled products, which are more expensive than the conventional ones, and this becomes a barrier for consumers to purchase those (Grankvist et al., 2007; Cailleba and Casteran, 2010). Research of Herpen, Nierop and Sloot (2012) on the market shares of sustainable products (Fair trade and organic products) and how they can be enhanced by shelf layout factors, price level, price promotions and consumer demographics stated that premium prices are detrimental to the sales of fair trade products and consumers of fair trade products take into consideration their price level, in contrast to organic products where consumers perceive high price as a signal of higher quality (Ngobo, 2011; Herpen et al., 2012). When the price premium for fair trade products increases, their market share decreases (Herpen et al., 2012).

Accordingly, research of [Tagbata and Sirieix \(2008\)](#) on how Fair trade labels can play a role in the willingness of consumers to pay for Fair trade products in France, found that half of the consumers are insensitive to Fair trade label and the first criterion for products' choice is their price and that the majority of consumers are not yet ready to pay more for Fair Trade products.

As it has been proved that the level of fair trade products' price is really important for consumers, this research extends existing literature on how certain types of sales promotions can influence the purchase intention and behaviour of consumers, their perceived quality, perceived value for money and willingness to pay the full price of fair trade products. Sales promotions are widely used in food markets to stimulate consumers to purchase a product more quickly, more frequently and in greater quantities than in the absence of the promotion ([Hawkes, 2009](#)), as well as to improve consumers' perceptions of the value of this product ([Teng, 2009](#)). However, not much is known yet about the consumers' response to the application of certain types of sales promotions in Fair trade products and especially the response of consumers who have a different ethical orientation ([Cailleba and Casteran, 2010](#)).

Nevertheless, it should not be ignored that how consumers will react to the purchase of a Fair trade product, which is more expensive, not only depends on price, but also on consumers' values which have an impact on their behaviour. These values have to do with consumers' care about society and consumers' shift from self-centric consumption to values-centric consumption ([Doran, 2009](#)). [Carrigan et al. \(2004\)](#) stated that ethical orientated consumers have been increased in the last 10 years. Ethical oriented consumers are influenced by ethical and environmental considerations when they have to choose a product and they tend to make a consumption choice consciously due to moral and personal beliefs ([Carrigan et al., 2004](#)). Consumers' increasing awareness pushes them to the consumption of Fair trade products ([Kim et al., 2010](#)), because Fair trade reassures a better way of living of producers, as well as an increase in their real income, accessibility to healthcare, education and financial stability ([Doran, 2009](#)). Therefore, by keeping in mind that there are consumers with different ethical orientation, a lot of questions are raised on how high ethical oriented consumers will react when a fair trade product will be offered to them with a price promotion, an offer which contradicts to the social message that Fair trade advocates, and thus more research is needed.

To sum-up, the influence of different types of sales promotions on consumers' purchase behaviour towards fair trade products is very little researched and thus more research is needed. It is important to research this topic for consumer research, because this will help the retailers to stimulate sales of fair trade products. Consumers in forming purchase intentions rely on the product's price. Especially nowadays, this research is even more important, because consumers become more price aware and they change their purchasing behaviour during economic crisis ([Bondy and Talwar, 2011](#)). Examining how different types of sales promotions will influence consumers' purchase intention and behaviour,

perceived quality, perceived value for money and willingness to pay the full price might help in practice in how fair trade products can be better communicated in the market. What is more, examining the effectiveness of different sales promotions is very important to the study of marketing, if we take into consideration the harmful effect that they might have and also the fact that they are a large proportion of marketing expenditure.

## 1.2. Research aim and research questions

The aim of this research is twofold. Firstly, it targets to investigate how consumers' buying intention and product choice, perceived product quality, perceived value and willingness to pay the full price towards Fair trade products will change, when a certain sale promotion is offered. And second, it aims to explore the moderating impact of ethical orientation of consumers. Specifically, in this paper, we look at consumers' response toward two different types of sales promotions which are: "feature and display promotions" and "price promotions". The reasons for which these two types of sales promotions were chosen will be extensively explained in the second chapter.

To reach this objective the main research question can be formulated as the following:

**Main research question:** How do "feature and display promotions" and "price promotions" influence consumers' buying intention and product choice as well as perceived product quality, perceived value for money and willingness to pay the full price towards Fair trade products?

## 1.3. Outline of the thesis

The structure of the remainder paper is as follows. Chapter two contains a literature review about different kinds of sales promotions and their effects on buying intention and product choice, perceived product quality, perceived value for money and willingness to pay the full price and a theoretical framework is developed with the concepts that will be discussed in this paper. Thereafter, in chapter three the chosen methodology is explained and the constructs that will be measured. Following, chapter four deals with the results from the statistical analysis. Finally, the last chapter includes the discussion, conclusions and the limitations of the study.

## Chapter 2

### 2. Literature Review

#### 2.1.Sales promotions

Sales promotions are considered to be a promotional activity which aims to enhance consumers' perceptions of products value and increase their purchase of a product (Devlin et al., 2007; Campo and Yagüe, 2007). Lattin and Bucklin (1989) stated that the offer of promotional activity in different product categories might lead people to buy on promotion. Sales promotions are widely used to stimulate food consumption to adults, children and youth. They are often part of promotional campaigns which include different marketing techniques (Hawkes, 2009). Price and product features are considered to be the most common ways that marketers use to influence the purchase intention and product evaluations of potential consumers (Chang and Wildt, 1994). Companies invest a lot of money in promotional campaigns and new price policies, as they intent to make the product more appealing and valuable and affect consumers' buying behaviour. Nevertheless, it is not sure that they will achieve their goal, because even if they may reach their goal in the short-term, in the long-term there may result undesirable consumer behaviour. For instance, consumers will be willing to buy a product, when a sale promotion is offered, but then they will buy again their favourite product (Alvarez and Casielles, 2005).

In order to reassure the fulfilment of objectives in a greater extent, sales promotions should be offered to consumers sporadically, when consumers least expect them (Alvarez and Casielles, 2005). When consumers know about the time that sales promotion will take place, then sales promotions lose their ability to increase sales (Lattin and Bucklin, 1989). However, companies should plan, organise and integrate sales promotions in their marketing plan (Alvarez and Casielles, 2005).

There are different types of sales promotions and most of them are used to market food products (Hawkes, 2009). The type of sales promotion that will be used will be different depending on the objectives. A wide range of possibilities can be applied. These can be money-based, product-based, store-based and gift/prize-based (Alvarez and Casielles, 2005). The research of Hawkes (2009) determined seven different types of sales promotions which are: "Price discounts", "extra-product promotions", "feature and display promotions", "sampling promotions", "prize promotions", "collector promotions and premium promotions". However, in this research we will analyse only "price discounts" and "feature and display promotions". "Extra-product promotions" will be part of "price discounts" as they are another form of price discount. We analyse these three types of promotions, as they are the more representative within these categories of objectives (money-based, product-based and store-based). Promotions which are gift/prize-based such as "prize promotions", "collector promotions and premium promotions" were excluded from the beginning, because it is difficult to operationalize. Specifically, price discounts belong to money-based objectives, extra

product promotions to product-based and feature and display promotions respond to store-based (Alvarez and Casielles, 2005). Following in table 1 all the types of sales promotions used to market food products, that were mentioned above, are explained and are presented together with some examples of each type. First the three types that will be used in this research are explained.

**Table 1. Types of Price Promotions to market food products (Source: Hawkes, p. 334, 2009)**

<b>Types of sales promotions</b>	<b>Examples</b>
Price discounts and extra product promotions (Price promotions)	<ul style="list-style-type: none"> <li>• Direct price discounts, such as “40% of”</li> <li>• Coupons issued by the manufacturers or supermarkets</li> <li>• Discounts via supermarket loyalty cards</li> <li>• Refunds</li> <li>• Free with purchase (buy one and get one free)</li> <li>• Reduced price with purchase (buy one and get another one at a reduced price)</li> <li>• Multi purchase, for instance three for the price of two</li> <li>• Bonus-sized packages</li> </ul>
Feature and display promotions	<ul style="list-style-type: none"> <li>• Front of store display</li> <li>• End of aisle display</li> <li>• In aisle display</li> <li>• “Shelf-talker” (graphic or sign that draws attention to the self)</li> <li>• Instore flyers and banners</li> <li>• Advertising at point of sale</li> <li>• Food packages designed to attract attention</li> <li>• Leaflets with recipes using products on sale</li> <li>• Flyers containing nutritional information for products on sale</li> </ul>
Sampling promotions	<ul style="list-style-type: none"> <li>• Tasting samples provided in retail stores</li> </ul>
Prize promotions	<ul style="list-style-type: none"> <li>• Lotteries, competitions, sweepstakes</li> </ul>
Collector promotions	<ul style="list-style-type: none"> <li>• Collection of vouchers/food labels/beverage container tops in return for gifts</li> </ul>
Premium promotions	<ul style="list-style-type: none"> <li>• Free with purchase gift</li> <li>• Reduced price with purchase gift</li> </ul>

### 2.1.1. Effects of sales promotions on purchase intention and product choice

Purchase intention is a way to measure the willingness of consumers to buy a product and shows the probability that a consumer will buy a product (Devlin et al., 2007). Purchase intentions are considered as a crucial indicator of actual purchase, as they are an awaiting transaction (Chang and Wildt, 1994). When a consumer is considering purchasing a product, the price perception process is described as follows. On the one hand, when the selling price is higher than the internal reference price, consumers perceive the selling price negatively. On the other hand, when the selling price of the product is lower than the expected price, consumers perceive the selling price positively. This has as a result, that consumers' purchase intention will be increased (Campo and Yagüe, 2007).

On the same line, Alvarez and Casielles (2005) stated that the offer of sales promotion can guarantee an increase in sales in the short-run and have a direct effect on purchase behaviour. This is because, price reductions are considered as gains by consumers, as by checking the reduced price with the reference price, this amount that they save from this transaction is a gain for them (Munger and Grewal, 2001). That is the reason why companies tend to invest a lot of money to such promotions (Alvarez and Casielles, 2005). Most of the time, companies in order to be sure that a consumer will acquire the product, they act on the external reference price, by modifying it with the use of sales promotions from time to time and creating discord with the internal reference price (Campo and Yagüe, 2007; Grewal et al., 1998).

Alvarez and Casielles (2005) stated that promotions can cause different reactions in consumers. First, they may lead to the increase in consumption, as consumers are willing to buy a bigger quantity of a product or second, to store the product for the future (Alvarez and Casielles, 2005). Studies show that sales promotions have crucial effect on consumer response and they are as important to consumers as a change in the brand's price. Studies of purchase behaviour and price perceptions showed that almost 50% of consumers identified the promotion of the brand that they purchased, a proportion which is comparable to the proportion of consumers who could recall the purchase price of the brand (Lattin and Bucklin, 1989). Sales promotion on a brand can also lead consumers to be willing to buy the product, even if they were not used to buy that brand (Alvarez and Casielles, 2005).

However, other studies indicate that people who purchase a brand due to a promotion, they turn back to their favourite brand after the purchase of the brand in promotion. Moreover, consumers may feel that they are manipulated by the promoted brands, and thus their reaction will be not to purchase this brand (Alvarez and Casielles, 2005). Lattin and Bucklin (1989) in their research also proved that when a company often offers sales promotions, then consumers get used to them and as a result they do not respond so often to them. In accordance to that, Gedenk and Neslin (1999) stated that promotions undermine brand loyalty and that is the reason why Procter and Gamble shifted towards "value

pricing”. For this reason, it is indispensable to keep in mind that the use of sales promotions to enhance products’ purchases has to be sufficient and companies should be alert to prevent from provoking the opposite effect, which implies that the consumer will stop buying the specific promoted product. This can be done when consumers think that they pay only for enhancing product’s position (Alvarez and Casielles, 2005).

### **2.1.2. Effects of sales promotions on perceived quality and value for money**

Perceived quality is “a buyer’s estimate of a product’s cumulative excellence” (Grewal et al., p. 47, 1998). Perceived quality is very important for a brand’s success as brand quality determines purchase rates (Sprott and Shimp, 2004). Prior studies showed that price affects positively product perceived quality (Chen et al., 1998; Yoo et al., 2000; Grewal et al., 1998). Price is an important indicator of quality and brands with high price are considered to be of higher quality and less subjected to price discounts (Yoo et al., 2000). Moreover, perceived quality is negatively influenced, when consumers cannot forecast the purchase prices due to the gap between expected and observed prices and this can lead as well to the decrease in brand equity (Yoo et al., 2000). Grewal et al. (1998) suggested that perceived quality also determines consumers’ judgements of value. Specifically, perceived quality is positively related to perceived value (Alvarez and Casielles, 2005; Zeithaml, 1988). By assuring that a product’s perceived quality is not influenced by sales promotions, perceived value of a product can be enhanced (Chen et al., 1998).

Perceived product value for money is an essential factor that consumers take into consideration in order to purchase a product (Chen et al., 1998). Product value for money is defined as the price that a consumer pays relative to the quality received when he purchases a product (Lichtenstein et al., 1993; Chen et al., 1998; Grewal et al., 1998). Perceived value has a direct influence on consumer’s behaviour (Munger and Grewal, 2001). Sales promotions influence value perceptions and perceptions of quality of a brand (Grewal et al., 1998). They can enhance a product’s acquisition and transaction value provided that the selling price is lower than consumer’s internal reference prices and sales promotions do not negatively influence consumer’s reference prices (Chen et al., 1998). Because of the fact that product quality and price affect value, the efforts of marketers have been aimed at improving product quality and decreasing price, via cost discounts, so as to enhance perceptions of value and purchase intentions (Munger and Grewal, 2001). In addition to the fact that marketers want to communicate superior value and enhance consumers’ purchase decisions, by applying sales promotions, their aim is also to enhance consumers’ perceived transaction values, by using a proper framing of their offered promotions. By framing it is meant the different representation of promotions (Sinha and Smith, 2000). For example, studies indicated that consumers that were exposed to two sales



promotions “buy one and get one free” and “get two for the price of one” responded better to the first option. This is because, studies showed that discounts which are framed as free options are perceived more favourably (Munger and Grewal, 2001).

However, sales promotions can negatively affect perceived value and as a consequent purchase intention, because the offer of sales promotions can alter consumers’ internal reference price and as a result consumer considers the regular price of the brand to be too high (Campo and Yagüe, 2007).

## **2.2.Types of sales promotions and their effects**

In an increasingly competitive environment, companies use a lot of promotional tools to attract consumers and purchase their products, such as the offer of coupons, direct sales promotions, offering more of a product at the same price, as well as combinations of price discounts and extra-product promotions (Sinha and Smith, 2000). The most widely used type of promotions is “price discounts” (Alvarez and Casielles, 2005). However, price discounts is not the only type of promotion that affects the expectations of consumers (Lattin and Bucklin, 1989). The use of different types of sales promotions varies from one country to another (Alvarez and Casielles, 2005). Companies in order to meet consumers’ expectations usually take into account the possible interactions between price and promotions. For this reason, “price discounts” are applied together with other types of promotions, such as an end-of-aisle display or a featured advertisement (Allenby and Ginter, 1995). Following, the three types of sales promotions that will be used in this research are analysed further.

### **2.2.1. Price discounts and extra product promotions (Price promotions)**

To begin with, in this chapter extensive reference will be done on price discounts and extra product promotions and their effects on purchase intention, perceived quality and perceived value for money. Extra product is another form of price discount, so it will be analysed together with price discounts as one type of promotion, which will be referred as price promotions. First we will begin with price discounts and later on we will continue with extra product promotions.

#### **2.2.1.1. Price discounts**

Over the last half century, retailers used to offer price discounts to consumers on a regular basis as they think that it is one of the basic forms of price competition (Gamliel and Herstein, 2011) and that they are effective in promoting sales (Suri et al., 2000; Grewal et al., 1998). Price discounts include two main aspects: first of all, the depth of the promotion, for example the percentage discount in price



as well as how frequently a particular product is promoted. By this it is meant the average number of promotions on a product during an observed period of time (Allender and Richards, 2012). In addition to that, there are different ways of presenting price reductions, such as absolute (amount of discount in money) and relative (percentage discount) ways that influence consumers' perception about the price discount of the promoted product (Chen et al., 1998).

To begin with, retailers prefer to offer price discounts to consumers and the reasons for this vary. First of all, price discounts are considered a good way to attract consumers from other stores (Gamliel and Herstein, 2011). Studies also indicated that it is easier for consumers to process price in absolute instead of unit terms. Moreover, price discounts provide great latitude to consumers, as they are not forced to take more items in order to take advantage of the promotion (Sinha and Smith, 2000). Finally, Gamliel and Herstein (2011) stated that because of the fact that retailers have higher inventory holding costs than some consumers, they are willing to have a reduction in sales revenue, provided that consumers will keep some of the inventory and consumers are satisfied by the price reduction.

What is more, Suri et al. (2000) and Grewal et al. (1998) stated that a price reduction from a high reference price to a low sale price had as a result an increase in consumers' perception of value for money for the product offer. This is because; the presence of the discount creates the perception of savings (Teng, 2009; Grewal et al., 1998). Actually, a price reduction has as a result the lowest expenditures for consumers and the greatest savings in money (Sinha and Smith, 2000). Other studies also indicated that if the discount is greater, the perceived offer value is greater as well, the intention to search is less and the interest in the brand is greater (Raghubir, 2004a; Alford and Biswas, 2002). Finally, Darke and Chung (2005) also stated that price discounts lead to an increase in value perceptions.

Thus, the first hypothesis can be formulated as follows:

*Hypothesis 1: Price discounts are positively related to perceived value for money of Fair trade products.*

As Teng (2009) and Raghubir et al. (1999) stated price discounts benefit economically consumers, affect their beliefs about a brand positively and as a result consumers' buying intentions and brand awareness are increased. Moreover, other studies about certain types of price discounts, such as coupons, also showed that like price discounts, they alter consumers' intentions and perceptions (Chen et al., 1998). In accordance to that, the influence of coupon value on purchase intention has been shown to be positive. It has been found that an increase in face value of coupon influenced directly the purchase rates (Raghubir, 2004a).

Therefore, the second hypothesis can be stated as follows:

*Hypothesis 2: Price discounts are positively related to purchase intention and behaviour of Fair trade products.*

On the other hand, Grewal et al. (1998) and Darke et al. (2005) stated that price discounts have a negative effect on quality perceptions. This is because lower prices are associated with lower quality and price discounts offer a reduction in price and thus it is created the perception that the offer of price discounts is due to lower product quality (Raghubir and Corfman, 1999). Self-perception theory is used to explain how consumers perceive events. For instance, when a consumer purchases a discounted product, he might believe that the product was on discount because of its bad quality (Grewal et al., 1998; Dodson et al., 1978; Raghubir and Corfman, 1999).

Thus, the previous theory results to formulate the third hypothesis:

*Hypothesis 3: Price discounts are negatively related to consumers' perceived quality of Fair trade products.*

Furthermore, studies indicated that consumers form their price expectations according to pricing patterns that they have already observed (Kwon and Schumann, 2001; Krishna, 1991). This leads to the fact that consumer's purchase decision is based on the price that the consumer is expecting. As a result, if a price discount of a product is run frequently, then the consumers are adapted in the lower price, and when the price discount ceases, consumers are not willing to buy the product in the full price (Kwon and Schumann, 2001; Lowe and Barnes, 2012).

Therefore, we hypothesize that:

*Hypothesis 4: Price discounts are negatively related to consumers' willingness to pay the full price of Fair Trade products.*

#### **2.2.1.2. Extra product promotions**

Extra product promotions include a lot of types with which they can be offered to consumers, such as bonus packages and free options. To begin with, a price discount which can have the form of free option is perceived positively from consumers. Studies indicated that free options are usually preferred for small discounts than large discounts (Munger and Grewal, 2001). However, the way that they are being presented plays an important role. Studies stated that by presenting different forms of equivalent extra-product promotions, the majority of consumers preferred the promotion when it was stated as "percent more free" rather than "percent free" and "units free" (Sinha and Smith, 2000). This is because consumers prefer more promotions that are framed as gains to them. Experiments showed that extra-product promotions which involve offering an extra amount of the product were preferred in comparison to sales promotions that offered the same amount off as discount (Li et al., 2007). Finally,

extra-product clearly shows that consumers gain an additional unit (Smith and Sinha, 2000; Sinha and Smith, 2000).

Another one technique of price discounts is the bonus-sized packages, a form of extra-product which is used by companies to boost short-term sales and product awareness. A bonus pack offers consumers extra product without paying additional money and they are limited time offers. Many companies had successful results by using bonus packages (Ong et al., 1997). This type of promotion prevents the producers from reducing prices so as to be competitive, which may corrode the brand (Lichtenstein and Burton, 1989). Furthermore, Ong et al. (1997) stated that bonus packages assure that the extra product that manufacturers offer will be received by consumers and it will not be absorbed as additional margin by retailers.

Moreover, Li, Sun and Wang (2007) in their study about how extra-product promotions and price discounts influence stock-up and non-stock-up categories stated that consumers receive a higher transaction value from extra-product, especially for stock-up categories, because the additional product can be saved for later use. In accordance to that, Sinha and Smith (2000) also stated that an extra-product has a greater transaction value than a combination of extra-product and price reduction, as it is again considered to be a gain and thus it is more valuable. Furthermore, Ong et al. (1997) stated that as far as consumers' perceptions of the value of bonus packages are concerned, consumers believe that these offers are a good deal. These offers are considered as being more favourably than others with smaller savings. Studies also indicated that big discounts, such as bonus packages, provoke perceptions of greater value (Ong et al., 1997). Raghurir (2004b) in his research also stated that an extra product, which has the form of free gift with purchase, enhances the transactional value of the purchase. Finally, Darke and Chung (2005) also stated that free offers are highly valuable for consumers.

Therefore, the next hypothesis can be formulated as follows:

*Hypothesis 5: Extra product promotions are positively related to perceived value for money of Fair trade products.*

What is more, Ong et al. (1997) also found that bonus packages, a form of extra product promotions, apart from provoking perceptions of greater value, they also produce greater purchase intentions for a product. In the same line, Manning and Sprott (2007) stated that multi-purchase, which is another form of extra product promotions, are very effective and they also indicated increased purchase rates like other forms of extra product promotions in comparison to different types of promotions. Specifically, studies indicated that by increasing a purchase limit, a significant increase in purchase rates has occurred (Manning and Sprott, 2007). Finally, studies showed that free offers increased purchases of the promoted product (Raghurir, 2004b).

Therefore, we hypothesize that:

*Hypothesis 6: Extra product promotions are positively related to purchase intention and behaviour of Fair trade products.*

Moreover, in contrast to the negative effects of price discounts on perceived quality, free gifts, which are a form of extra product promotions, have proven to be less sensitive to negative quality perceptions. Specifically, consumers maintained their quality perceptions (Darke and Chung, 2005). This is because, when consumers purchase a product and they get a gift of a specific price, they do not tend to subtract the gift's value from the overall price of the purchased product and then making up their mind about the quality of the product. Instead they tend to consider the overall price of the purchased product in order to make price-quality inferences (Darke and Chung, 2005).

Thus, we end up to the following hypothesis:

*Hypothesis 7: Extra product promotions have no effect on consumers' perceived quality of Fair trade products.*

In addition, Lowe and Barnes (2012) support that when consumers are provided with an extra product promotion, their reference price remains unchanged. Therefore, even if a consumer will not be offered an extra product promotion, the reference price of the product will remain the same as it was with the offer of extra product promotion. For this reason, we assume that he will be willing to pay the full price to purchase that product.

The previous leads us to formulate the next hypothesis:

*Hypothesis 8: Extra product promotions have no effect on willingness to pay the full price of Fair trade products.*

### **2.2.2. Feature and display promotions**

Feature and display promotions have an increasingly important influence on consumer choice behaviour. By feature and display promotions it is meant every promotional signal which is used to describe any sign, marker and other indicators of sales promotions on a specific brand to catch consumers' attention (Inman et al., 1990). Since in-store demonstrations are highlighted by a sales person, this helps to assure that some products will not remain unnoticed and that consumers will be conveyed the most important sales arguments (Nordfält and Lange, 2013). Specifically, this type of promotion is used to draw consumers' attention to the brand and as a result to enhance their evaluation of it (Lattin and Bucklin, 1989; Zhang, 2006; Schneider and Currim, 1991). Moreover, feature and

display promotions boost new product awareness and can induce a trial decision, as they are present at the point of purchase (Steenkamp and Gielens, 2003).

Furthermore, in-store display and feature activities reduce household's price sensitivity. Price sensitivity is more influential for feature advertisements, since many households can identify the brand that they want to purchase before going to the store and observing the prices. Such kind of promotions also affects interbrand competition through household purchase decisions, as they can increase the likelihood that choice alternatives with the same brand names are considered. Thus, in-store displays and feature advertisements can contribute to less competition and higher profits in a short-term (Allenby and Ginter, 1995). The use of feature and display promotions can also provide consumers with psychological benefits, provided that there is a level of consumer's involvement. Features require more effort in order to organise, locate and store promotional information, while displays are easier, as consumers should simply notice the promotion (Schneider and Currim, 1991).

According to the consideration sets effect theory, display and feature advertisements increase a brand's probability of being chosen by consumers by making it more prominent (Allenby and Ginter, 1995; Zhang, 2006). Inman, McAlister and Hoyer (1990) and Zhang (2006) also indicated that consumers do not process information in great details, but they simply interpret a promotion marker as "a proxy for a price cut". Thus, just the presence of a promotional signal will make consumers think that the brand has already undergone a price discount. However, this effect, which is called "the price-cut proxy effect", is applied only to consumers who exhibited low need for cognition (Zhang, 2006; Inman et al., 1990).

Research also showed that a great part of all purchase decisions are affected in the store (Nordfält and Lange, 2013). Allenby and Ginter (1995) in their research about how feature and display promotions influence households purchase decisions found that in-store displays and feature advertisements increase the net utility of the brand and decrease the effect of price in the purchase decision.

Therefore, the previous theory results to formulate the next hypothesis:

*Hypothesis 9: Feature and display promotions are positively related to consumer's perceived value for money of Fair trade products.*

Moreover, feature and display promotions can act as a signal for the quality of a product, a very crucial factor in consumers' purchase intentions (Steenkamp and Gielens, 2003). Because of the fact that marketers spend money in order to apply feature and display promotions, consumers can reliably use these signals in order to find products of good quality (Steenkamp and Gielens, 2003; Milgrom and Roberts, 1986). Karande and Kumar (1995) also stated that display promotions might affect consumers' beliefs about the quality of the products offered. Specifically, when consumers are facing

with products of unequal quality, they think as the best decision in terms of quality the product on a display promotion (Turley and Milliman Ronald, 2000).

Thus, according to the previous theory, the next hypothesis can be formulated as follows:

*Hypothesis 10: Feature and display promotions are positively related to consumer's perceived quality of Fair trade products.*

Feature and display promotions influence consumers' purchase behaviour and sales may be increased dramatically towards a brand (Turley and Milliman Ronald, 2000), since a sign is attached to the brand about promotions and for this reason consumers evaluate better the promoted brand (Inman et al., 1990). Ailawadi et al. (2009) also stated that promotional flyers, a form of feature and display promotions, increase traffic and sales and this is more effective especially for food products. In line with the previous, Mayhew and Winer (1992) found in their research about low need for cognition products that a promotional signal increases purchase intentions of consumers (Inman et al., 1990). Nordfält and Lange (2013) indicated as well that consumers, who tasted a product which was on display, would feel obliged to purchase that product. Finally, another research of Karande and Kumar (1995) showed that feature and display promotions influence price perceptions and purchase intentions. Specifically, since consumers are becoming more aware of products' prices they evaluate the promoted product more favourably and thus their purchase behaviour changes (Karande and Kumar, 1995).

Thus, the previous theories lead to the following hypothesis:

*Hypothesis 11: Feature and display promotions are positively related to consumer's purchase intention and behaviour of Fair trade product.*

Studies also showed that when "feature and display promotions" are also combined with "price discounts", consumers may increase their evaluation of the brand (Lattin and Bucklin, 1989; Zhang, 2006). Consumers respond better in products with discount when they are accompanied by such kind of promotional events than in non-promoted discounted brands and they tend to increase their value of the brand (Lattin and Bucklin, 1989). In accordance to that, Karande and Kumar (1995) highlighted that when "price discounts" are accompanied by "feature and display promotions" price elasticity is enhanced. This means that consumers adopt a better value for the promoted product, because of the decreased price and as a result their product choice also changes (Karande and Kumar, 1995).

*Hypothesis 12: Feature and display promotion is more strongly related to a) consumer's perceived value for money and b) purchase intention and behaviour of Fair trade products, if it is combined with a price discount.*

### **2.2.3. Ethical Orientation as a moderator of the effect of sales promotions on consumer's purchase intention and behaviour, perceived quality and value for money and willingness to pay the full price**

This research will investigate the effect of a possible moderator which is consumer's ethical orientation. According to business ethics theories, people when are faced with decision situations of ethical content, they tend to apply ethical guidelines which rely on different moral philosophies, which are the deontological and teleological one. From the one hand, "deontological theories focus on the specific actions or behaviours of an individual, and on the other hand, teleological theories focus on the consequences of the actions or behaviours" (Al-Khatib et al., 2005, p. 233). Specifically, with the deontological approach a person evaluates the inherent rightness or wrongness of an evoked set of alternatives that he views as possible courses of action, while with the teleological approach a person evaluates a behaviour by considering a lot of factors, such as the consequences of each alternative for various stakeholders, the probability that each consequence will occur to each stakeholder, the desirability or not of each consequence and finally the importance of each stakeholder (Al-Khatib et al., 2005; Kim et al., 2010). Furthermore, according to Lysonski and Durvasula (2008), ethical orientation shows the thought process of a consumer when he has to deal with actual ethical situations. Finally, Kim et al. (2010) define ethical orientation as individual's ethical rules, which indicate personal beliefs about proper behaviour.

Therefore, as consumers with high ethical orientation are concerned about the welfare of other people and they are sensitive to other people's needs, they give higher importance to altruism, equity and peace and thus their actions are motivated by ethical values (Kim et al., 2010), we expect that they buy Fair trade products, because they feel that by paying the premium price, people in the developing world can have a better way of living and quality of life (Doran, 2009). On the other hand, consumers with low ethical orientation do not give so much attention and priority to the prosperity of other people in the world and thus it is expected that they will not become attached by the social aspect of Fair trade products. As a result, they will not be willing to pay the premium price, but they tend to think more about their benefit (Kim et al., 2010). Doran (2009) and Kim et al. (2010) indicated that consumers' personal values, such as the degree of ethical orientation, are strongly related to the actual Fair Trade consumption.

To make it more precise, it is expected that the effects of price discounts on purchase intention and behaviour, perceived value for money and willingness to pay the full price as well as the effects of extra product promotions and feature and display promotions on purchase intention and behaviour, perceived quality and perceived value for money in a Fair trade product will be less apparent for high ethical oriented consumers than low ethical oriented consumers, because high ethical oriented consumers are sensitive to the social aspect of Fair trade products, they are more willing to buy Fair



trade products and they have a positive perception of value of fair trade, no matter if a sale promotion is offered or not. In contrast to that, it is expected that the negative effect of price discounts on perceived quality in a Fair trade product will be more apparent for high ethical oriented consumers than low ethical oriented consumers. This is because, high ethical oriented consumers buy Fair trade products, as they are considered to be of better quality, so if a price promotion is offered then the product may lose its quality inference. Finally, it is expected that the effect of price discounts on willingness to pay the full price in a Fair trade product will be less apparent for high ethical oriented consumers than low ethical oriented consumers, as high ethical orientated consumers are willing to pay the premium price of fair trade products in order to help disadvantaged producers that they need it. Therefore, even if a price promotion stops, high ethical orientated consumers will be even more willing to pay the full price.

Hence, we hypothesize that:

*Hypothesis 13: The effect of extra product promotions and feature and display promotions on purchase intentions and behaviour, perceived quality and perceived value for money of Fair trade products will be weaker for high ethical oriented consumers than low ethical oriented consumers.*

*Hypothesis 14a: The effect of price discounts on purchase intentions and behaviour, perceived value for money and willingness to pay the full price of Fair trade products will be weaker for high ethical oriented consumers than low ethical oriented consumers.*

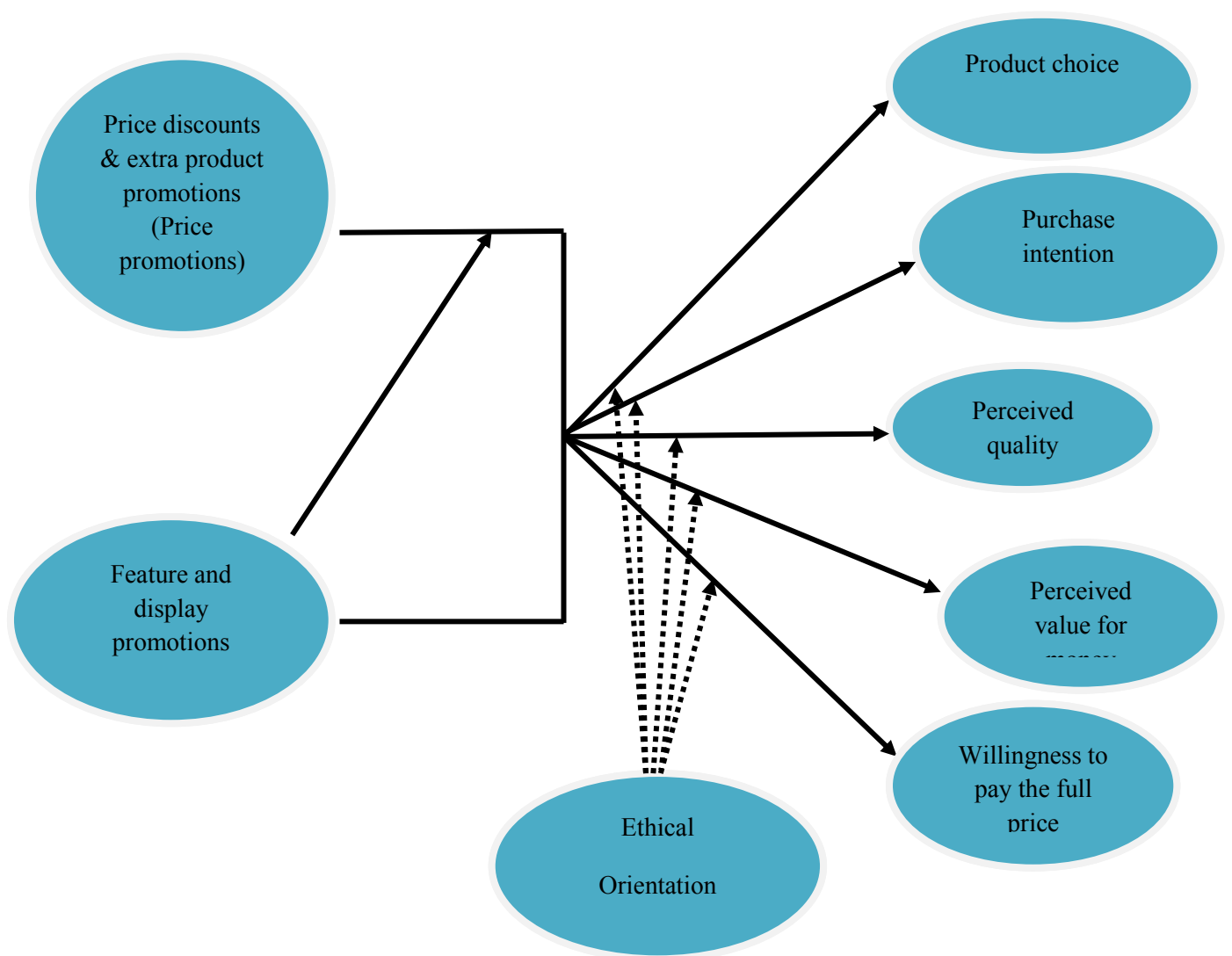
*Hypothesis 14b: The effect of price discounts on perceived quality of Fair trade products will be greater for high ethical oriented consumers than low ethical oriented consumers.*

### **2.3. Conceptual Framework**

The relations between the two different types of sales promotions, the dependent variables -consumers' purchase intention and product choice, perceived quality, perceived value for money, willingness to pay the full price- and consumer's ethical orientation as a moderator of sales promotions are illustrated in the diagram.

**Figure 1. Conceptual framework for the relationships between the constructs**





## Chapter 3

### 3. Methodology

Later in this chapter the way that variables are operationalized will be discussed, as well as the participants, the study design and how constructs are measured.

#### 3.1. Study design

The purpose of the experiment is to examine the effect of the two different types of sales promotions (price promotions -price discounts and extra product-) and feature and display promotions) on the five dependent variables (purchase intention, product choice, perceived quality, perceived value for money and willingness to pay the full price) and the moderator effect of “consumer’s ethical orientation” on these relationships.

- Participants and design

The initial study involved 141 students of Wageningen University in the Netherlands (20 respondents per condition at least) due to convenience reasons. However, six participants were excluded, one respondent was removed, because of choosing three coffee packages in the Virtual Supermarket and the other five were removed, because of missing data. Thus, the final sample consisted of 135 Wageningen University students. In one weeks’ time 38 male and 97 female participants participated in the research, which was conducted in Sife Room in the Leeuwenborch building of Wageningen University. The experiment was addressed to both Dutch and international students. The majority of participants were from the Netherlands (84), Greece (14), Germany (6) and China (5). The rest of the respondents were from all over the world. The age of participants ranged between 18 and 36 years old. In order to attract students to the experiment, flyers were distributed in the premises of Leeuwenborch, as well as three big posters were placed to advertise it. As a reward, every participant received a chocolate bar in the end of the experiment.

A three (three levels of sale promotion: none, price discount, extra product) by two (two levels of feature and display promotion: yes or no) between subjects design is used to conduct the research. Six conditions are identified in order to research the effect of the two types of sales promotions (price promotions and feature and display promotions). Following Table 2 indicates an overview of the six conditions that will be used to test the hypotheses.

Table 2. Six conditions of sales promotions

Types of sales promotions
No discount – feature/display promotion
No discount – no

feature/display promotion
Price Discount – feature/display promotion
Price Discount – no feature/display promotion
Extra product – feature/display promotion
Extra product – no feature/display promotion

The products that were used for the experiment are: a Fair trade filter coffee (Price: 7.65 euro) (Figure 2), and three conventional filter coffees, Douwe Egberts (Price: 4.99 euro) van Nelle (Price: 4.98 euro) and Kanis Gunnink (3.99 euro) (Figures 3, 4 and 5 respectively). This product was chosen, because consumers have sufficient familiarity with it in their regular shopping and different types of sales discounts can be applied to it. To examine the effect of sales promotions on consumers' purchase intention, product choice, perceived quality, perceived value for money and willingness to pay the whole price towards Fair trade products, Virtual Supermarket was used to conduct the experiment. As manipulation three pictures which show “10% discount, buy one and get one free and fair trade banner” were used to attract consumers' attention and lead their choice. Virtual Supermarket was designed by the company Green Dino and Dr. Erica van Herpen and it is a new tool to simulate shopping in a supermarket. Virtual Supermarket was used to conduct the experiment, because first shopping task is becoming very realistic and second the cost of creating a real supermarket is being avoided.

Figure 4. Fair trade coffee  
(7.65 euro)



Figure 5. Douwe Egberts  
(4.99 euro)

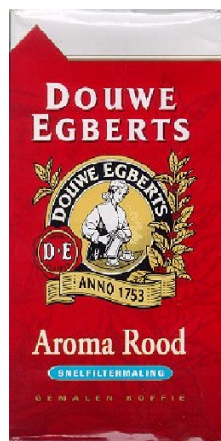
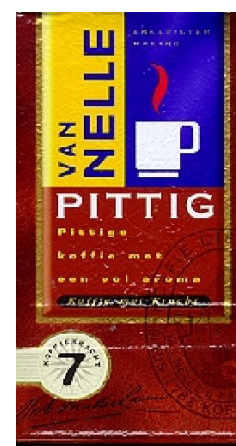


Figure 3. Kanis Gunnink  
(3.99 euro)



Figure 2. van Nelle  
(4.98 euro)



### 3.2.Procedure

Before the experiment begins, participants were asked to read a text in which it is explained that the answers will remain anonymous and that the research is conducted to get more insight in the

evaluation of products by people. Later on, in the beginning of the experiment, every participant was given a piece of text in which it was described that he/she wanted to go to the supermarket to purchase a pack of coffee. It was asked to imagine that he/she was the person who was going to the supermarket to purchase the coffee. Then, participants used the Virtual Supermarket. Participants were randomly assigned to different conditions. The conditions were six. The participants were exposed to one supermarket aisle which contains different brands of conventional filter coffee and Fair trade filter coffee with different types of sales promotions and they were asked to look at them carefully and then choose one. After having looked carefully at the coffee products and having chosen one, they were given a questionnaire to answer. The questionnaire contained questions about purchase intention, perceived quality, perceived value for money, willingness to pay the whole price, ethical orientation, realistic choice and manipulation checks. In the end of the questionnaire, questions about study program, age, gender, nationality, guessing the aim of research and comments were also asked. The duration of the questionnaire was approximately 15 minutes. As a reward to participants a chocolate bar was given.

### **3.3.Measures**

The dependent variables of this research were operationalized as follows.

#### **3.3.1. Purchase intention**

A seven item Likert scale is used to measure purchase intention. With purchase intention I want to measure the likelihood of consumers that they will buy a product they are knowledgeable of. The questions are based on the research of Dodds, Monroe and Grewal in 1991 and they are presented in the Marketing Scales Handbook (Bruner et al., 2005). The scale was reliable with Cronbach's  $\alpha=0.92$ .

- If I were going to buy a coffee, the probability of buying this Fair trade coffee is:  
(1= very low,..., 7= very high)
- The likelihood of purchasing this Fair trade coffee is:  
(1= very low,..., 7= very high)
- The probability that I would consider buying this Fair trade coffee is:  
(1= very low,..., 7= very high)
- My willingness to buy this Fair trade coffee is:  
(1= very low,..., 7= very high)

#### **3.3.2. Perceived quality**

A seven item Likert scale is used to measure perceived quality. With perceived quality I want to measure the perception of quality that a consumer has about a product he is knowledgeable of. The

questions are based on the research of Sprott and Shimp in 2004. The scale was reliable with Cronbach's  $\alpha=0.87$ .

- All things considered, I would say this Fair trade coffee has:  
(1= poor overall quality,..., 7= excellent overall quality)
- This Fair trade coffee has:  
(1= very poor quality,...,7= very good quality)
- Overall, this Fair trade coffee is:  
(1= poor,...,7= excellent)

### **3.3.3. Perceived value for money**

A seven item Likert scale is used to measure perceived value. With perceived value I want to measure the degree to which one evaluates the price of the purchased product as being relative to the quality of that product. The questions are based on the research of Grewal, Monroe and Krishnan in 1998. The scale was reliable with Cronbach's  $\alpha=0.89$ .

- If I bought this Fair trade coffee, I feel I would be getting my money's worth:  
(1= strongly disagree,..., 7= strongly agree)
- I feel that I am getting a good quality Fair trade coffee for a reasonable price:  
(1= strongly disagree,..., 7= strongly agree)
- If I acquired this Fair trade coffee, I think I would be getting good value for the money I spend:  
(1= strongly disagree,..., 7= strongly agree)
- I think that given this Fair trade coffee's features, it is good value for the money:  
(1= strongly disagree,..., 7= strongly agree)
- Compared to the maximum price I would be willing to pay for this Fair trade coffee, the sale price conveys good value:  
(1= strongly disagree,..., 7= strongly agree)

### **3.3.4. Willingness to pay the full price**

A seven point Likert scale is used to measure willingness to pay the full price. With willingness to pay the full price I want to measure the degree to which consumers are willing to buy the same product, that was on discount before, on its full price, after the end of the price promotion. The scale was reliable with Cronbach's  $\alpha=0.91$ .

- The likelihood of purchasing this Fair trade coffee at its full price is:  
(1= very low,..., 7= very high)
- The probability that I would consider buying this Fair trade coffee at its full price is:  
(1= very low,..., 7= very high)

- My willingness to buy this Fair trade coffee at its full price is:  
(1= very low,..., 7= very high)

### **3.3.5. Ethical orientation**

A seven item Likert scale is used to measure ethical orientation. With ethical orientation I want to measure the degree to which consumers' consumption patterns reflect their ethical values. Ethical values include a big range of ethical issues, such as social welfare, ethical corporate processes and environmental concerns (Kim et al., 2010). The following questions are based on research of Kim, Lee and Park (2010). The scale was reliable with Cronbach's  $\alpha=0.89$ .

- I am concerned about social welfare when making purchase decisions  
(1= not at all concerned,..., 7= very much concerned)
- I am concerned about companies' ethical act when making purchase decisions  
(1= not at all concerned,..., 7= very much concerned)
- I am concerned about the environment when making purchase decisions  
(1= not at all concerned,..., 7= very much concerned)

### **3.3.6. Realistic choice**

A seven item Likert scale is used to measure how realistic was respondents' experience with Virtual Supermarket. The following questions will be used to measure it. The scale was reliable with Cronbach's  $\alpha=0.87$ .

- Shopping in the virtual supermarket is realistic:  
(1= Strongly disagree,..., 7= Strongly agree)
- Shopping in the virtual supermarket is much like shopping in a real supermarket:  
(1= Strongly disagree,..., 7= Strongly agree)

The questionnaire can be found in Appendix A.

## Chapter 4

### 4. Results

#### 4.1. Factor Analysis

First of all, before starting making the analysis, an exploratory factor analysis was conducted in order to ensure that the questions asked in the questionnaire relate to the construct that I intended to measure and to explain the variance in the observed variables in terms of underlying latent factor. Exploratory<sup>1</sup> factor analysis was used, because of the fact that by conducting it the investigator has no expectations of the number or nature of the variables. It was conducted in order to have a general idea about how variables load on each component.

The factor analysis was conducted on the 20 items with orthogonal rotation (varimax). This is because it was assumed that the factors were independent. The Kaiser-Meyer-Olkin measure verified the sampling adequacy for the analysis, KMO=0.874 (great). Bartlett's test of sphericity  $\chi^2(190)=2062.490$ ,  $p<0.001$ , indicated that correlations between items were sufficiently large for principal component analysis. An analysis was run to obtain the eigenvalues for each component of the data. Six components had eigenvalues over the Kaiser's criterion of 1 and in combination explained 81.955% of the variance. Taking into account the Kaiser's criterion and by also looking at the scree plot and the inflexion point six components were finally retained (Field, 2009).

Table 3. Factor loadings after varimax rotation

	Component					
	1 Perceived value for money	2 Purchase intention	3 Willingness to pay the full price	4 Ethical orientation	5 Perceived quality	6 Realistic choice
10) If I acquired this Fair trade coffee, I think I would be getting good value for the money I spend:	<b>0.893</b>					
11) I think that given this Fair trade coffee's features, it is good value for the money:	<b>0.866</b>					
9) If I purchased this Fair trade coffee, I feel that I am getting a good quality Fair trade coffee for a reasonable price:	<b>0.853</b>					
8) If I bought this Fair trade coffee, I feel I would be getting my money's worth:	<b>0.786</b>					
4) My willingness to buy this Fair trade coffee is:		<b>0.785</b>				

<sup>1</sup> Apart from exploratory factor analysis, there is also a confirmatory factor analysis. However, this type of factor analysis is used to test a hypothesized factor structure (based on theoretical arguments and previous research)

1) If I were going to buy a coffee, the probability of buying this Fair Trade coffee is:		<b>0.770</b>				
3) The probability that I would consider buying this Fair trade coffee is:		<b>0.757</b>				
2) The likelihood of purchasing this Fair trade coffee is:		<b>0.746</b>				
14) The probability that I would consider buying this Fair trade coffee at its full price is:		<b>0.408</b>	<b>0.786</b>			
13) The likelihood of purchasing this Fair trade coffee at its full price is:			<b>0.740</b>			
15) My willingness to buy this Fair trade coffee at its full price is:		<b>0.418</b>	<b>0.722</b>			
12) Compared to the maximum price I would be willing to pay for this Fair trade coffee, the sale price conveys good value:	<b>0.513</b>		<b>0.629</b>			
17) I am concerned about companies' ethical act when making purchase decisions:				<b>0.852</b>		
18) I am concerned about the environment when making purchase decisions:				<b>0.837</b>		
16) I am concerned about social welfare when making purchase decisions:		<b>0.403</b>		<b>0.801</b>		
5) All things considered, I would say this Fair trade coffee has:					<b>0.892</b>	
6) This Fair trade coffee has:					<b>0.865</b>	
7) Overall, this Fair trade coffee is:					<b>0.852</b>	
20) Shopping in the virtual supermarket is much like shopping in a real supermarket:						<b>0.944</b>
19) Shopping in the virtual supermarket is realistic:						<b>0.930</b>

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 7 iterations.

Therefore, by looking at table 3 above, it can be concluded that most of the questions are forming the scales that have been already mentioned in the methodology chapter. The fact that there are questions that load on two components, is because the second and third variable are quite similar (purchase intention and willingness to pay the full price). The majority of them loads on two components with lesser loadings for the scale that they are not part of. However, the only case that a question loads on two components, but with higher loading for the scale is not part of is question 12. For this reason, in order to solve this issue and to gain more specific idea about this issue, a confirmatory factor analysis



will be conducted in order to see, if questions that were loaded in component one (perceived value for money) in the exploratory analysis will load again in one component.

**Table 4. Correlation Matrix**

	<b>8) If I bought this Fair trade coffee, I feel I would be getting my money's worth:</b>	<b>9) If I purchased this Fair trade coffee, I feel that I am getting a good quality Fair trade coffee for a reasonable price:</b>	<b>10) If I acquired this Fair trade coffee, I think I would be getting good value for the money I spend:</b>	<b>11) I think that given this Fair trade coffee's features, it is good value for the money:</b>	<b>12) Compared to the maximum price I would be willing to pay for this Fair trade coffee, the sale price conveys good value:</b>
8) If I bought this Fair trade coffee, I feel I would be getting my money's worth:	1.000				
9) If I purchased this Fair trade coffee, I feel that I am getting a good quality Fair trade coffee for a reasonable price:	0.713	1.000			
10) If I acquired this Fair trade coffee, I think I would be getting good value for the money I spend:	0.729	0.791	1.000		

11) I think that given this Fair trade coffee's features, it is good value for the money:	0.666	0.748	0.800	1.000	
12) Compared to the maximum price I would be willing to pay for this Fair trade coffee, the sale price conveys good value:	0.422	0.528	0.550	0.466	1.000

Determinant = 0.034 > 0.00001

Pearson Correlation is significant at the 0.01 level (1-tailed)

As we can see in the above table 4, all the variables correlate fairly well. All the correlations are greater than 0.3 and smaller than 0.9. Also, the determinant is higher than 0.00001 (Field, 2009).

The factor analysis was conducted on the 5 items with orthogonal rotation (varimax). This is because it was assumed that the factors were independent. The Kaiser-Meyer-Olkin measure verified the sampling adequacy for the analysis, KMO=0.874 (great). Bartlett's test of sphericity  $\chi^2(10)=445.283$ ,  $p<0.001$ , indicated that correlations between items were sufficiently large for principal component analysis. An analysis was run to obtain the eigenvalues for each component of the data. One component had eigenvalues over the Kaiser's criterion of 1 and in combination explained 71.984% of the variance. Taking into account the Kaiser's criterion and by also looking at the scree plot and the inflexion point one component was finally retained (Field, 2009).

**Table 5. Component matrix**

	Component
	1 Perceived value for money
10) If I acquired this Fair trade coffee, I think I would be getting good value for the money I spend:	0.923
9) If I purchased this Fair trade coffee, I feel that I am getting a good quality Fair trade coffee for a reasonable price:	0.902
11) I think that given this Fair trade coffee's features, it is good value for the money:	0.880
8) If I bought this Fair trade coffee, I feel I would be getting my money's worth:	0.841

12) Compared to the maximum price I would be willing to pay for this Fair trade coffee, the sale price conveys good value:	0.673
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Extraction Method: Principal Component Analysis.

1 component extracted.

As it can be seen in table 5 above, all the factor loadings are higher than 0.4 and all the questions are forming the scale “Perceived value for money” that was mentioned in chapter 3 (Methodology) (Field, 2009).

## 4.2. Reliability of constructs

First of all, the measurement properties were assessed to verify that the scales were reliable. The six latent variables, “Purchase Intention”, “Perceived Quality”, “Perceived Value for money”, “Willingness to pay the full price”, “Ethical Orientation” and “Realistic Choice” were measured with 4-item, 3-item, 5-item, 3-item, 3-item and 2-item scale respectively. To check for reliability of all the constructs, *Cronbach’s Alpha* was calculated for each of the six constructs independently. The results are shown in the following Table 6. All scales were reliable, because all of them are bigger than 0.7 (acceptable level) (Field, 2009).

**Table 6. Reliability of constructs**

Constructs	Number of items	Reliability	Level
Purchase intention	4	0.92	Excellent
Perceived quality	3	0.87	Good
Perceived value for money	5	0.89	Good
Willingness to pay the full price	3	0.91	Excellent
Ethical Orientation	3	0.89	Good
Realistic choice	2	0.87	Good

### 4.3.Descriptive Statistics and Correlations

Table 7 presents the correlations among the dependent and independent variables. It can be seen which variables were correlated positively and significantly, as well as which variables were not correlated significantly with each other.

**Table 7. Correlations among the variables**

	<b>Purchase Intention</b>	<b>Perceived quality</b>	<b>Perceived value for money</b>	<b>Willingness to pay the full price</b>	<b>Ethical Orientation</b>	<b>Realistic choice</b>
Purchase Intention	1					
Perceived quality	0.353**	1				
Perceived value for money	0.489**	0.344**	1			
Willingness to pay the full price	0.723**	0.319**	0.519**	1		
Ethical orientation	0.650**	0.272**	0.251**	0.549**	1	
Realistic choice	-0.058	0.113	-0.010	0.037	0.040	1

\*\* Pearson Correlation is significant at the 0.01 level (1-tailed)

Table 8 lists the mean values and standard deviations of purchase intention, perceived quality, perceived value for money, willingness to pay the full price, ethical orientation and realistic choice for the Fair trade coffee.

**Table 8. Descriptive statistics**

	<b>Mean</b>	<b>Standard Deviation</b>
Purchase intention	4.24	1.57
Perceived quality	5.28	0.79
Perceived value for money	4.54	1.11
Willingness to pay the full price	3.08	1.54
Ethical orientation	4.46	1.27
Realistic choice	4.22	1.43

#### 4.4. Manipulation Checks

In order to start data analysis it was important to find out whether our manipulations were successful. In order to perform a manipulation check, a Crosstabs and Chi- square analysis were performed. According to the results, it has been shown that there was a significant effect of the manipulations on manipulation check variables ( $\chi^2(2)=37.134, p<0.05$ ) and ( $\chi^2(1)=5.220, p<0.05$ ).

Table 9. Type of price promotion\* Was the fair trade product on discount? Crosstabulation

			Was the Fair trade coffee Was the fair trade product on discount?		Total	
Price Promotions			No	Yes		
	None	Count	27	4	31	
		Expected Count	13.6	17.4	31.0	
		% within price discounts- extra product promotions	87.1%	12.9%	100%	
		% within 21) Was the Fair trade coffee on discount in the virtual supermarket	62.8%	7.3%	31.6%	
		% of total	27.6%	4.1%	31.6%	
		Std. Residual	3.6	-3.2		
	Price discount	Count	5	30	35	
		Expected Count	15.4	19.6	35.0	
		% within price discounts- extra product promotions	14.3%	85.7%	100%	
		% within 21) Was the Fair trade coffee on discount in the virtual supermarket	11.6%	54.5%	35.7%	
		% of total	5.1%	30.6%	35.7%	
		Std. Residual	-2.6	2.3		
	Extra product	Count	11	21	32	
		Expected Count	14.0	18.0	32.0	
		% within price discounts- extra product promotions	34.4%	65.6%	100%	
		% within 21) Was the Fair trade coffee on discount in the virtual supermarket	25.6%	38.2%	32.7%	
		% of total	11.2%	21.4%	32.7%	
		Std. Residual	-0.8	0.7		
	Total		Count	43	55	98
			Expected Count	43.0	55.0	98.0
			% within price discounts- extra product promotions	43.9%	56.1%	100%
			% within 21) Was the Fair trade coffee on discount in the virtual supermarket	100%	100%	100%
			% of total	43.9%	56.1%	100%

In table 9 above, it can be seen that in total 43 respondents (43.9%) answered that the fair trade coffee was not on discount and 55 respondents (56.1%) that it was on discount. In the first case that there was no discount, 27 respondents (87.1%) answered that the fair trade coffee was not on discount. In the second case that the fair trade coffee was offered with price discount, 30 respondents (85.7%)

answered that the fair trade coffee was offered on discount. Finally, in the last case that the fair trade coffee was offered again on discount (that time with an extra product), 21 respondents (65.6%) answered that the fair trade coffee was offered on discount.

**Table 10. Fair trade banner\* Was the fair trade coffee highlighted with a fair trade banner? Crosstabulation**

			Was the fair trade coffee highlighted with a Fair trade banner?		Total
Feature and display promotion			No	Yes	
	No banner	Count	21	27	48
		Expected Count	15.5	32.5	48.0
		% within feature and display promotions	43.8%	56.3%	100%
		% within 22) Was the Fair trade coffee highlighted with a fair trade banner?	61.8%	38.0%	45.7%
		% of total	20.0%	25.7%	45.7%
		Std. Residual	1.4	-1.0	
	Banner	Count	13	44	57
		Expected Count	18.5	38.5	57.0
		% within feature and display promotions	22.8%	77.2%	100%
		% within 22) Was the Fair trade coffee highlighted with a fair trade banner?	38.2%	62.0%	54.3%
		% of total	12.4%	41.9%	54.3%
		Std. Residual	-1.3	0.9	
Total		Count	34	71	105
		Expected Count	34.0	71.0	105.0
		% within feature and display promotions	32.4%	67.6%	100%
		% within 22) Was the Fair trade coffee highlighted with a fair trade banner?	100%	100%	100%
		% of total	32.4%	67.6%	100%

In table 10 above, it can be seen that 34 respondents (32.4%) answered the fair trade banner was not highlighted with a fair trade banner and 71 respondents (67.6%) that it was highlighted with fair trade banner. Specifically, in the first case that the fair trade coffee was not highlighted with a fair trade banner, 21 respondents (43.8%) answered that the fair trade coffee was not highlighted with fair trade banner. In the second case that the fair trade banner was highlighted with fair trade banner, 44 respondents (77.2%) answered that the fair trade coffee was highlighted with fair trade banner.

Therefore, by taking into consideration the results of the Chi- Square test and the crosstabulation checks, it can be concluded that on the one hand the price promotion manipulations (price discount and extra product) were successful, because in all the three levels the respondents did show the manipulation and answered correctly. On the other hand, as it can be seen in table 10, the fair trade banner manipulation did not work properly. As it was described above, in the case that there was no

fair trade banner, 27 out of 48 respondents answered that there was a fair trade banner, number which is bigger from the number of the respondents who correctly answered that there is no banner (21 respondents). Therefore, these lead us to the conclusion that the price promotion manipulation was successful, but the fair trade banner manipulation was not successful. Reasons for why it did not work as intended will be explained in chapter 5, both in theoretical implications and limitations of the research.

Moreover, we also conducted an ANOVA analysis in order to check if all conditions were seen as equally realistic. The results showed no significant results, when there was only one type of sales promotion (either price promotion –price discount, extra product- or feature and display)  $F_{\text{price promotions}}(2,132) = 0.312, p = 0.733, M_{PD} = 4.347, M_{EP} = 4.114, M_{\text{none}} = 4.188$  and  $F_{\text{fair trade banner}}(1,133) = 0.782, p = 0.378, M_{\text{banner}} = 4.109, M_{\text{no banner}} = 4.323$ , whereas when there was an interaction effect of price promotions and feature and display promotions, there were significant results. Specifically,  $F_{\text{price promotions} * \text{fair trade banner}}(5,130) = 3.801, p < 0.05^2$ ,  $M_{FB \& PD} = 3.762, M_{FB \& EP} = 4.273, M_{FB \& \text{none}} = 4.292, M_{\text{NoBanner} \& PD} = 4.932, M_{\text{NoBanner} \& EP} = 3.955, M_{\text{NoBanner} \& \text{none}} = 4.083$ .

#### **4.5. Main effects of sales promotions on purchase intention, perceived quality, perceived value and willingness to pay the full price and interaction effects with ethical orientation**

ANOVA procedures were used to test all the hypotheses. Price promotions (No price discount - Price discount – Extra product) and feature and display promotions (Banner – No banner) were the independent variables and purchase intention, perceived quality, perceived value for money and willingness to pay the full price were the dependent variables. Ethical orientation and realistic choice were treated as covariates.

Price promotions were coded as follows: 0 for no price promotion, 1 for price discount and 2 for extra product. Accordingly, feature and display promotions were coded as: 0 for no fair trade banner and 1 for fair trade banner.

H<sub>2</sub> and H<sub>6</sub>: We expected that price discounts and extra product promotions would be positively related to purchase intention of Fair Trade products. However, price promotions (price discounts and extra product) did not significantly affect consumers' purchase intention of Fair trade products,  $F(2,132) = 0.219, p = 0.803, M_{PD} = 4.074, M_{EP} = 4.379, M_{\text{none}} = 4.219$  (Table 11). Therefore, hypothesis 2 and hypothesis 6 were not supported.

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<sup>2</sup> Because of the fact that, while conducting an ANOVA analysis in order to check if all conditions were seen as equally realistic, we found a significant interaction effect of price promotions and feature and display promotions, we will include realistic choice variable as a covariate in the main analysis.

H<sub>11</sub>: It was expected that feature and display promotions would be positively related to purchase intention of Fair trade products. In contrast to this expectation, feature and display promotions did not significantly influence purchase intention of Fair trade products,  $F(1,133)= 0.002$ ,  $p= 0.969$ ,  $M_{FB}=4.210$ ,  $M_{No\ banner}=4.239$  (Table 11). Thus, hypothesis 11 was not supported.

**Table 11. Tests of Between-Subjects Effects (Purchase intention)**

<b>Dependent Variable: Purchase Intention</b>				
	df	Mean square	F	Significance
Price promotion (X1)	2	0.328	0.219	0.803
Feature and display promotion (X2)	1	0.002	0.002	0.969
X1*X2	2	0.930	0.622	0.539
Ethical Orientation	1	126.119	84.387	0.000
Realistic choice	1	1.920	1.285	0.259
X1*Ethical Orientation	2	0.486	0.325	0.723
X2*Ethical Orientation	1	0.023	0.015	0.901
X1*X2*Ethical Orientation	2	0.907	0.607	0.547

R Squared = 0.451

H<sub>3</sub> and H<sub>7</sub>: We expected that price discounts would be negatively related to perceived quality of Fair Trade products and that extra product promotions would have no effect on consumers' perceived quality of Fair trade products. However, both price promotions (price discounts and extra product) did not show any significant result in influencing perceived quality of Fair trade products,  $F(2,132)= 2.214$ ,  $p=0.114$ ,  $M_{PD}=5.304$ ,  $M_{EP}=5.189$ ,  $M_{none}=5.307$  (Table 12). Therefore, hypothesis 3 was not supported and hypothesis 7 was confirmed.

H<sub>10</sub>: It was expected that feature and display promotions would be positively related to perceived quality of Fair trade products. Nevertheless, ANOVA indicated no significant result of feature and display promotions on perceived quality of Fair trade products,  $F(1,133)=0.071$ ,  $p=0.791$ ,  $M_{FB}=5.197$ ,  $M_{No\ banner}=5.336$  (Table 12). Thus, hypothesis 10 was not supported.



**Table 12. Test of Between-Subjects Effects (Perceived quality)**

<b>Dependent Variable: Perceived quality</b>				
	df	Mean square	F	Significance
Price promotion (X1)	2	1.324	2.214	0.114
Feature and display promotion (X2)	1	0.042	0.071	0.791
X1*X2	2	0.480	0.802	0.451
Ethical Orientation	1	7.206	12.048	0.001
Realistic Choice	1	1.566	2.618	0.108
X1*Ethical Orientation	2	1.180	1.973	0.143
X2*Ethical Orientation	1	0.019	0.032	0.858
X1*X2*Ethical Orientation	2	0.359	0.601	0.550

R Squared = 0.128

H<sub>1</sub> and H<sub>5</sub>: We expected that price discounts and extra product promotions would be positively related to perceived value for money of Fair Trade products. However, both price promotions (price discounts and extra product) did not show any significant main effect,  $F(2,132)= 0.995$ ,  $p=0.373$ ,  $M_{PD}=4.387$ ,  $M_{EP}=4.484$ ,  $M_{none}=4.698$  (Table 13). Therefore, hypothesis 1 and hypothesis 5 were not supported.

H<sub>9</sub>: We expected that feature and display promotions would be positively related to perceived value for money of Fair trade products. However, contrary to our expectations, feature and display promotions are not related significantly to perceived value for money,  $F(1,133)= 0.715$ ,  $p= 0.399$ ,  $M_{FB}=4.485$ ,  $M_{No\ banner}=4.561$  (Table 13). Therefore, hypothesis 9 was also not supported.

**Table 13. Tests of Between-Subjects Effects (Perceived value for money)**

<b>Dependent Variable: Perceived value for money</b>				
	df	Mean square	F	Significance
Price promotion (X1)	2	1.207	0.995	0.373
Feature and display promotion (X2)	1	0.867	0.715	0.399
X1*X2	2	0.273	0.226	0.798

Ethical Orientation	1	9.869	8.142	0.005
Realistic Choice	1	0.050	0.041	0.839
X1*Ethical Orientation	2	1.591	1.312	0.273
X2*Ethical Orientation	1	1.191	0.983	0.324
X1*X2*Ethical Orientation	2	0.380	0.314	0.731

R Squared = 0.112

H<sub>4</sub> and H<sub>8</sub>: We expected that price discounts would be negatively related to willingness to pay the full price of Fair Trade products and that extra product promotions would have no effect on consumers' willingness to pay the full price of Fair trade products. However, both price promotions (price discounts and extra product) did not show any significant results,  $F(2,132)=0.455$ ,  $p=0.635$ ,  $M_{PD}=2.83$ ,  $M_{EP}=2.969$ ,  $M_{none}=3.426$  (Table 14). Therefore, hypothesis 4 was not supported and hypothesis 8 was confirmed.

**Table 14. Tests of Between-Subjects Effects (Willingness to pay the full price)**

Dependent Variable: Willingness to pay the full price				
	df	Mean square	F	Significance
Price promotion (X1)	2	0.751	0.455	0.635
Ethical Orientation	1	85.393	51.489	0.000
Realistic Choice	1	0.724	0.436	0.510
X1*Ethical Orientation	2	2.191	1.327	0.269

R Squared = 0.362

H<sub>12</sub>: We expected that feature and display promotion would be more strongly related to a) consumer's perceived value for money and b) purchase intention of Fair trade products, if it was combined with a price discount. However, ANOVA results indicated no significant results of the interaction effects of feature and display promotion and price discount on a) perceived value for money ( $F(2,133)=0.226$ ,  $p=0.798$ ,  $M_{FB\&PD}=4.305$ ,  $M_{FB\&EP}=4.459$ ,  $M_{FB\&none}=4.692$ ,  $M_{NoBanner\&PD}=4.469$ ,  $M_{NoBanner\&EP}=4.509$ ,  $M_{NoBanner\&none}=4.705$ ) and on b) purchase intention ( $F(2,133)=0.622$ ,  $p=0.539$ ,  $M_{FB\&PD}=4.038$ ,  $M_{FB\&EP}=4.526$ ,  $M_{FB\&none}=4.066$ ,  $M_{NoBanner\&PD}=4.111$ ,  $M_{NoBanner\&EP}=4.233$ ,  $M_{NoBanner\&none}=4.373$ ). Thus, hypothesis 12 was not supported. See tables 11 and 13.

Furthermore, the interaction term was not significant in all three ANOVAs. Specifically:

H<sub>13</sub>: We were expecting that the effect of extra product promotions and feature and display promotions on purchase intention, perceived quality and perceived value for money of Fair trade products would be weaker for high ethical oriented consumers than low ethical oriented consumers. However, it was shown no significant interaction effect. High ethical oriented consumers did not show weakened purchase intention ( $F_{\text{price promotions} * \text{Eth.Or.}(2,132)} = 0.325, p = 0.723$  and  $F_{\text{feature\&display} * \text{Eth.Or.}(1,133)} = 0.015, p = 0.901$ ), perceived quality ( $F_{\text{price promotions} * \text{Eth.Or.}(2,132)} = 1.973, p = 0.143$  and  $F_{\text{feature\&display} * \text{Eth.Or.}(1,133)} = 0.032, p = 0.858$ ) and perceived value for money ( $F_{\text{price promotions} * \text{Eth.Or.}(2,132)} = 1.312, p = 0.273$  and  $F_{\text{feature\&display} * \text{Eth.Or.}(1,133)} = 0.983, p = 0.324$ ) towards Fair trade products, when they were exposed to extra product and feature and display promotions. Therefore, hypothesis 13 was not supported. See tables 11, 12 and 13.

H<sub>14a</sub>: It was expected that the effect of price discounts on purchase intentions, perceived value for money and willingness to pay the full price of Fair trade products would be weaker for high ethical oriented consumers. Nevertheless, the ANOVA analysis also indicated no significant interaction effect. Thus, high ethical oriented consumers did not show weakened purchase intention ( $F_{\text{price promotions} * \text{Eth.Or.}(2,132)} = 0.325, p = 0.723$ ), perceived value for money ( $F_{\text{price promotions} * \text{Eth.Or.}(2,132)} = 1.312, p = 0.273$ ) and willingness to pay the full price ( $F_{\text{price dpromotions} * \text{Eth.Or.}(2,132)} = 1.327, p = 0.269$ ) towards Fair trade products, when they were exposed to price discounts. Therefore, hypothesis 14a was also not supported. See tables 11, 13 and 14.

H<sub>14b</sub>: It was expected that the effect of price discounts on perceived quality of Fair trade products would be greater for high ethical oriented consumers than low ethical oriented consumers. However, it was shown no significant interaction effect. Thus, high ethical oriented consumers did not show greater perceived quality ( $F_{\text{price promotions} * \text{Eth.Or.}(2,132)} = 1.973, p = 0.143$ ) towards Fair trade products, when they were exposed to price discounts. Therefore, hypothesis 14b is not supported. See table 12.

#### 4.6. Main and interaction effects of sales promotions on product choice

We also examined the effects of sale promotions on product choice using logistic regression. Product choice is a non-continuous variable that is why logistic regression analysis was used. We have two product categories, Fair trade coffee and conventional coffee, so binary logistic regression will be applied. In total, 89 of the respondents chose conventional coffee and 46 of them chose Fair trade coffee.

The dependent variable –product choice- was coded as 0 for conventional coffee and 1 for Fair trade coffee. For the independent variable price promotions with 3 categories/levels, we used dummy variables, coded as 0-0 for the reference group (no price discount/no extra product) and 1-0 for price

discount and 0-1 for extra product. The other independent variable feature and display promotions (with 2 levels) were used as 0 (no fair trade banner) and 1 (fair trade banner).

H<sub>2</sub> and H<sub>6</sub>: We expected that price discounts and extra product promotions would be positively related to purchase behavior (product choice) of Fair Trade products. However, on the one hand, price discounts did not significantly affect consumers' purchase behaviour of Fair trade products,  $B_{d1}=0.460$  (positive effect),  $p>0.05$ , but on the other hand, extra product promotions are positively related to purchase behaviour  $B_{d2}=1.390$  (positive effect),  $p<0.05$ . See table 15. Therefore, hypothesis 2 was not supported and hypothesis 6 was supported.

H<sub>11</sub>: It was expected that feature and display promotions would be positively related to purchase behavior (product choice) of Fair trade products. In contrast to this expectation, feature and display promotions did not significantly influence purchase intention of Fair trade products,  $B_{x2}=0.092$ ,  $p>0.05$  (Table 16). Thus, hypothesis 11 was not supported.

H<sub>12</sub>: We expected that feature and display promotion would be more strongly related to b) purchase behaviour (product choice) of Fair trade products, if it was combined with a price discount. However, logistic results indicated no significant results of the interaction effects of feature and display promotion and price discount on b) purchase behaviour ( $B_{\text{feature\&display-PD}}=1.893$ ,  $p>0.05$ ). See table 16. Thus, hypothesis 12 was also not supported.

H<sub>13</sub>: We were expecting that the effect of extra product promotions and feature and display promotions on purchase behaviour (product choice) of Fair trade products would be weaker for high ethical oriented consumers than low ethical oriented consumers. Indeed the effect of extra product promotions and ethical orientation on purchase behaviour of Fair trade products was significant, but in the different direction. Specifically, high ethical orientated consumers responded positively to Fair trade products, when an extra product promotion was offered to them, ( $B_{\text{EP-Eth.Or.}}=1.770$ ,  $p<0.05$ ). However, the effect of feature and display promotion and ethical orientation on purchase behavior of Fair trade products was not significant ( $B_{\text{feature\&display-Eth.Or.}}=-0.534$ ,  $p>0.05$ ). Therefore, hypothesis 13 is partly confirmed. See table 16.

H<sub>14a</sub>: It was expected that the effect of price discounts on purchase behaviour (product choice) of Fair trade products would be weaker for high ethical oriented consumers. Indeed logistic regression indicated significant interaction effect, but again in the different direction. To make it more precise, the effect of price discounts on product choice was stronger for high ethical oriented consumers, ( $B_{\text{PD-Eth.Or.}}=0.759$ ,  $p<0.05$ ). Therefore, hypothesis 14a was confirmed. See table 16.

**Table 15. Variables in the equation (Main effects)**

	<b>B</b>	<b>S.E.</b>	<b>Wald</b>	<b>df</b>	<b>Sig.</b>	<b>Exp(B)</b>
d1	0.460	0.528	0.756	1	0.384	1.583
d2	1.390	0.472	8.664	1	0.003	4.015
X2	-0.111	0.404	0.075	1	0.784	0.895
Ethical orientation	0.537	0.178	9.076	1	0.003	1.711
Realistic choice	-0.054	0.141	0.145	1	0.704	0.948
Constant	-3.689	1.152	10.258	1	0.001	0.025

**Table 16. Variables in the equation**

	<b>B (SE)</b>	<b>Wald</b>	<b>df</b>	<b>Significance</b>	<b>Exp(B)</b>
Constant	-6.877 (3.948)	3.034	1	0.082	0.001
d1	4.641 (3.705)	1.569	1	0.210	103.685
d2	-3.095 (2.194)	1.991	1	0.158	0.045
X2	0.092 (2.390)	0.001	1	0.969	1.097
d1*X2	1.893 (1.268)	2.230	1	0.135	6.640
d2*X2	1.563 (1.025)	2.326	1	0.127	4.774
Ethical orientation	0.677 (0.753)	0.806	1	0.369	1.967
X2*ethical orientation	-0.534 (0.400)	1.783	1	0.182	0.586
d1*Ethical orientation	0.759 (0.368)	4.251	1	0.039	2.137
d2*ethical orientation	1.770 (0.652)	7.367	1	0.007	5.872
X2*d1*ethical orientation	-25.460 (5290.437)	0.000	1	0.996	0.000
d1*d2*Ethical orientation	-1.609 (0.748)	4.630	1	0.031	0.200

The -2 Log Likelihood statistic is 137.309. This statistic measures how poorly the model predicts the decisions, the smaller the statistic, the better the model. The Cox& Snell R Square is 0.234 and can be interpreted like  $R^2$  in multiple regression, but cannot reach a maximum value of 1. Finally, the Nagelkerke R Square is 0.323 and can reach a maximum value of 1 (Wuensch, 2011).

Following a table with an overview of the hypotheses and whether they are supported or not is provided. See table 17.

**Table 17. Overview of hypotheses**

<b>Hypotheses</b>	<b>Supported or not</b>
H <sub>1</sub> : Price discounts are positively related to perceived value for money of Fair trade products	Not supported
H <sub>2</sub> : Price discounts are positively related to purchase intention and behaviour of Fair trade products	Not supported
H <sub>3</sub> : Price discounts are negatively related to consumers' perceived quality of Fair trade products	Not supported
H <sub>4</sub> : Price discounts are negatively related to consumers' willingness to pay the full price of Fair Trade products	Not supported
H <sub>5</sub> : Extra product promotions are positively related to perceived value for money of Fair trade products	Not supported
H <sub>6</sub> : Extra product promotions are positively related to purchase intention and behaviour of Fair trade products	<b>Partly supported</b>
H <sub>7</sub> : Extra product promotions have no effect on consumers' perceived quality of Fair trade products	<b>Supported</b>
H <sub>8</sub> : Extra product promotions have no effect on willingness to pay the full price of Fair trade products	<b>Supported</b>
H <sub>9</sub> : Feature and display promotions are positively related to consumer's perceived value for money of Fair trade products	Not supported
H <sub>10</sub> : Feature and display promotions are	Not supported

positively related to consumer's perceived quality of Fair trade products	
H <sub>11</sub> : Feature and display promotions are positively related to consumer's purchase intention and behaviour of Fair trade product	Not supported
H <sub>12</sub> : Feature and display promotion is more strongly related to a) consumer's perceived value for money and b) purchase intention and behaviour of Fair trade products, if it is combined with a price discount	Not supported
H <sub>13</sub> : The effect of extra product promotions and feature and display promotions on purchase intentions and behaviour, perceived quality and perceived value for money of Fair trade products will be weaker for high ethical oriented consumers than low ethical oriented consumers	<b>Partly supported</b>
H <sub>14a</sub> : The effect of price discounts on purchase intentions and behaviour, perceived value for money and willingness to pay the full price of Fair trade products will be weaker for high ethical oriented consumers than low ethical oriented consumers	<b>Partly supported</b>
H <sub>14b</sub> : The effect of price discounts on perceived quality of Fair trade products will be greater for high ethical oriented consumers than low ethical oriented consumers	Not supported

## Chapter 5

### 5. Conclusions and Discussion

In this chapter, the results will be interpreted and discussed (theoretical and managerial implications), followed by limitations and recommendations for future research.

#### 5.1. Conclusions

The aim of the current study was to examine how consumers react when they are facing with different types of sales promotions in Fair trade products and how these promotions affect their purchase intention and behaviour, perceived quality and value for money as well as willingness to pay the full price of the product, depending also on how much ethical oriented they are. Summing up the results, contrary to our expectations, we did not find evidence for the main effect of price discounts, extra product promotions and feature and display promotions and interaction effect of ethical orientation on purchase intention, perceived quality, perceived value for money and willingness to pay the full price. However, we found a significant interaction effect of price discounts and ethical orientation, and extra product promotions and ethical orientation on consumers' purchase behaviour (product choice) towards Fair trade products.

#### 5.2. Discussion

##### 5.2.1. Theoretical Implications

High ethical oriented people showed stronger purchase behaviour, when they were exposed to price discounts, which was contrary to our expectations. According to previous findings, consumers with high ethical orientation are concerned about the welfare of other people and they are sensitive to other people' needs (Kim et al., 2010). Therefore, we expected that they buy Fair trade products, because they feel that by paying the premium price, people in the developing world can have a better way of living and quality of life (Doran, 2009). These findings lead us to the thought that high ethical oriented consumers will not buy Fair trade products when they are on discount, as a way to oppose to the decreased price of the fair trade product and as a consequence to the decreased payment of disadvantaged producers. Furthermore, we also found significant interaction effect of extra product promotions and ethical orientation on purchase behaviour towards Fair trade products. However, again it was in the different direction. On the same line, we were expecting that high ethical oriented consumers would have weaker purchase behaviour towards Fair trade products, when an extra product was offering to them in comparison to low ethical oriented consumers. In contrast, results indicated that high ethical oriented consumers respond positively to Fair trade products, when they are offered an extra product in comparison with middle ethical oriented people who are negatively influenced



towards Fair trade products (they do not buy Fair trade products) when they are offered an extra product promotion. However, one possible explanation about these two effects, that high ethical oriented people indicated stronger purchase behaviour, when they were exposed to price promotions (price discounts and extra product), is that they keep in mind, that even if supermarkets or farmers are offering products on discount, they still have some gains or else they could not survive and this would be unprofitably for them. Therefore, again disadvantaged and poor producers can gain money. In addition to that, studies indicated that companies use price discounts to influence the purchase intention of consumers (Chang and Wildt, 1994) and of course in order for consumers to become familiar with new products. This can not only be proved profitable in the short term, but also in the long term. Thus, by taking into consideration that companies' aim is to have profit, high ethical oriented consumers can show stronger purchase behaviour, because still by buying Fair trade products on discount or with extra product offered, producers may not be helped to the biggest extent, but they know that producers can still have a margin, but lower.

The fact that we have not found significant effect of price discounts, extra product promotions and feature and display promotions and interaction effect of ethical orientation on purchase intention, perceived quality, perceived value for money and willingness to pay the full price can be explained. First of all, as far as perceived value for money and purchase intention are concerned, even if, it was expected that consumers will think that this is a bargain and they will gain some money, if a promotion is offered to them, it did not happen. As it will be also discussed in the limitations, for the case of price discounts, this might have happened, because of the fact that the discount was only 10%, therefore consumers did not perceive it as a definite bargain. Even with the price discount the Fair trade coffee was 1.80 euro more expensive than the conventional coffee. Extra product promotions have not also managed to be perceived as a good bargain, even if it represented 50% discount (as it was buy one and get one free), probably because studies showed that some consumers when they are exposed to an extra product promotion, they might think that in the past the manufacturer has been ripping them off (Ong et al., 1997). In addition to that it should be also taken into consideration that for another amount of participants (even small), the ones who do not buy coffee (13%), an extra product may have been unappealing to them (Ong et al., 1997). Moreover, the fact that we did not find any significant effect of price discounts and extra product promotions on purchase intention may lay to the fact that price promotions might not strongly affect the purchases of sustainable products (Herpen et al., 2012). As far as feature and display promotions are concerned, the main problem that might have caused the non-statistically significant effects of them on purchase intention and behaviour, perceived quality, perceived value for money and willingness to pay the full price is that the fair trade banner manipulation did not work properly. There were a lot of participants that did not know or understand what a fair trade banner is and some other were thinking that the fair trade banner was the logo in the product package. In addition to that, as Schneider and Currim (1991) stated feature and

display promotions have a negative aspect and this has to do with the fact that they might not be noticed in the supermarket from the consumers.

Furthermore, we did not have significant effects of price discounts on perceived quality of Fair trade products. This might be, because consumers think that Fair trade products outweigh in quality conventional products, so even if they are offered on discount, this does not affect their perceptions about quality of Fair Trade products. In addition, the fact that the experiment was conducted only with students from Wageningen university might have also influenced the results of perceived quality. To make it more precise, Wageningen university is known for the importance that gives to sustainable food consumption. Therefore, participants may unconsciously get influenced and thus they may perceive that even if Fair trade products are offered with discount, this has nothing to do with their quality. On the other hand, we should also keep in mind that Wageningen University attracts students from all over the world, with different cultures and habits and therefore, a lot of participants do not know anything or just little things about Fair trade products, so their response might just be at random.

Finally, we found a significant main effect of ethical orientation on purchase intention, perceived quality, perceived value for money and willingness to pay the full price even if it was not part of our model and testing. This means that people who are more ethical oriented, score higher on purchase intention, perceived quality, perceived value for money and willingness to pay the full price of Fair trade products.

More reasons about why the hypotheses were not confirmed are also being discussed in the limitations part.

### **5.2.2. Managerial implications**

As the results have shown, high ethical oriented consumers choose more frequently Fair trade products when these are offered with price discounts and respond positively to Fair trade products when they are offered with extra product promotions. Therefore, this can be a competitive advantage to marketers of Fair trade companies and supermarkets, who are selling Fair trade products. Specifically, organised campaigns which focus especially on high ethical oriented consumers, maybe will motivate, stimulate and catch the attention of high ethical oriented consumers to try out Fair trade products. Furthermore, it could be promising that marketing research, that all the Fair trade companies and supermarkets are performing in order to see what consumers want and expect, should focus not only on the current characteristics, such as age, gender, income, preferences, that till now they have been considering in order to find out what consumers want, but also on other aspects and characteristics of consumers, such as ethical orientation, which may reveal new findings about their preferences and which reasons stimulate them to buy a product. In addition to that, marketers of fair trade companies and

organizations could invest in and promote fair trade knowledge and generate new interest in their products, because letting consumers know about new products and what they stand for is the first step to attract new consumers. Moreover, based on the result that, high ethical oriented consumers respond positively to fair trade products when they are offered with a price promotion, a marketing strategy could focus on how to increase consumers' ethical orientation concerning Fair trade products. Last but not least, supermarkets can apply different types of sales promotions from time to time in Fair trade products and just see how consumers will react to them.

### **5.2.3. Limitations of the study and future research**

First of all, this research was conducted on preferences for coffee. Personal preferences are often a primary factor in consumer decision making. By considering that there is an amount of participants that do not consume coffee (it was asked if they usually buy coffee and the amount of them who do not buy coffee was 13%, they could not be excluded, because then we would not have equal number of participants in every case and in some of them less than 20 participants), maybe their answers about Fair trade products are not so representative. Therefore, in order to have greater reliability and external validity, it is important that this study be replicated in different kind of products, both conventional and Fair trade. On the other hand, for consumers who drink coffee, a limitation of the study lays on the fact that there was not a big variety to choose from. Specifically, it was used only filter coffee in order for the respondents not to become confused between the Virtual Supermarket and the questionnaire (the questionnaire includes questions about a specific Fair trade product – See appendix A). So, even people who are used to drink coffee, they did not have the choice to pick a different kind of coffee, such as coffee pads. Thus, apart from presenting different kind of products to respondents, a bigger choice could also be of great importance in future replication of the study.

Furthermore, it should also be taken into account that the study sample consisted of students, therefore the current findings might be different in another population with another age, income, education and occupation. This is because; Fair trade coffee is more expensive than conventional coffee, so even if students would like to purchase it, price is a burden and this might have influenced their behaviour. It is questionable, if highly ethical oriented students buy Fair trade products, either because of lack of money or lack of knowledge about new Fair trade products or even about Fair trade movement and what it stands for. Even if they are concerned about the welfare of other disadvantaged people, they may seek more for low price in food. In addition, a student sample from Wageningen University may not be representative for the whole population, as it is well-known how much importance Wageningen University gives on issues such as sustainable food consumption. The fact that also the participants were from all over the world, even if the majority was from the Netherlands, might have also played a role in the results. People from different countries, with different cultural background and habits may

not be in the same way informed and familiar with Fair Trade products. For this reason, it is recommended that further research should change the target group and examine if sales promotions are evaluated differently due to ethnic and cultural differences (Munger and Grewal, 2001). People with different age, cultural and educational background, occupation and income have different views about Fair trade products. Especially, a non-student population would be helpful in order to generalize the findings.

Moreover, another limitation of this study is that it was used 10% discount in order to tempt consumers and probably this discount was not enough to attract consumers. Munger and Grewal (2001) stated that there might be a minimum level which is necessary for consumers in order to perceive a discount as promotional and to process it. Therefore, further research should investigate what is the cut-off which predisposes consumers to buy a Fair trade product. A further research is needed to better understand the phenomenon across a broader range of discount levels, as consumers might perceive different costs - benefits trade off.

In addition, this research examined the short-term effects of sales promotions on Fair trade products. Thus, it might be promising to also examine in future research the long-term effects of sales promotion on Fair trade products. It has been proved that when consumers are exposed to sales promotions, their behaviour might be different in the long-term than in the short-term (Alvarez and Casielles, 2005).

What is more, due to budget, space and time constraints the experiment was conducted in the Virtual Supermarket, as it was not realistic to set up a real supermarket. Therefore, participants did not have the possibility to look at all the information that the package has as well as the back side of it. Moreover, due to limitations of the Virtual Supermarket, it was not possible to represent the Fair trade banner as it is presented in a real supermarket –hang it-, so the Fair trade banner was just a picture of Fair Trade coffee with the logo placed in a shelf. Furthermore, as far as the Fair trade banner is concerned some students did not know what a fair trade banner is and therefore they were guessing that it is about the logo of the product. Finally, it is also questionable whether participants looked carefully at all the coffee brands, as it was asked from them to do, or if they just put in their basket the brand that they usually purchase. Therefore, in future research the experiment could be conducted in a real environment, by setting up a real supermarket and by using a different type of feature and display promotion.

Finally, it may also be worthwhile for future research to consider consumer's individual differences, such as deal proneness as a possible moderator of the effects of sales promotions in Fair trade products, as this might provide practitioners and academics with additional insights into the pervasive promotional strategies.

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## Appendix A – Questionnaire

### Instructions Experiment

This research is commissioned by the MCB group of Wageningen University. The study is about people's product choice. This study consists of choosing a product from a product range in the Virtual Supermarket and afterwards, filling out a short questionnaire online regarding the range of products you have seen in the Virtual Supermarket and some general questions. To thank you for participating, you receive a snack.

You are assigned a random number for this study and the data you provide are only stored under this number to guarantee your anonymity. The data will be digitally kept at Wageningen University's server. Your answers will not be used for purposes other than my thesis and research. You can stop participating in the research at any moment during the study without any further consequences.

Participation will take around 10 - 15 minutes. Please answer all the questions, with the answer that first comes to your mind. Some questions might be difficult to answer. Try to answer them anyway. There are no right or wrong answers, it's about your first impression and feeling. You can choose only one answer.

The study is purely for academic purposes, and there are no commercial companies involved.

The completion of the study and signing in the participation list is taken as consent to participate in this study.

Should you have any questions about this research, you can contact Theodosia Koukou ([theodosia.koukou@wur.nl](mailto:theodosia.koukou@wur.nl))

### Practice with the virtual supermarket

First you can practice with the virtual supermarket. On the screen you see an aisle with products to your left-hand and right-hand side. Walk up and down the aisle, look at the shelves, look around, select products, and put them back on the shelf or into your shopping cart. Continue doing this as long as needed to make you feel comfortable with the virtual environment.

Walk through the supermarket by using the arrow keys.

Look up and down, to the left or the right by clicking the left mouse button and moving the mouse.

Double click with the left mouse button on a product that you want to have a look at. You can choose to put the product in your shopping cart (by clicking on “in winkelmandje”), or to put it back on the shelf (by clicking on “terugleggen”). You can have a look at as many products as you like.

If you’re ready, you can stop the program by clicking on/pushing the “Escape” button.

## Situation

Please imagine that you are going to the supermarket to buy coffee. You can buy one package of coffee for yourself.

You can walk in the aisle of the supermarket and you can find different brands of coffee.

Please look very carefully to all the coffee brands and choose one.

You see a simulated supermarket. Try to behave like you do in a real supermarket.

In the shop you will see an aisle with shelves containing coffee among others. Choose one pack of coffee.

Repetition of dealing with the virtual supermarket:

**Walk** through the supermarket by using the **arrow** keys.

**Look** up and down, to the left or the right by **clicking the left mouse button and moving the mouse**

**Double click with the left mouse button on a product that you want to have a look at.** You can choose to put the product in your shopping cart (by clicking on “in winkelmandje”), or to put it back on the shelf (by clicking on “terugleggen”). You can have a look at as many products as you like.

**If you have put a pack of coffee in your shopping cart, you can stop the program by pressing the Escape key.**

## Questions

Please answer the following questions. The questions are about the Fair trade coffee you saw in the virtual supermarket.

**Question 1.** If I were going to buy a coffee, the probability of buying this Fair trade coffee is:

1 Very low o	2 Low o	3 A bit low o	4 Neutral o	5 A bit high o	6 High o	7 Very high o
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**Question 2.** The likelihood of purchasing this Fair trade coffee is:

1 Very low o	2 Low o	3 A bit low o	4 Neutral o	5 A bit high o	6 High o	7 Very high o
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**Question 3.** The probability that I would consider buying this Fair trade coffee is:

1 Very low o	2 Low o	3 A bit low o	4 Neutral o	5 A bit high o	6 High o	7 Very high o
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**Question 4.** My willingness to buy this Fair trade coffee is:

1 Very low o	2 Low o	3 A bit low o	4 Neutral o	5 A bit high o	6 High o	7 Very high o
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**Question 5.** All things considered, I would say this Fair trade coffee has:

Poor						Excellent
Overall quality						overall quality
<b>O</b>	<b>O</b>	<b>O</b>	<b>O</b>	<b>O</b>	<b>O</b>	<b>O</b>

**Question 6.** This Fair trade coffee has:

1 Very poor quality o	2 Poor quality o	3 Somewhat poor quality o	4 Intermediate o	5 Somewhat good quality o	6 Good quality o	7 Very good quality o
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**Question 7.** Overall, this Fair trade coffee is:

Poor						Excellent
<b>O</b>	<b>O</b>	<b>O</b>	<b>O</b>	<b>O</b>	<b>O</b>	<b>O</b>

**Question 8.** If I bought this Fair trade coffee, I feel I would be getting my money's worth:

1 Strongly disagree o	2 Disagree o	3 Somewhat disagree o	4 Neutral o	5 Somewhat agree o	6 Agree o	7 Strongly agree o
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**Question 9.** If I purchased this Fair trade coffee, I feel that I am getting a good quality Fair trade coffee for a reasonable price:

1 Strongly disagree o	2 Disagree o	3 Somewhat disagree o	4 Neutral o	5 Somewhat agree o	6 Agree o	7 Strongly agree o
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**Question 10.** If I acquired this Fair trade coffee, I think I would be getting good value for the money I spend:

1 Strongly disagree o	2 Disagree o	3 Somewhat disagree o	4 Neutral o	5 Somewhat agree o	6 Agree o	7 Strongly agree o
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**Question 11.** I think that given this Fair trade coffee's features, it is good value for the money:

1 Strongly disagree o	2 Disagree o	3 Somewhat disagree o	4 Neutral o	5 Somewhat agree o	6 Agree o	7 Strongly agree o
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**Question 12.** Compared to the maximum price I would be willing to pay for this Fair trade coffee, the selling price conveys good value:

1 Strongly disagree o	2 Disagree o	3 Somewhat disagree o	4 Neutral o	5 Somewhat agree o	6 Agree o	7 Strongly agree o
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**The full price of the Fair trade coffee you saw in the virtual supermarket is 7.65 euro.**

**Question 13.** The likelihood of purchasing this Fair trade coffee at its full price is:

1 Very low o	2 Low o	3 A bit low o	4 Neutral o	5 A bit high o	6 High o	7 Very high o
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**Question 14.** The probability that I would consider buying this Fair trade coffee at its full price is:

1 Very low o	2 Low o	3 A bit low o	4 Neutral o	5 A bit high o	6 High o	7 Very high o
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**Question 15.** My willingness to buy this Fair trade coffee at its full price is:

1 Very low o	2 Low o	3 A bit low o	4 Neutral o	5 A bit high o	6 High o	7 Very high o
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**Please answer the following general questions:**

**Question 16.** I am concerned about social welfare when making purchase decisions:

Not at all concerned						Very much concerned
O	O	O	O	O	O	O

**Question 17.** I am concerned about companies' ethical act when making purchase decisions:

Not at all concerned						Very much concerned
O	O	O	O	O	O	O

**Question 18.** I am concerned about the environment when making purchase decisions:

Not at all concerned						Very much concerned
O	O	O	O	O	O	O

**Question 19.** Shopping in the virtual supermarket is realistic:

1 Strongly disagree o	2 Disagree o	3 Somewhat disagree o	4 Neutral o	5 Somewhat agree o	6 Agree o	7 Strongly agree o
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**Question 20.** Shopping in the virtual supermarket is much like shopping in a real supermarket:

1 Strongly disagree o	2 Disagree o	3 Somewhat disagree o	4 Neutral o	5 Somewhat agree o	6 Agree o	7 Strongly agree o
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**Question 21.** Was the fair trade coffee on discount in the virtual supermarket?

- ☐ Yes
- ☐ No
- ☐ I don't know

**Question 22.** Was the fair trade coffee highlighted with a fair trade banner in the virtual supermarket?

- ☐ Yes
- ☐ No
- ☐ I don't know

**Question 23.** In real life, do you buy coffee in a supermarket?

- ☐ Never
- ☐ Sometimes
- ☐ Often

Sex:    ☐ Male  
          ☐ Female

Age: .....

Study  
 program:.....

Nationality: .....

What        do        you        think        is        the        purpose        of        this  
 research?.....  
 .....  
 .....

Other  
 comments:.....

.....  
.....

This is the end of the questionnaire.

**Thank you very much for your help!**