
Review of the book

Fair Trade in CSR Strategy of Global Retailers

Lechosław Garbarski¹

A publishing house with a worldwide reputation, Palgrave Macmillan, published *Fair Trade in CSR Strategy of Global Retailers* (2015). Edited by Magdalena Stafanska and Renata Nestorowicz, it contains chapters written by members of the faculty at the Poznań University of Economics Ewa Jerzyk, Henryk Mruk, Renata Nestorowicz, Anna Rogala, Magdalena Stefańska, Ryszard Stefański, Tomasz Wanat – and one by Grażyna Śmigielska from the University of Economics in Kraków.

The book is devoted to the issues of fair trade – part of the broader issue of corporate social responsibility. Fair trade is philosophy and an activity aimed at supporting farmers and small producers from the poorest countries of the world. It is a specific trade partnership meant to reduce inequalities in international trade and, most of all, to protect the rights of small producers who, due to their weaker economic position and the small size, are not capable of negotiating for themselves beneficial terms of transactions.

The fair trade issue arose as a result of longstanding economic transformations in the modern world. In trade, these transformations took the form of concentration and integration of the trade sector. These phenomena, in addition to internationalization and globalization, created conditions conducive to the appearance of huge trade organizations, with an unprecedented position and an enormous bargaining power. This power enabled them to exert a pressure on producers to reduce the costs of their operations, which, then brought down retail prices. Although consumers normally prefer lower prices, they also have serious consequences of which consumers are often unaware. These negative consequences are particularly remarkable among producers from the so-called Global South (i.e. Africa, Asia, Oceania and South America). In addition to the traditionally lower standard of living in these regions, in comparison to the Global North – the countries of North America and Europe – activities designed to exploit

¹ Kozminski University

Correspondence address: Kozminski University, Department of Marketing, Jagiellonska 57/ 59 St., 03-301 Warsaw, e-mail: lech@kozminski.edu.pl.

the fragmentation and the vulnerability of small producers only exacerbated their plight. Nevertheless, the growing significance of Corporate Social Responsibility (CSR) led to the appearance of fair trade concept, as a way of introducing the principles of responsible trade.

Fair Trade in CSR Strategy of Global Retailers consists of seven chapters. Each chapter is devoted to an issue pertaining to corporate social responsibility and fair trade, with a particular emphasis on retail trade.

The first chapter *Theoretical Foundation of CSR in Retailing* written by Magdalena Stefańska and Grażyna Smigielska presents several perspectives on CSR as a general background for the analysis of fair trade. The authors present a wide range of views, as well as the evolution of approaches to CSR, from the charitable activities of some entrepreneurs (e.g. Robert Owen, George Cadbury or Titus Salt), to the modern concepts, resulting from, on the one hand, the negative consequences of the economic growth and, on the other, the appearance of consumerism and the increasing social awareness and the pressure exerted by consumers. The intensive processes associated with globalization, including the emergence of global retail chains, increased the significance of the CSR idea for retail companies. However, the implementation of this idea is not free of difficulties. It is very beneficial for retailers, as it enhances their reputation raises consumers' loyalty, attracts good employees and broadens the product range. However, it is also associated with several drawbacks, such as the low level of consumer awareness, the pressure for low prices, the pressure for cost reduction or the lack of legislative support for social responsibility. Nevertheless, CSR has been growing in significance, as a part of the global strategy of many retailers. Fair trade, as an instrument of CSR, is also gaining importance. According to the authors, although both CSR and fair trade are evolving slowly, the benefits they bring have encouraged more retailers than ever to use them in the competitive markets.

The development of the Fair Trade concept in Europe and in the United States is the subject of the second chapter written by Magdalena Stefańska and Renata Nestorowicz. Fair trade can be treated as a social consumer movement or as a form of the supply chain organization. Simply put, fair trade consists of buying goods from producers on conditions more beneficial for them than those resulting from the market mechanisms. Therefore, sometimes the term "ethical premium price" is used.

The main characteristics of fair trade are shortened supply chains, transparency of contract terms, long-term business partnerships, cooperation instead of competition between producers and retailers and offering decent prices to producers from the

Third World. For some time, fair trade activities have been subject to certification by Fairtrade International. Whereas in 2008 the value of sales of certified fair trade products worldwide was €2.2b, in 2012 it reached €4.8b (a growth of 116%). The authors analyze the sales of fair trade products in many countries, with special attention to the United States, Germany and Austria. This chapter also presents the results of research conducted abroad, as well as the author's own empirical studies concerning consumers' attitudes to products certified as Fair Trade.

Although the ethics of fair trade are not questioned, its economic basis often is. The economic drawbacks of fair trade are the theme of the third chapter *A critical look at the application in practice of Fair Trade*. The most serious reservations pertain to its protectionist aspect and the way in which it interferes with "pure" market mechanisms. What is most heavily criticized is the limitation, or, at least, the alteration of the rules of market competition. Alternatives to such protectionist activities are the creation of stronger brands manufactured and distributed in accordance with the principles of fair trade, and the raising of consumers' awareness of the consequences of their choices, if price is their only criterion. These issues raise numerous doubts. The authors – Ewa Jerzyk, Henryk Mruk and Ryszard Stefański conducted an interesting analysis of such problems as the question whether or not fair trade is a socially responsible activity or perhaps sometimes it is used only for the public relations purposes. Other questions addressed by the authors are: why in many situations the fair trade concept does not work or who becomes the real beneficiary of fair trade. Seeking the answers to these questions is of enormous practical significance.

In the fourth chapter *Corporate Social Responsibility and Fair Trade*, Magdalena Stefańska and Ryszard Stefański present the two major analytical categories: CSR and fair trade in the context of the changes that occurred in the functioning of supply chains. Among the numerous tendencies in this area, the paramount one is the issue of the growing bargaining power of retailers, due to the processes of integration and concentration in retail trade. In consequence, the position of many producers considerably decreased, obviously also the position of the producers from the Third World countries. Nevertheless, a number of retailers undertook the introduction of the principle of corporate social responsibility. In the area of trade, CSR has brought changes to the purchase functions, logistics, staff management, production technologies, and encouraged broader participation in common programs. The authors present some examples of these changes in the activities of retail companies worldwide. An interesting, though not commonly recognized phenomenon is the creation and dissemination of ethical standards in supply chains, such as SEDEX (Supplier Ethical

Data Exchange), ETI (Ethical Trading Initiative), BSCI (Business Social Compliance Initiatives).

The fifth chapter *The influence of CSR and Fair Trade communications* shifts the point of view to consumers and their awareness of the products manufactured and distributed according to the principles of fair trade. The difficulty lies in the fact that the fair trade products are more expensive than other products in the same categories, therefore from the point of view of many potential buyers they are not competitive. That is why the decision of buying these products requires consideration of criteria other than the price. Another problem is the availability of these products in the trade companies' offers. Although the process of incorporating such products into the retailers' offers has been rather dilatory, it has gained momentum since 2011. Undoubtedly, the promotion of the fair trade products largely depends on of the policy of communication, therefore Tomasz Wanat and Magdalena Stefańska place a lot of weight on this issue. They also present their own, original empirical research conducted in 2013 on a representative sample of 1000 respondents. The study concerned Polish consumers' awareness of and attitudes towards the ideas of CSR and fair trade. Very often it is the consumers' limited awareness of this type of products that is responsible for their poor sales.

A very interesting and rarely raised issue is the subject of the sixth chapter *The effect of communicating CSR and Fair Trade on the attitudes and behavior of employees of trading enterprises*. It focuses on the employees of trade companies and their awareness of and attitude to the ideas of CSR and fair trade. This issue is closely related to the problem of communication within a company. In the analysis of this problem the authors used various approaches and models of communication within an organization. Particular emphasis was put on the influence of internal communication on employees' perception of CSR, and on the role of managers in the implementation of the CSR and fair trade ideas in a company's activities. Anna Rogala, Tomasz Wanat, Renata Nestorowicz and Magdalena Stefańska present the results of an empirical study conducted on a sample of 231 employees of 18 trade companies in Poland. The subject of the research were the activities designed to create a specific corporate CSR culture. The study showed remarkable differences between the approach to CSR in small shops and in big retail chains.

Finally, the seventh chapter of the book *Fair Trade: trends for the future* prepared by Henryk Mruk, Ewa Jerzyk, Magdalena Stefańska, Ryszard Stefański and Renata Nestorowicz is dedicated to the future of CSR and fair trade. The main conclusion is that the growth in significance of these concepts depends on three elements: the

increase in the number of producers participating in the fair trade system, the growing number of socially responsible retailers, as well as the increased awareness of consumers. The thesis that putting the ideas of fair trade into practice means creating a better world is by no means controversial or doubtful. However, at the same time there are many threats resulting from the omission of the fair trade rules, or even using them for selfish purposes. Still, the forecasts of the sales volumes of the fair trade products presented, along with the number of the certified organizations of producers who follow the principles of fair trade, allow for optimism. At the same time, the authors are aware of the negative consequences of following the rules of fair trade, to the point of indicating a dilemma: fairness or market success.

The book *Fair Trade in CSR Strategy of Global Retailers* elaborates on a very interesting aspect of the modern retail trade operations. Although CSR has been widely researched and described, discussions of fair trade rarely appear in literature and when they do, they are superficial. This time an in-depth analysis was conducted, based on a variety of empirical studies. The authors analyzed fair trade from the point of view of various groups of stakeholders, among whom are producers, retailers, employees and consumers. This approach differentiates this book from other publications on the topic. Therefore, it is undoubtedly worth recommending.