

Fair-trade in the Fashion Industry

The Effect of Fair-trade on Customer Loyalty



KUYICHI



Fashion with respect
for people and planet



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Acknowledgement

This thesis would not have been possible without the help of some people with both content and mental support in stressful times. Therefore I would like to thank a number of people.

First I am heartily thankful to my supervisor, Mirjam N.G. van Ginkel, whose encouragement, guidance and support from the initial to the final level enabled me to develop this report. I really appreciate that she gave me the chance and the confidence to investigate a subject that had my personal interest.

Furthermore I am very grateful to Carlos J.S. Lourenco for the help that he offered me to understand the necessary statistical methods and for the special support of Eilien Monsma. She helped me not only by discussing the data, but also by giving moral support. Without her support I would not have managed to write this thesis like I have done.

Subsequently I want to thank Yvonne Beyer for her support with writing in English.

Lastly, I offer my regards and blessings to all of those who supported me in any respect during the completion of the project. In special I want to thank my parents Ans en Bart, my sisters Corina and Joyce, my friends Marscha, Liset, Rianne, Marion, Sanne and my boyfriend Denis and last but not least all my roommates of the Koornmarkt.

Deborah Duijndam

10 December 2010

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Chapter 1 Introduction

The literature of today has mostly considered loyalty as a notion of consumers being exclusively loyal to one single brand. However, with the disproportionate growth in the number of competing product alternatives in the last decade, a clear decrease is observed in the number of loyal customer who purchase one brand only (Yim, Kannan, 1998). Many consumers have more than one favorite brand, which results in a division of loyalty among a few brands. Still, even when loyalty is more difficult, and therefore also more expensive to achieve, loyal customers ensure the existence of the company¹. The Pareto principle, which it is still not proved untrue, states that 80% of sales is generated by 20% of the customers. This shows how important loyal customers are. Companies need to find out who are those 20% of loyal customers? But even more important, what drives this 20% to be loyal to my brand?

Fair-trade has been in existence for more than 40 years and has become a very successful niche market. But in recent decades, a significant growth in the number of ethically aware consumers has caused a strong demand for socially and ecologically sustainable products, not only in the niche markets, but also among the masses (Barrientos, Conroy & Jones, 2007). Therefore you would expect that significant marketing research has been done on fair-trade products, but unfortunately the opposite is true. The written literature is limited and mainly focused on the production processes and price sensibility. Subsequently the greater part of the research is based on the food industry and other products and industries are barely discussed. This is most likely caused by the fact that limited marketing data is available, which arises from the fact that the mainstream market is buying fair-trade only since the last decade.

The combination of the difficulty and the importance of retaining customers, with the upcoming fair-trade market, seems like a big opportunity. Since there is less competition in the fair-trade market it can be easier to distinguish from other brands. Secondly, because of the fact that it is a 'social responsible good' with a different production process, a higher level of consumer commitment can be formed. Information about the brand can be provided what leads to higher knowledge levels, hence better-informed and considered choices. Having said all this, it can be expected that in fashion industry, fair-trade can be the solution to achieve higher loyalty levels.

The goal of this thesis is to determine whether there is a positive connection between the customer loyalty level and fair-trade. This will be done in a few steps. First the literature of loyalty will be discussed, what will be followed up by discussing the fair-trade market in general and later also with regard to the fashion industry. The combination of both research areas will be the base of this thesis.

¹ Loyalty has a positive effect on market share and relative price (A. Chaudhuri & M. B. Holbrook, 2001)

When the research framework is composed by means of the previous discussed, the second part of this thesis will start. To determine whether fair-trade leads to higher loyalty levels, two investigations will be done. This research structure is derived from the theory earlier discussed. In these investigations two brands will be compared: a fair-trade brand (Kuyichi) versus a normal produced brand (G-Star).

Having done both investigations, the thesis will end by concluding whether fair-trade can be used to achieve higher customer value by increasing the customer loyalty level. The conclusion will be based on the results of both investigations. Subsequently recommendations will be drawn. Those will be directed to the fair-trade market in general, but also specific to the fair-trade brand itself. Both with the aim to increase the current loyalty levels by adapting the fair-trade trend. Subsequently suggestions for further research will be given.

Chapter 2 Loyalty

This thesis investigates a possible connection between fair-trade and brand loyalty. Therefore, this chapter extensively discusses the theory of loyalty, which will be the basis for the analysis in the following chapters of this thesis.

2.1 Introduction to loyalty

The ultimate goal of many corporate initiatives is to maximize profitability. Customer loyalty is one of the means to achieve that. True loyal customers are customers who feel so strongly that the company can best meet his or her relevant needs that the competition is virtually excluded from the consideration set: these customers buy almost exclusively from the company (Shoemaker and Lewis, 1999). This definition implies that 'true' customer loyalty is more than just customer behavior. It is difficult to build, and most important, to sustain without including the underlying attitudinal aspects of the customer that drive customer behavior. This is why customer loyalty will be divided in two parts: attitudinal and behavioral loyalty (George and Wensley, 1998). Both are important elements of the total loyalty level to a brand. This chapter will further explain the underlying theory of both attitudinal and behavioral loyalty. Further, it will discuss the process of how to develop loyalty, the external influences on that process and it will discuss several methods to measure loyalty.

2.2 Behavioral versus attitudinal loyalty

As discussed before the theory of loyalty makes a very important distinction between attitudinal and behavioral loyalty. Firstly, the definitions of loyalty and its two varieties are given to clarify these terms.

True loyalty is the preferential attitudinal and behavioral response toward one or more brands in a product category expressed over a period of time by a consumer (Engel and Blackwell, 1982).

An attitude is an association between an object and an evaluation. The extremity of the attitude reflects the position of the object along a continuum of favorability (Ajzen and Fishbein, 1980).

Behavior is the manner in which one behaves, the actions or reactions of a person or animal in response to external or internal stimuli (<http://www.thefreedictionary.com/behavior>, Dec 2010).

These definitions show that the two kinds of loyalty are very dissimilar. Whereas attitudinal loyalty represents a higher-order, or long term, commitment of a customer to the brand, behavioral loyalty of a customer focuses on the profitability of the customer to the brand, which is translated in purchases behavior. The problem of behavioral loyalty is the fact that differences in behavior are not necessarily caused by the level of loyalty, but can also be caused by habits or promotion activities. This is exactly the reason why only measuring and increasing the level of behavioral loyalty is not comprehensive enough. So in order to achieve 'true' loyalty,

firms should simultaneously focus on building both behavioral and attitudinal loyalty (Engel And Blackwell, 1982).

The two kinds of loyalty also have different goals. Behavioral loyalty is important to companies for generating profitability, whereas attitudinal loyalty helps companies to build an invisible exit barrier for their customer. The invisible exit barrier is especially important for non-contractual situations where switching costs are low. To measure both levels of loyalty, different indicators are used. Behavioral loyalty is mostly measured in purchase behavior, which gives direct and tangible returns to the firm. In contrast, attitudinal loyalty is far more difficult to determine because quantifying the positive attitude strength of a customer is difficult. Secondly, it needs to be complemented with high attitude differentiation (Ajzen and Fishbein, 1980). This is necessary because by only determining the attitude strength, it is not possible to conclude anything about potential loyalty level since the consumer can have this (for example positive) attitude towards all brands. To combat this, comparisons between brands should be made:

*A comparison of brands that are viewed by consumers to be relevant in a given consumption context is called a **relative attitude** (Ajzen and Fishbein, 1980).*

Incorporate relative attitude in a loyalty-model is a better way to indicate repeat patronages than just the single brand attitude in isolation. Namely, by doing this the loyalty level will be directly compared to competing brands, which will lead to better and more realistic understanding of the attitudinal level. To measure this properly, an attitudinal differentiation matrix is made (Kumar and Shah, 2004), see exhibit 1. This matrix can be filled in per customer for each product, which will allow for the measurement of the level of relative attitude. (The matrix is also shown on the next page.)

As is shown in the matrix on the right, the relative attitude is highest when the target entity is associated with a strong attitude and is clearly differentiated in the consumer's mind from the other brands with weak attitude. In other words, the relative attitude is the highest when both the attitude strength and the differentiation are high (red circle). Furthermore, it is noteworthy that loyalty may be achieved at both low and high levels of attitude strengths, especially

		Attitudinal Differentiation	
		Low	High
Attitude Strength	High	Cell 4 • Low Relative Attitude • Possibility of multi-brand loyalty	Cell 1 • Highest Relative Attitude • High Attitudinal Loyalty
	Low	Cell 3 • Lowest Relative Attitude • Strong need to cultivate attitudinal loyalty	Cell 2 • High Relative Attitude • Good opportunity to strengthen attitudinal loyalty

when target consumers perceive differences in competing brands. A weak but positively differentiated attitude may lead to higher loyalty than a very positive but undifferentiated attitude. Therefore, using the relative

attitudes of customers will increase the ability to predict their loyalty. This theory forms an important basis in this thesis for how to determine the attitudinal loyalty.

In exhibit 1 the second figure (1.2) shows the different levels of relative loyalty (Dick and Basu, 1994). The figure first shows the same distribution as Kumar and Shah used, but is expanded with a matrix that is made to determine the overall loyalty level. These theories do not conflict and can therefore coexist.

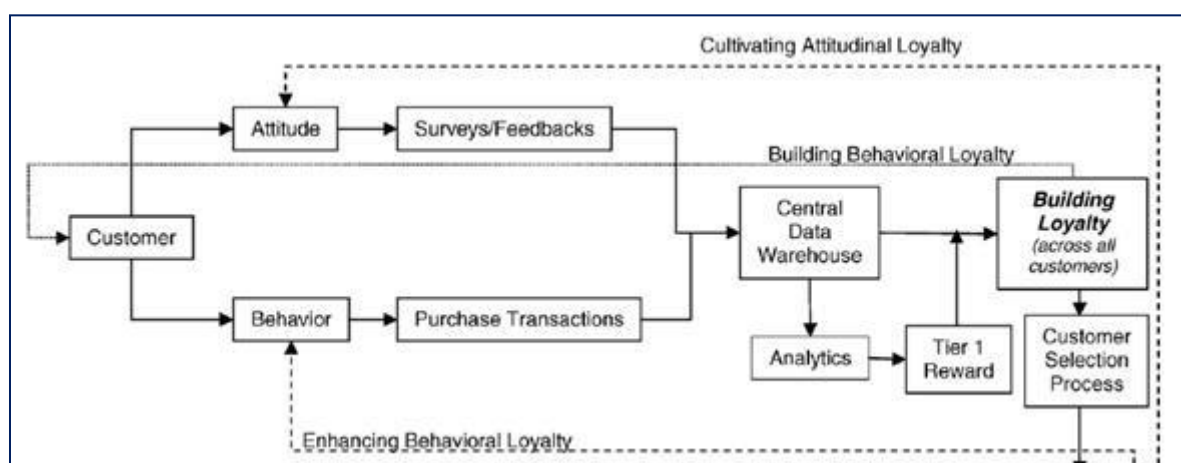
2.3 How loyalty arises

In the previous part, the division of loyalty in behavioral and attitudinal is extensively explained and discussed. This distinction will be the starting point of how to create sustainable loyalty and hence higher profitability (Kumar and Shah, 2004). This is an important consequence, since by determining and increasing both levels of loyalty, companies to accomplish better results.

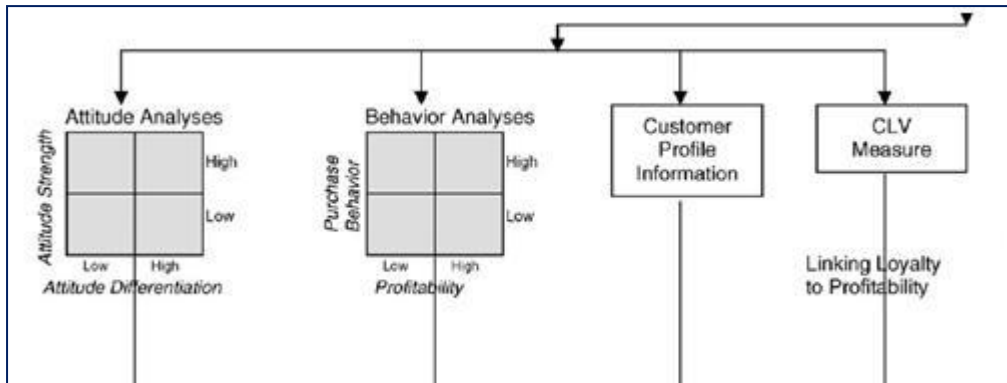
Kumar and Shah created a conceptual framework that gives some insight in the way sustainable loyalty can be achieved and measured. They use three steps (see exhibit 2):

1. Building and enhancing behavioral loyalty
2. Cultivating attitudinal loyalty
3. Linking loyalty to profitability

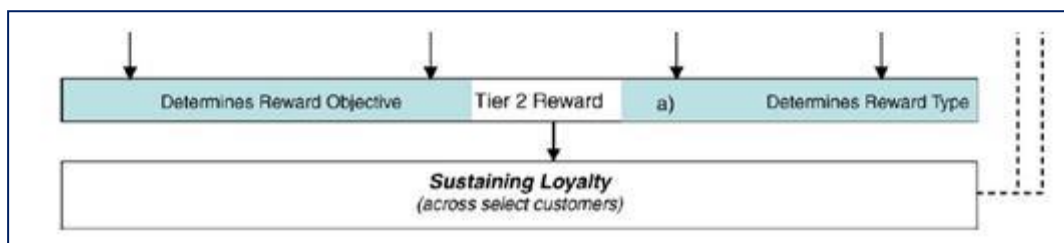
The first part of the model that is shown below (the red square in exhibit 2) will be the base of the analyses that is included in this thesis. As is shown in the model, two analyses will be used. The behavioral loyalty will be determined by analyzing purchase behavior and a survey will be done to measure the attitudinal loyalty. Part of the model is shown below to clarify this.



The outcomes can give us some insight into the loyalty level. To classify the results, the second part of the model will be used (shown on the next page and in the blue square in exhibit 2). This is done by implementing the results in both matrices.



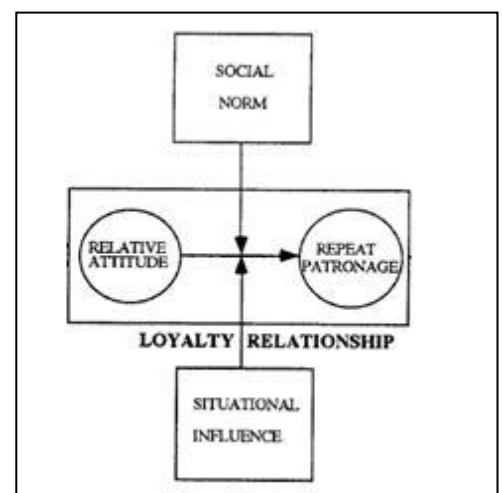
The previous will be followed up by some recommendations on how to improve these levels in the future. These recommendations will be based on the third part of the model (shown below and also the light blue circle in exhibit 2).



The above figure shows that based on the results, recommendations can be given to navigate the customers to the appropriate box with a reward. This will be the box with both a high relative attitude and a high repeat patronage (so the box with the highest loyalty level). When this is the case, sustainable profitability will be achieved³.

2.4 Non-attitudinal sources

An important goal for a company is to create and enhance the loyalty level of its customers. This sounds easy, but building a sustainable and loyal customer does not occur overnight, but is a lengthy and continuous process (Dick and Basu, 2004). The process of creating and maintaining loyalty is described in the framework that is included in exhibit 3. This framework is based on the assumption that loyalty is the relationship between an individual relative attitude and repeat patronage, which makes this theory consistent with the previous models discussed in this thesis. The difference between this model and the previously discussed ones is the fact that this model is extended with social norms and situational influences. The social norms and the situational influence can be seen as moderators (see figure on the right).



³ The total framework is shown in exhibit 2

There are two different but related kinds of social norms⁴:

Behavioral norms (also known as descriptive norms) refer to the most common actions or behaviors actually exhibited in a social group. Thus, the behavioral norm is what most individuals of a social group actually do (applicable for behavioral loyalty).

Attitudinal norms (also known as injunctive norms) refer to the most widely shared beliefs or expectations in a social group about how people in general or members of the group ought to behave in various circumstances (applicable for attitudinal loyalty).

Situational influences can be described as:

Situational factors consist of temporary environmental factors that form the context within which a consumer activity occurs at a particular place and time. Think of: physical surroundings, social surroundings, time, task definition and antecedent states (Belk, 1974).

The previous states that moderators, such as situational factors and social norms, will influence the relationship between a customer's attitude and his/her behavior. This is because perceived behavioral norms or role requirements, if contrary to an attitude, might render it unrelated to behavior (Wicker and Ehrlich, 1969). This means that consumers might behave differently than they wanted because of decisions influential. Secondly, several situational factors may impact on loyalty, for example stock outs and price promotions of competing brands. How large the influence is, depends on the relative attitude. The stronger the relative attitude towards a brand, the more likely the individual is to overcome countervailing social norms and/or situational influences. Although this sounds logical, it is important to assess the characteristics of a market in terms of the influence of relative attitude on one hand and situation/social factors on the other. This insight allows marketers or managers to determine an appropriate focus for actions.

It can be stated that the one with the lowest influence on non-attitudinal sources (so social norms and situational influences) is 'Loyalty⁶', and therefore the preferred one. The highest concern for marketers is 'latent loyalty'. This level has a high relative loyalty but a low level of repeated patronage. It implies that the situational effects are at least equal if not more influential than attitudes in determining patronage behavior. This is difficult to control, and therefore in this case the company should focus its marketing efforts on situational influences (Dick and Basu, 1994). It is assumed that for every market and product different situations may arise. Dick and Basu (1994) already made such a matrix that shows its own appropriate strategy for each outcome (Exhibit 4).

⁴ NSNI, National Social Norms Institute at the University of Virginia

⁶ Loyalty is the box with a high repeat patronage and high relative attitude, see red circle in exhibit 1.2

It can be concluded that the relative attitude as well as the social norms, and the situational influences, have an impact on the repeat patronage. To get a good insight in the impact of each factor separately, several different type of analyses can be done. The relative attitude can be determined by means of a survey (this method is already discussed in exhibit 2). But also the effect of trends can be measured in this way, for example the emerging sustainable trend. Simultaneously the situational factors and the social norms can also be analyzed by means of purchase data. It is possible to measure the impact of those factors on purchases, which will be discussed in more detail in section 2.5.

2.5 How to measure loyalty

The previous sections shed light on how loyalty arises, how it is divided in two varieties and which factors can influence it. However, the previous sections do not give any concrete measurements. This section will discuss the methods and questions that can be used to determine both attitudinal and behavioral loyalty.

More than 80% of companies use satisfaction scores to monitor customer loyalty, even though there is no evidence that this is a good way of measuring the loyalty level (Naravandas, 2005). Naravandas (2005) claims that this indicator measures scores that are based on past experiences, and loyalty is about future behavior. Therefore, measuring the satisfaction level will not suffice. In contrast, companies should use recommendation scores and re-purchase rates to measure the loyalty rate (Naravandas, 2005). This theory partly agrees with the theories of Dick and Basu (1994) and Kumar & Shah (2004), which were discussed above. Both theories claim that behavioral loyalty can better be determined by purchase data, but they disagree on how to measure attitudinal loyalty. The earlier discussed theory of Kumar and Shah (2004) stated that the attitudinal loyalty should be measured by using the relative attitude. Naravandas (2005) claims it should be measured by means of the recommendations. Although this seems very different, both methods have large similarities. These will be further discussed in the next part (attitudinal loyalty), but first how to measure behavioral loyalty will be discussed.

Behavioral loyalty

It is not only important that customers say that they are loyal, but they should also act loyal. As mentioned before, to determine the level of behavioral loyalty purchase data should be analyzed. Kumar and Reinartz (2004) propose several methods to measure the loyalty level, see exhibit 6. Table 1 shows the two most interesting ways of measuring the behavioral loyalty for this thesis⁷: (1) purchase frequency acceleration, and (2) increased retention rate. The method that will be used to determine the attitudinal loyalty is also included.

⁷The reason for not choosing the other methods is also shown in exhibit 6.

Table 1 Methods to measure loyalty (Kumar and Reinartz)⁸

Methods	Part of loyalty
Purchase frequency acceleration	Behavioral loyalty
Increased retention rate	Behavioral loyalty
Increase in positive word-of Mouth communication (WoM) ⁹	Attitudinal loyalty

Behavioral brand loyalty has mostly considered loyalty as a notion of consumers being exclusively loyal to a single brand (Yim and Kannan, 1999). With the unprecedented increase in the number of competing product alternatives in the present decade, there has been a clear decrease in the number of such loyal consumers who purchase a brand exclusively. Many consumers have started to embrace more than one favorite brand, thus exhibiting divided loyalties among a few brands. Therefore in this investigation two types of behavior loyalty will be used:

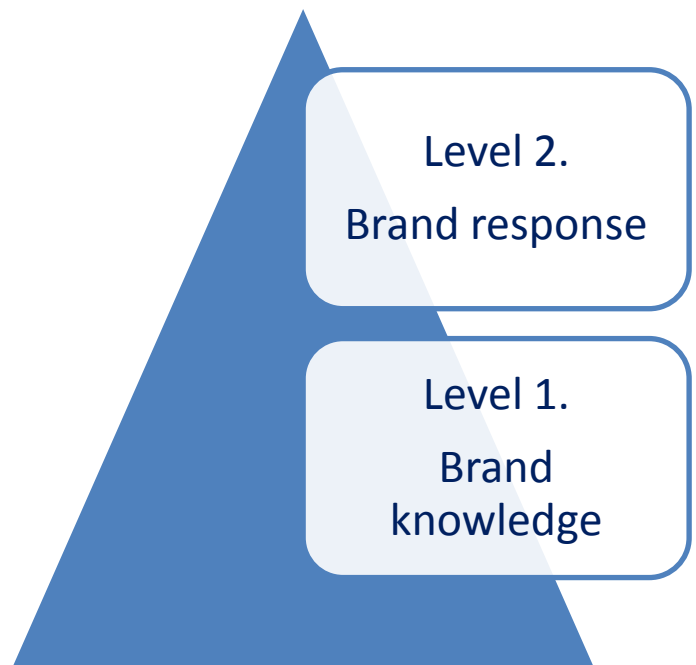
- *Repurchases Continuously* (without any interruptions) which describes hard-core loyalty, when consumers exclusively repeat purchase one brand
- *Repurchases Discontinuously* which describes reinforcing loyalty, when consumers may switch among brands, but predominantly repeat purchase one or more brands to a significant extent (Yim and Kannan, 1998).

Attitudinal loyalty

The level of attitudinal loyalty can be determined by means of the attitudinal differentiation matrix (Dick and Basu, 1994) and the CBBE matrix (Keller, 1993) see exhibit 5. Before going any further, the theory of the CBBE matrix will be briefly explained.

CBBE is defined as the differential effect of brand knowledge on consumer response to the marketing of the brand.

This model clarifies the steps a consumer makes by becoming a loyal customer: he/she goes from brand knowledge (first two levels), to brand response (last two levels), see figure at the right and exhibit 5.1.



⁸ These three options are the most appropriate methods to use in this investigation. Exhibit 6 shows all the other options of Kumar and Reinartz with a brief explanation. The options that are chosen correspond to the literature that is discussed in this chapter. The reason of not choosing the other methods is also explained in exhibit 6.

⁹ The Word of Mouth (WoM) communication is similar to the discussed recommendation level.

This insight in development of loyalty is important in this investigation because it shows that if there is no knowledge of a brand, loyalty can never be achieved. Subsequently, the CBBE model uses a matrix with the different levels of loyalty that can be achieved (exhibit 5.3). Those levels are similar to the ones shown in exhibit 1.2, so the theories of Keller (2001) and the theory of Dick and Basu (1994) do not conflict with each other.

As is shown in the CBBE matrix, the attitude arises from knowledge. Therefore the survey will start with determining the level of knowledge. If there is no knowledge, there can't be any attitude towards the brand. If there is knowledge of the brand, the attitude will be simply estimated by asking the attitude strength towards the brand. Subsequently the attitude differentiation will be measured by asking their preferred brand. In this way the relative attitude can be determined. By means of this method the level of attitude can be determined in all the different layers in the 'CBBE stairs'.

In contrast, the theory of Narvandas (2005) claims that the attitudinal loyalty can be measured by means of the recommendation level. This method will also be used in this thesis, but in combination with the CBBE matrix. This is because the recommendation level only measures the highest step of the CBBE matrix. So by only using that method, there is no insight in how this loyalty level has evolved. Therefore a combination of both theories will be used (see exhibit 5.2). To determine the level of the different 'steps' the CBBE model will be used. Complementary to measure the overall attitudinal loyalty level, the recommendation level will be used.

The recommendation level is also discussed in the theory of Frederick F. Reichheld (2003). He claims that there is only one question that should be asked to determine the level of loyalty, namely: *Would you recommend this product to your friends and or colleagues?* This method also includes the satisfaction level since if you didn't like the product, you would not recommend it. Secondly by recommending a product a person puts his own image on the line Therefore it should be a highly committed and satisfied customer.

The level of recommendation for a company could be measured by the *net-promoter rate* (Reichheld, 2003):

Promoters are those who say they are extremely likely to recommend the brand to a friend or colleague.

The net-promoter is calculated by subtracting the percentage of customers who say they are unlikely to make a recommendation (detractors) from the percentage who say they are extremely likely to do so:

Promoters – Detractors = Net-promoter rate

The outcome of this formula shows the relative number of loyal customers per brand: the higher the number, the better. Besides this outcome, the formula also shows that a company should not only strive to the highest level of promoters, but it should also try to minimize the number of detractors. Namely if the number of detractors is very high, the loyalty level will also be low, despite what the promoters level will be.

Non-attitudinal sources

As exhibit 3 shows, besides the attitudinal loyalty, the non attitudinal sources also have influence on the overall loyalty level. Therefore measuring the influence of the situational influences in combination with the social norms, will give marketers some extra insight in which factors influence customer loyalty. This gives them the opportunity to encourage or distress certain aspects. It is very important to include this non-attitudinal sources into the research, because in this way unexpected influences can be discovered. (This can be seen as thinking out of the box.) These factors can also be measured by means of the data that was collected to determine the attitudinal loyalty and the behavioral loyalty.

2.6 Conclusion

Loyalty can be separated in two parts: attitudinal and behavioral. Attitudinal loyalty represents a higher-order, or long term, commitment of a customer to the brand. Behavioral loyalty focuses on the value of the customer to the brand, which is translated in purchase behavior. Therefore it could be stated that to achieve better results, it is important for a brand or company to manage the level of loyalty.

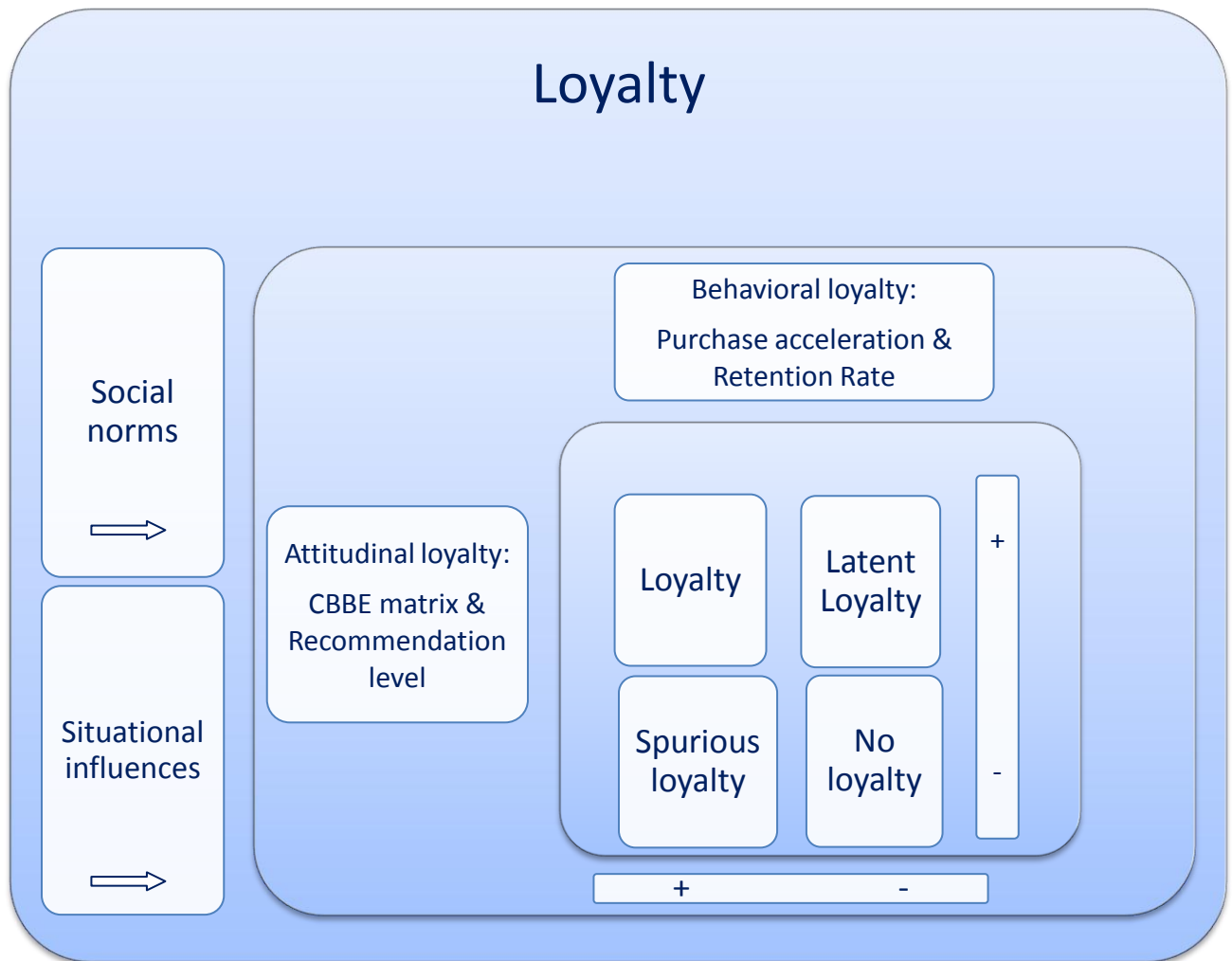
The behavioral loyalty level can be measured by purchase acceleration and the retention rate. These indicators will be used during this investigation. However, purchase acceleration will be split up in high committed hard core loyalty (Repurchases Continuously) and less intensive reinforcing loyalty (Repurchases Discontinuously) (Yim, Kannan, 1998). By mapping the behavioral loyalty by means of these indicators and comparing the results of a fair-trade brand versus a normal production, the effect of fair-trade on behavioral loyalty can be established.

Attitudinal loyalty will be measured by means of the relative-attitude-matrix, which is determined by the interaction between attitude strength and attitude differentiation. Secondly, the different stages of loyalty will be determined by means of the CBBE matrix, and the highest level of loyalty will be determined by means of the recommendation level. The combination of all results gives a good insight into the attitudinal loyalty level of the investigated brands, and hence whether fair-trade influences the outcome.

When both levels are determined, so both the repeat patronage (behavioral loyalty) and the relative attitude (attitudinal loyalty), the overall level of loyalty can be determined by combining both results. While doing this it is important to keep in mind that there are some moderators that can influence this relationship, like the non-attitudinal-factors as situational influences and social norms. The influence of these factors should also be determined, with the aim to recommend which external influences the brand should try to encourage or weaken.

All theories that are used, are incorporated in a new figure, that is shown below. At the end of this thesis this figure should be completed for both the fair-trade brand and the normal produced brand. By doing this, it will be very clear where the differences between both types of brands occur.

Figure 1 Mapping Loyalty in fashion (Deborah Duijndam, 2010)



When the level of loyalty is determined, and the non attitudinal factors are mapped, it is possible to create some strategies that will influence and manage the level of loyalty (see exhibit 4). By doing so, the overall target can be set and recommendations on brand level can be given, which is the goal of this report.

Chapter 3 Fair-trade and Fashion Industry

In the previous chapter the theory of loyalty is discussed. This chapter gives some background information about fair-trade in general and fair-trade in the fashion industry. Both chapters will be used as a basis for further research described later in this thesis.

3.1 Introduction

Fair-trade has been in existence for more than forty years and has become a very successful niche market. But in recent decades, a significant growth in the number of ethically aware consumers has caused a strong demand for socially and ecologically sustainable products, not only in the niche markets, but also among the masses (Barrientos, Conroy & Jones, 2007). Therefore it would be expected that a lot of research is done concerning fair-trade, but unfortunately the opposite is true. The written literature is limited and mainly focused on the production processes, its challenges and price sensibility. Secondly the greater part of the information is based on the food industry and other industries are barely discussed. Moreover, information about fair-trade-consumer behavior is also lacking. This is most likely caused by the fact that limited data is available which arises from the fact that the mainstream market has been buying fair-trade only since the last decade.

In this chapter general information and guidelines about fair-trade and previous findings will be discussed. The fashion industry and the fair-trade movement within the fashion industry will be described and discussed. Nowadays it is very difficult to retain customers. Since there is less competition in the fair-trade market, consumers can get additional information about the production process, which will lead to greater knowledge and hence better-informed choices. All these reasons will create the feeling that in fashion industry, fair-trade can lead to higher attitude levels.

3.2 Fair-trade in general

Over the history of fair-trade, several definitions of fair-trade are given. The most general definition is given by FINE¹⁰ and is given below.

Fair-trade is a trading partnership, based on dialogue, transparency and respect, which seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers especially in the South. Fair-trade organizations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade. (FINE, 2001)

¹⁰ FINE is an informal network that involves the fair-trade Labeling Organization International (FLO), the International Federation for Alternative Trade (IFAT), the Network of European Shops (NEWS!) and the European Fair-trade Association (EFTA). (Sixty years of fair-trade, 2006)

3.3 Distribution channels

Fair-trade products are sold through three main channels: the dedicated retail outlets, supermarkets and via mail orders. In addition to these three main channels there are other retail channels such as solidarity groups, whole food shops, and independent commercial stores. In Europe there are approximately 2700 'world shops', and 43,000 supermarkets where fair-trade products are sold. So the number of fair-trade offering supermarkets in Europe is quite high, which cannot be said about the US market where there are merely 7,000 fair-trade offering supermarkets. This leads to the conclusion that fair-trade is further developed in Europe compared to the United States.

The discussed distribution channels can be divided into four main groups:

1. First there are the producer organizations in developing or Southern countries.
2. Second there are the buying organizations in developed or Northern countries, which act as importers, wholesalers and retailers of the products purchased from the Southern producer organizations.
3. Third there are the umbrella bodies which consist of the following six organizations: IFAT, FLO, NEWS!, EFTA, fair-trade Federation and Shared Interest. These are mainly focused on the fair-trade process but there are also a lot of organization that support sustainable production (what is a more broadly approach). When looking at the fashion industry, there are some umbrella organization that will only focus on the distribution in fashion, like MADE-BY. Instead of offering a 100% fair-trade production, they offer less strict alternatives.
4. Fourth there are a wide range of mostly conventional organizations that engage in some way in fair-trade. Think of supermarkets, retailers or brands that want to communicate a sustainable message.

This research will mainly focus on distribution channels in the fashion industry. The most important (and discussed later in this chapter) distribution channels are the second and third level. Kuyichi, the second level, is the brand which imports its clothes from the producer organizations. The umbrella organization MADE-BY (the third level) helps making connections with the manufacturers hence controls for the fair process. As mentioned before this is not a fair-trade organization, but it provides information about a sustainable production process. However the fourth party will not be discussed extensively, it is included in this thesis because the data is derived from a retail store. All these parties will be discussed in the following paragraphs.

3.4 MADE-BY

MADE-BY is an independent label for brands and retailers in the fashion industry that wants to improve the social, economic and ecological environmental factors in their production chain while making the process more transparent. Their mission is: Wouldn't it be fantastic if the clothes of your favorite brand were made with respect to people and environment¹¹.

¹¹ MADE-BY. MADE-BY Missie.

MADE-BY has contact with the consumers, the brand as well as the manufacturers. Contact with consumers is important for giving them the certainty that the brand puts all its effort in making the circumstances as good as possible in respect to people and environment. Contact with the brand is important for giving them the assistance in improving their social, economical and ecological circumstances in their whole production process. Contact with manufactures is important for helping them to obtain social and environmental certification and the purchase of durable materials such as organic cotton through the MADE-BY network of farmers, spinners and fabric manufactures.

In practice MADE-BY uses three target points to achieve the above¹²: Blue Button, Global Network and Transparency. These points are extensively described in exhibit 7.

3.5 Quality mark

The quality mark of MADE-BY is the blue button, but considering the above you can imagine the use of a quality stamps can be confusing. This is partly caused by the fact that for each market different requirements are set. Secondly it has to do with the fact that these products are produced in different ways, countries and by different production chains. The longer the chain, the more difficult it is to control all the requirements in every link. Subsequently it is difficult to set one quality stamp for these different environments and requirements. Nevertheless FLO and IFAT try to do so. Social, economic and environmental developments are central to the fair-trade production process. These elements will be the basis of the detailed requirements for each separate market. The standards are extensively described in exhibit 8.

MADE-BY does not guarantee the discussed standards, because it cannot guarantee that all rules are complied during the production processes they support. Therefore they do not use the fair-trade quality stamp, but as already mentioned before they use their own quality stamp: the Blue Button. Companies that have this stamp have as a goal to produce their clothes in the most sustainable way possible. A large difference between the fair-Trade quality stamps like Max Havelaar and the Blue button is that the fair-Trade stamps are given for their past results and the Blue Button is given for past and future results. The Blue Button stands for a long time commitment and the goal to improve the production process of the brand. A 100% guarantee that the production process already is totally fair-trade is not addressed. The process of becoming more sustainable is shown on the website (Scorecard) and therefore very transparent. In this way consumers can see the improvement of the brand over time.

3.6 Scorecard

As is discussed in the previous part, to show this developments clearly MADE-BY has made an overview that is called the scorecard. This is made for each brand that participates and is shown on their website¹³. In exhibit 10

¹² MADE-BY. MADE-BY In het kort

¹³ MADE-BY. MADE-BY Resultaten

the score card of Kuyichi is shown. There you can see that only 5% of the total production is socially certified. The fact that the fashion industry is made up of so many levels causes that it is almost impossible to achieve a 100% fair-trade proof chain. Although this seems like a small percentage, the total effect that MADE-BY has on sustainable production is quite large and is growing rapidly, which is shown in exhibit 9.

3.7 Brands

To show the impact of fair-trade on loyalty, two brands will be compared: Kuyichi (fair-trade) and G-Star (normal produced).

Kuyichi

The brand Kuyichi is the first fashion label that proved that being fair-trade and fashionable can go together¹⁴. The organization Solidaridad founded Kuyichi in 2002 as a result of an action against the bad image (and reality) of the fashion industry, specifically that the working environment is bad, while not even speaking about the damage to the natural environment. It attempted to prove that a brand can become successful because of the fair-trade production process instead of despite of it. Fortunately they proved to be right, because Kuyichi is currently a successful and trendy jeans brand. Overtime many other brands have followed Kuyichi by starting a collaboration with MADE-BY, that was founded as a result of the success of Kuyichi to support other brands to do the same. This investigation will shed its light on the brand Kuyichi and compare it with another Dutch brand G-Star.



G-STAR

G-Star is the market leader of The Netherlands concerning jeans and casual clothing. In general, it can be stated that every Dutch fashion brand that wants to join the real market, compares their sales, product development and marketing activities with G-Star. This is the reason that in this report G-Star is used to set the bar. The similarities and differences between G-Star and Kuyichi are shown in table 1 below.

Table 1 G-Star versus Kuyichi

	G-Star	Kuyichi
Range of products	Jeans, shirts, coats, accessories, shoes	Same except for shoes, but fewer products per category
Price	A-brand price setting for mass-market	A brand price setting for mass-market (low for FT and organic)
Position in market	Market leader in jeans	Pioneer in fair-trade jeans
Core Values (short)	Trendy, innovative, denim, skilled	Trendy, organic (good quality), pure, denim

¹⁴ KUYICHI. Kuyichi Love the World

3.8 Recent facts & figures

As mentioned in section 3.1 the information about the fair-trade market is limited. This is caused by the lack of an overarching trade body and secondly because the subject does not (did not) have the attention of market intelligence agencies. Fortunately some figures are available.

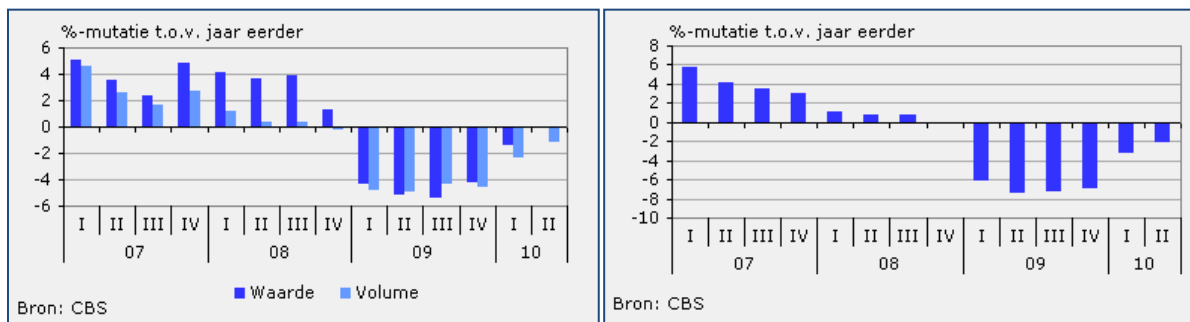
During the last five years the sales of fair-trade certified products have been growing on an average of almost 40% on yearly base. In 2008, consumers spent 2.9 billion Euros on fair-trade products globally. This means that despite the global recession, worldwide sales of fair-trade products grew by an impressive 22% in 2008. This makes the fair-trade certified products one of the most successful products of this decade¹⁵.

Subsequently Hudson and Hudson cited evidence that in 1999 only 50% of the worldwide production of fair-trade coffee was sold through fair-trade channels and the remaining 50% was sold on the regular market (Renard, 2003). This shows that the mainstream market has been reached and fair-trade is no longer only sold to 'alternative people'.

Retailing & Fashion market

The two tables below show the developments in the retailing of the last 3.5 years (so also non fair-trade). It is quite evident that the year 2009 was a very difficult year. The positive thing is that the losses decreased in 2010, but unfortunately still occur. Therefore it is expected that the facts and figures of both brands show disappointing results due to the overall economic decline.

Table 2 Retail in the Netherlands



2.1 Retail

2.2 Non food retail

Table 3 Purchases over time retail store

This investigation will analyze the data of one particular retail store. In this retail store, the overall sales of G-star (13899 pieces) was about 5 times higher than Kuyichi (3215 pieces) during the last five and a half years, see table 3.

Purchases in pieces	Kuyichi total	G-Star total	Others
2005	189	1929	3820
2006	393	2435	4118
2007	759	3168	4564
2008	748	2563	3903
2009	726	2380	1521
2010	400	1424	668
TOTAL	3215	13899	18594

¹⁵ Fair-trade. Fair-trade Labelling Organizations International (FLO)

However, when comparing the growth rates¹⁶, it is very obvious that Kuyichi showed the largest rates, see table 4.

The growth rates and purchases are also illustrated in exhibit 11.2.

Table 4 Growth rates retail store

Purchases in pieces	Growth rate Kuyichi	Growth rate G-Star	Growth rate Others
2006	107,94%	26,23%	7,80%
2007	93,13%	30,10%	10,83%
2008	-1,45%	-19,10%	-14,48%
2009	-2,94%	-7,14%	-61,03%
(Double) 2010	10,19%	19,66%	-12,16%
TOTAL	41,37%	9,95%	-13,81%

The market share of G-Star in the retail shop is also much

higher than that of Kuyichi, namely 38% versus 9% (see exhibit 11.1). However, when looking at the growth rates, Kuyichi's market share has quadrupled in the last five years. The market share of G-Star has also grown rapidly, from 31% to 38%. So both brands are doing well, and especially when comparing with the other brands (Others). Those brands have, unlike G-Star and Kuyichi, lost market share over the last five years.

Even though the number of purchases of both brands show large differences, they are still comparable. This because the investigation focuses on individual purchase behavior. The total number of purchases will be corrected with the total number of consumer per brand. In this way the proportion of loyal customers of each brands will be determined, which makes it possible to compare them.

3.9 Conclusion

In short it can be concluded that the fair-trade market is an emerging market with many opportunities. Yet it is still uncertain whether this is also true in the fashion industry. The brand Kuyichi is designed to prove the opposite, namely that also in fashion fair-trade brands can become successful hence profitable. The greatest challenge is to influence all links within the production chain. Therefore, to overcome this problem, an alternative has been formed: the label MADE-BY. This label gives an alternative with less stringent requirements and with its main goal to encourage sustainable entrepreneurship.

To show the consumers that the brand is sustainable a quality stamp was made: the Blue Button. In the following chapters the effect of communicating this sustainable production process will be investigated. It will be investigated whether the consumer will act more loyal, since it is assumed that the purchases are done with more knowledge and therefore with more commitment to the brand.

¹⁶ Since the data of 2010 was only available for the first six months of the year, the data for 2010 was doubled to estimate the growth rate for the whole year.

Chapter 4 Hypotheses and Methodology

The previous chapters (2 and 3) have discussed the research framework that will be used as the base for this thesis. This chapter will discuss the hypotheses which are derived from the theory. Secondly it will discuss the methods how these hypotheses should be tested.

4.1 Introduction

The aim of this thesis is to determine the level of the ‘total’ customer loyalty. Because loyalty can be divided in behavioral and attitudinal loyalty, this investigation splits up the analysis in two separate parts. In the first part, retail data will be analyzed to determine the level of behavioral loyalty. The second part will focus on determining the attitudinal loyalty by analyzing the results of a survey. The combination of the two parts will give a complete picture of the level of both elements of loyalty (see figure at the right). By doing so, possible gaps and/or similarities between both levels of loyalty can arise. Because, as discussed in the literature, both types of loyalty are strongly related, but arise in different ways. Therefore it is important that recommendations should be given at the overall loyalty level but also separately for each type of loyalty.

Relative attitude (Attitudinal loyalty)	Repeat patronage (Behavioral loyalty)	
	High	Low
	High	Loyalty
Low	Spurious loyalty	No Loyalty

4.2 Part 1: Behavioral loyalty

In this part the behavioral loyalty will be determined by investigating whether the behavior of customers of fair-trade products is different from the behavior of customers of ‘normally produced’ products. This survey will be based on the theory that behavioral loyalty is mostly measured in purchase behavior, which is discussed in chapter 2 and shown in exhibit 2. Based on this, the main question that should be answered in this first part will be:

H1: *“Using a fair-trade production process leads to a customer with a **significantly higher level** of behavioral loyalty”.*

4.2.1 Hypotheses

Behavioral loyalty exists of different elements and therefore can be measured in several ways. So subsequently to estimate the level correctly, tangible elements to compare should be included. These elements were already discussed in chapter 2 as ways to measure behavioral loyalty, namely the purchase frequency

acceleration and the retention rate¹⁷ (Mellink, 2005). Based on these methods the following sub hypotheses arise (see below):

H1.1 “Using a fair-trade production process leads to a customer with a **significant higher** number of repurchases”.

H1.1.1 “If a customer buys a fair-trade brand, it is **significantly more likely** that he/she will consecutively repurchase the fair-trade brand instead of purchasing another brand”.

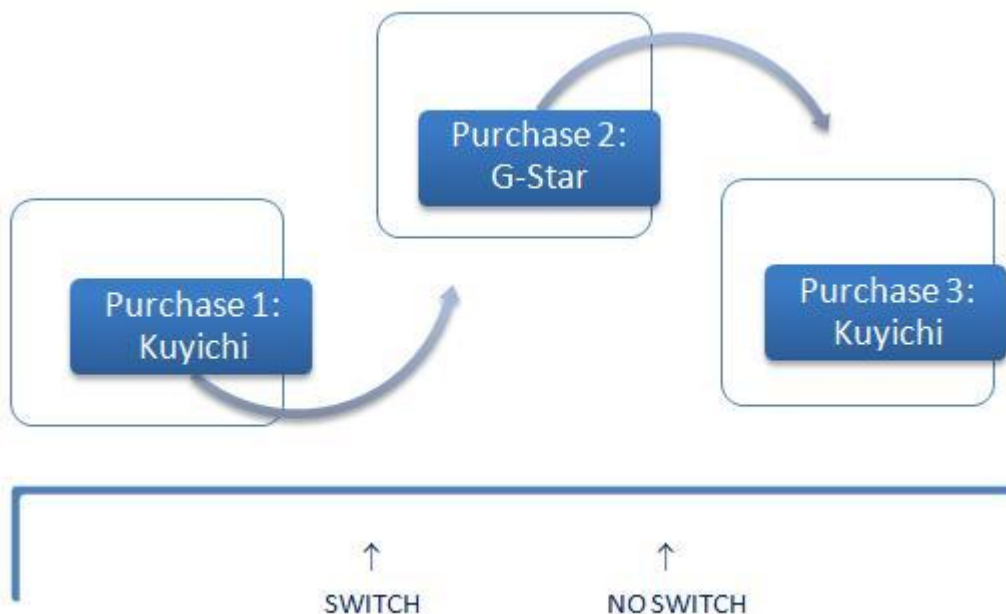
H1.1.2 “If a customer buys a fair-trade brand, it is **significantly more likely** that he/she will not consecutively repurchase the fair-trade brand instead of purchasing another brand”.

H1.2 “Using a fair-trade production process leads to a customer with a **significantly higher** ‘retention rate’¹⁸”.

H1.2.1 “If a customer buys a fair-trade brand, it is **significantly less likely** that he/she will consecutively switch to another brand”.

A large disadvantage of the variable “number of switches” is that it includes all switches that were made by the customer. This may sound strange because in fact those switches are made, but it is crucial to realize that in some situations the switch back is part of the first switch. In this case, the consumer can be said to go back to the preferred (original) brand after a switch rather than making a switch to another brand (this is illustrated in figure 2).

Figure 2 Double Switch



¹⁷ All possible ways to measure loyalty are described in exhibit X.

¹⁸ Total number of purchases (%) – the number of ‘churns’ (%) = Retention rate (%) [100% - X% = Retention rate]

Having said this, an extra analysis will be included. It will analyze the switches back that will be measured by means of 'single purchases'. The single purchase will not be tested but described by means of the descriptives. The above hypotheses establish the level of behavioral loyalty for both brands, hence possible differences will be discussed.

4.2.2 Methodology

In this section the retailer, data, variables and testing methods will be discussed to give some insights to this investigation.

4.2.2.1 Retailer

The data that is used for this investigation is collected from a representative fashion store. This fashion store is privately-owned, consists of one store on an AA location in Delft, is well known for its high service level and exists for more than 30 years. The target market are young up to mid-age people, men and women, with an above average income. It offers on average between six to eight A-brands. G-Star is the most popular brand in this shop and has been in their portfolio for the last 15 years. They started selling Kuyichi around seven years ago.

The data is acquired by means of a loyalty card that is used in this retail store. Regular customers can get this card in exchange for a small discount. The data consist of all the purchases of these cardholders during the last five years. This period of time is chosen because sales of Kuyichi started to become measureable as of 2005. The data consists of 35708 purchases of which 3215 were Kuyichi purchases and 13899 were G-Star's. All of these purchases were done by a total of 5423 customers.

4.2.2.2 Brands

As mentioned in chapter 3, the analysis will shed its light on two Dutch fashion brands, that operate in the same segment with similar products of the same price level. The main difference between both brands (besides fair-trade and normal production) is that Kuyichi is in the growth phase and G-Star is already a mature brand.

It is important to mention that both brands offer the same kind of products, but the availability of different products is about 50% higher for G-Star compared to Kuyichi. This is a limitation²⁰ to the investigation, however it is still considered to be a fair comparison as both brands offer enough products to make a conscious choice.

In addition, the purchases of all other brands will also be included because they will give information about the repurchases and the switching behavior of the customers. These brands will be aggregated in a new variable as 'OTHERS'. The analysis and recommendations will only be done for the brands G-Star and Kuyichi.

²⁰ *LIMITATION 2: The coincidence factor of choosing a G-Star product is higher considering the difference in supply quantity.*

4.2.2.3 Variables

To determine the loyalty level, it is very important to measure the individual purchase behavior. Analysis of the overall purchases gives insight into trends and strengths of a brand, but it does not provide insight in the loyalty level of the individual customer²¹. For this purpose the data retrieved from the cardholders will be analyzed. The information includes: client number, product information such as brand and kind of product, date of purchase, price and when appropriate the discount. As discussed in chapter 2, the repurchases and the retention rate will be used to establish the behavioral loyalty level. The quality of these variables is shown in exhibit 12.

To answer the different hypotheses that were outlined in section 4.2.1, several new dummy variables are included. These dummy variables are: *Purchase Kuyichi*, *Purchases G-Star*, *Purchases Others*, *Repurchases Kuyichi (continuously and discontinuously)*, *Repurchases G-Star (continuously and discontinuously)*, *Switch Kuyichi*, *Switch G-Star*, *Discount Kuyichi*, *Discount G-Star*, *Discount Others*. Additional information on how these variables were made, and how they can be interpreted, can be found in exhibit 13.

Brand loyalty mostly implies being exclusively loyal to a single alternative despite any situational factors. As discussed in chapter 2 (page 12), many consumers have started to embrace more than one alternative as their favorite brand. Therefore it can be stated that the meaning of loyalty has changed and consumer loyalty can be divided among brands. To include this market shift, loyalty will be defined in two ways (Yim and Kannan, 1998):

- **Hard core loyalty:** continuously repurchases,
- **Reinforcing loyalty:** discontinuously repurchases.

Continuously and discontinuously repurchases

Continuous repurchase: if the customer purchases the same brand on two consecutive occasions, it is called a continuous repurchase. All other cases will be covered under discontinuously repurchases. This variable provides important customer information and changes over time can be analyzed. This makes it possible to determine for how long the customer has purchased the brand, if the number of purchases has grown over time, and whether the customer purchases other brands on occasion. This is important information for the management of the brand. For example, if a new Kuyichi customer is detected, he/she should be approached in a certain way. In contrast, an existing Kuyichi customer who switches to a competitor should be regained. But he/she should be approached in a very different way than in the first scenario. In short this variable shows the behavior of a customer over time. In other words whether the customer becomes more or less loyal to the brand.

²¹ *LIMITATION 3: Unfortunately the loyalty card is sometimes used by more than one person. This may skew the research results and therefore this limitation must be considered in the evaluation of the results.*

Discontinuous repurchase: the variable *repurchases discontinuously* does not contain all the previous discussed information. This variable shows the total repurchases that were done by one individual customer and the effect of time is not included. Therefore the variable does not show if these purchases were made with interruption or without. This implies that important information is lost as it is impossible to determine whether a customer is loyal or not. Secondly, this variable cannot show whether a new customer is concerned or an existing customer that has changed his/her behavior over time. This is a major omission of this variable for the management of the brand. However, it still has been decided to include this variable, since it gives a high level view of the intensity of purchases per customer, which is also a good indicator of loyal behavior.

Since it is difficult to achieve high loyal behavior in the fashion industry the combination of both variables (continuous and discontinuous repurchases) is chosen. The first variable measures behavioral loyalty very strictly (without interruptions) but it gives only insight into a very small percentage of the total customer group (very loyal customers). The second variable (discontinuous repurchase) measures loyalty on a more general level and therefore gives insight into a larger percentage of the customer group. The combination of both variables gives the most realistic view of the loyalty level.

4.2.2.4 Statistical tests

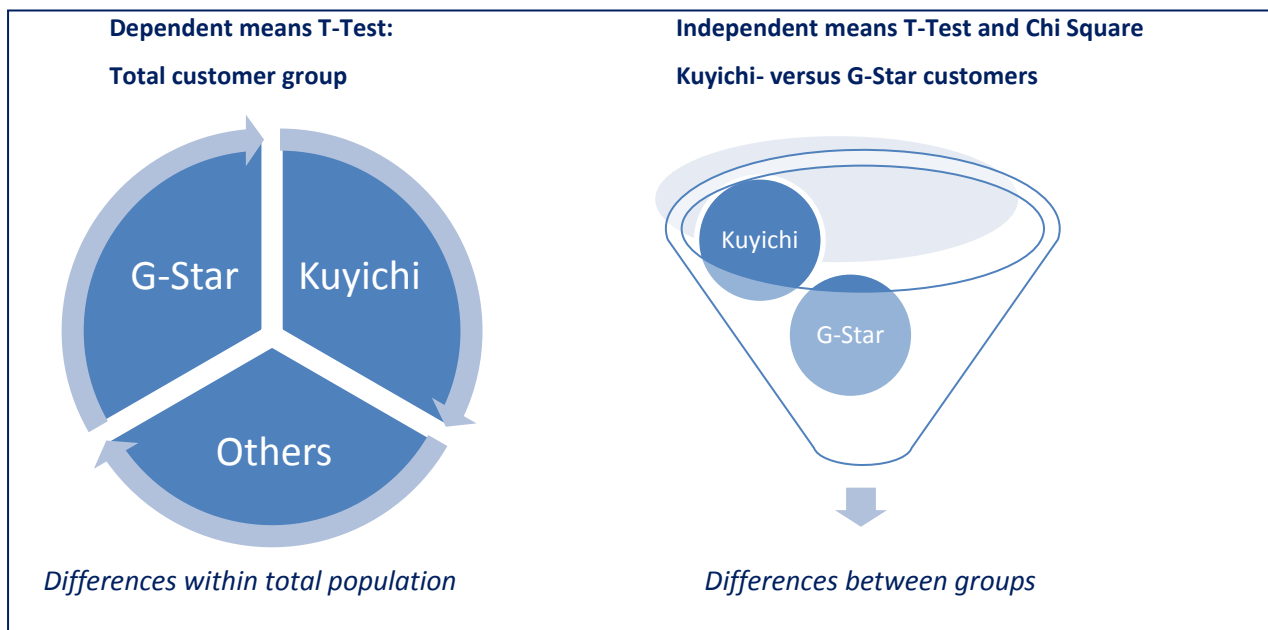
In order to test the hypotheses in section 4.2.1, the following two variables will be used: continuous and discontinuous repurchases. The goal of this investigation is to find out whether there are any differences between customers who purchase Kuyichi and G-Star. To reach this goal, the repurchases and switching scores of both brands will be compared. The methods used will differ slightly for both of the variables. These differences are dedicated to the characteristics of each variable. A short summary of these dissimilarities are shown in the table below.

Table 5 shows that a distinction can be made between the categorical dummy variables (1 or 0) and the ratio variable. For the categorical dummy variables the Chi Square test should be used. In contrast, the aggregated purchases (the ratio variable) should be tested by means of the t-test within one group. The Chi Square test will show the differences between the two customer groups (Kuyichi- and G-Star customers), whereas the T-test measures the dissimilarities within the whole customer group. Figure 3 provides a visual outline of the two methods.

Table 5 Summary of the most important variables

Groups	Variable	Repurchases	Variable	Repurchases	Variable Switch
	<i>Continuously</i>		<i>Discontinuously</i>		
G-Star = 1	CATEGORICAL VARIABLE		RATIO VARIABLE		CATEGORICAL VARIABLE
Kuyichi = 2	1 = repurchase		0, < = sum repurchases		1 = switch
Others = 0	0 = not a repurchase				0 = no switch

Figure 3 Tests visual



Additional information about these statistical tests can be found in exhibit 14. The outcomes of these tests will be analyzed in chapter 5.

4.3 Part 2: Attitudinal loyalty

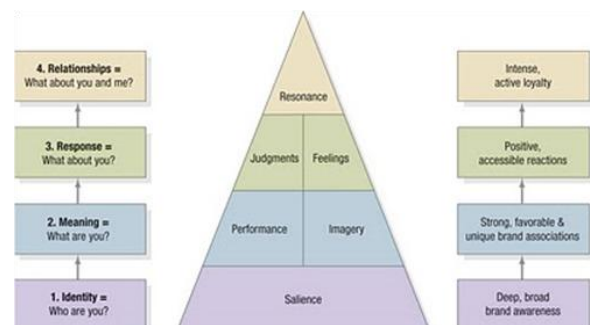
This section will describe the level of attitudinal loyalty and the differences between both brands. The literature of chapter 2 stated that attitudinal loyalty should be determined by conducting a survey. First this section describes the hypotheses of this survey, followed by a discussion of the methodology used for testing these hypotheses.

4.3.1 Hypotheses

The main question that should be determined is whether there is a difference in the overall attitudinal loyalty between the two customer groups. Therefore the following general hypothesis arises:

H2: *“Using a Fair-trade production process to a product, leads to a customer with a significant **higher level of attitudinal loyalty**”.*

But by only answering this question a narrow version of reality will be shown, namely only the differences in the overall loyalty level. **By establishing this level, it is not clear where the differences between both brands arose.** To combat this, the combination of theories that were discussed in chapter 2, will be used. It will start with the theory of Dick and Basu (1994) (also used by Kumar and



Shah,2004) that will be combined with the CBBE matrix of Keller (2001). The CBBE matrix shows that attitudinal loyalty arises from customers' brand knowledge, - awareness and -attitude. As is discussed in the theory, this is the base of how attitudinal loyalty arises.

The CBBE matrix will be combined with the theory of the relative attitude of Dick and Basu and Kumar and Shah (see figure at the right). This theory shows that the relative attitude is a more accurate way to measure the attitudinal level, because it takes into account the attitude differentiation instead of only the attitude strength.

		Attitudinal Differentiation	
		Low	High
Attitude Strength	High	Cell 4 • Low Relative Attitude • Possibility of multi-brand loyalty	Cell 1 • Highest Relative Attitude • High Attitudinal Loyalty
	Low	Cell 3 • Lowest Relative Attitude • Strong need to cultivate attitudinal loyalty	Cell 2 • High Relative Attitude • Good opportunity to strengthen attitudinal loyalty

The combination of the level of knowledge, awareness and attitude will give information on the overall loyalty level. As mentioned in the literature of chapter 2, the overall loyalty level can also be measured by means of the Word of Mouth intensity. So if the outcomes are consistent with the theory, the level of knowledge, awareness and attitude should correspond with the WOM intensity. If this is not the case, other causes, like moderators, can be important determinants of the attitudinal loyalty²².

Taking into account all of the above, it was concluded that merely one hypothesis will not suffice. To establish all different attitudinal loyalty levels, several sub hypotheses have been developed:

H2.1: *“Using a fair-trade production process leads to a customer with a significantly **higher level of knowledge of the brand**”.*

H2.2: *“Using a fair-trade production process leads to a customer with a significantly **higher level of relative attitude in favor of the fair-trade brand**”.*

H2.2.1: *“Using a fair-trade production process leads to a customer with a significantly **higher attitude strength in favor of the fair-trade brand**”.*

H2.2.2: *“Using a fair-trade production process leads to a customer with a significantly **higher attitudinal differentiation in favor of the fair-trade brand**”.*

H2.3: *“Using a fair-trade production process leads to a customer with a significantly **higher Word of Mouth (WoM) intensity**”.*

²² If the results of investigation parts 1 and 2 do not prove that loyalty is caused by the investigated variables, then new research should be done. In this thesis an additional investigation will be done to establish which factors do result in loyalty. However, because these additional factors were not included in this investigation, there is no data available on these variables in this research. Therefore the results from this additional investigation can only be used as guidelines for further research.

These hypotheses are based on the two stairs of the CBBE matrix (brand knowledge and brand response) in combination with the recommendation level, which can determine the overall attitudinal loyalty level.

4.3.2 Methodology

The previous section described the overall hypothesis and its sub hypotheses. This section discusses the method of how these hypotheses will be tested. The overall structure of how the survey is conducted is based on the literature of Dick and Basu (1994), Kumar and Shah (2004) and Keller (2001). This is the same classification as is used for the sub hypotheses. It starts with the knowledge level, followed by determining the attitude strength and differentiation, and it concludes with establishing the overall attitudinal loyalty level. The precise method concerning the respondents and variables will be discussed below.

4.3.2.1 Respondents

The survey was conducted among the same group of people as the first part of the investigation, namely the group of customers with a loyalty card of the same retail shop. Over a period of two months, a total of 220 customers were questioned. The respondents were randomly chosen at different times of day. A short introduction was given to the customer but without any pre-information about fair-trade in particular. In this way it was tried to keep the external influences to a minimum. Some additional information about these respondents is shown in exhibit 15.

4.3.2.2 Variables

The data consists of questions that were based on the four steps of the CBBE model. As is shown in the CBBE matrix the first level to achieve is the knowledge level. Brand knowledge can be divided in *active* and *passive* knowledge. Active knowledge is whether the correspondent can recall the brand itself, whereas passive knowledge is already available when the correspondent recognizes the brand.

The survey will start with establishing the passive knowledge by easily questioning if the customer knows the brand²³. To create some more insight in this knowledge level, the awareness level should also be measured. The awareness level determines the active knowledge level by means of asking to recall associations. Associations are attributes or benefits which consumers strongly relate to the brand (Keller and Tybout, 2002). A brand can communicate points of parity and points of difference.

- **Points of Parity (PoP):** associations that are not necessarily unique to the brand but may in fact be shared with other brands.
- **Points of Difference (PoD):** attributes or benefits consumers strongly associate with a brand, positively evaluate, and believe that they could not find to the same extent with a competitive brand. *Strong,*

²³ Do you know the jeans-brand Kuyichi/G-Star? (Yes/No). See exhibit 16

favorable, and unique brand associations that make up points of differences may be based on virtually any type of attribute or benefits²⁴.

By asking respondents at their associations, it can be established whether both brands have the same PoPs and/or PoDs. Both brands want to be seen as a trendy jeans brand, those associations can therefore be seen as PoPs. Having said this, it is to be expected that they have similar PoPs but different PoDs. Fair-trade is an association that can be seen as an Point of Difference.

The active brand knowledge level is very important to establish. This because if the customer doesn't know that the brand Kuyichi is fair-trade, the conclusion that a fair-trade production process can lead to a higher loyalty level cannot be made (what is the base of this investigation). To measure the awareness level, eight associations were given. These associations were based on the outcomes of a pre-survey. This pre-survey consists of only one simple open question, namely *What associations do you have if you think of the brand Kuyichi or G-Star?* A selection of the most mentioned associations (eight in total) was used as the base for the real survey. The respondents could choose with a maximum of four from these associations (Question 3,4,5 and 6 in exhibit 16). By doing this it is very easy to establish whether both brands have the same PoPs and PoDs. Secondly, by using this method respondents do not get the impression that the investigation will focus on fair-trade.

The differences in outcomes of this first question can already be very important. It shows the starting point of how the differences in outcomes in loyalty level between both brands could arise. This can be very important information for both brands, because investing in the highest level of attitudinal loyalty has no effect if there is no (or misplaced) knowledge in the first place.

After investigating the knowledge level and its corresponding associations for each brand, the attitude level should be determined. This should be done by determining the relative attitude level instead of the general attitude level. To do so, the attitude strength as well as the attitude differentiation will be measured, which will be done by asking the customer how they feel about the brand. Consequently, this method assumes that customers are able to express their knowledge and feelings well. To help the customer to do so, guidelines by means of different answer categories are created. Therefore several multiple choice question were asked, these questions and the corresponding answer categories are shown in exhibit 16.

²⁴ CiteMan Network (2006)

Attitude strength will be measured by extreme attitudes (Wood, 1982). In the survey it is asked they feel about the brand²⁵. When the respondent answered *very positive* or *very negative*, it is called a extreme attitude (E.M Pomerantz, S. Chaiken and R. S. Tordesillas, 1995). Attitude differentiation will be established by testing the differences between the attitudes of both brands. The combination of the outcomes of both questions will give the level of the relative attitude (questions 7, 8 and 9 in exhibit 16).

Finally the overall attitudinal loyalty will be measured. This level is the highest level that results from the previously discussed levels. Hence, it is expected that the previous levels are strongly correlated with the overall attitudinal loyalty level. As described in the theory of chapter 2, the overall attitudinal loyalty can be determined by means of the Word of Mouth intensity. The only question that should be used to determine this level is: Will you recommend the product to one of your friends or colleagues? This question is based on the theory of F.F. Reichheld (2003) that is discussed in the literature of chapter 2 (questions 10 and 11 of exhibit 16).

If the results correspond to the theory, the level of WoM intensity should agree with the previous results of knowledge, awareness and attitude level.

4.3.2.3 Statistical tests

The questions will be analyzed by means of two statistical tests: the dependent T-test and Chi Square test. The goal of these tests is to determine the differences in every step of the attitudinal loyalty ladder between both brands. The additional statistical backgrounds about these tests can be found in exhibit 14. The results of the tests will be discussed in chapter 6.

4.4 Conclusion chapter 4

This chapter has described the hypotheses and the methodologies to be investigated in this research. The description was divided into two parts: behavioral loyalty and attitudinal loyalty. To determine the behavioral loyalty, retail data will be used. The attitudinal loyalty will be investigated and determined by means of a survey. The results of both of these parts of the investigation will be analyzed in chapters 5 and 6 respectively.

²⁵ William Scott (1968) described nine variable properties of attitudes that might considered dimensions of attitude strength: magnitude, intensity, ambivalence, salience, affective salience, cognitive complexity, overtness, embeddedness and flexibility. In this thesis intensity is used to measure the attitude strength. This is done by asking a respondent how they feel about the brand. A respondents shows a high attitude strength when he/she chose one of the extreme options: *Very Positive/Very Negative*. It is assumed that in this case the respondent has a very intense feelings.

Chapter 5 Investigation Part 1: Behavioral Loyalty

The previous chapter has discussed all hypotheses and corresponding methods that will be tested in this thesis. As indicated the investigation will be divided in two parts: behavioral – and attitudinal loyalty. This chapter will discuss the tests that were done for investigation part 1, which was described in section 4.2 and focuses on behavioral loyalty.

5.1 Introduction

The following hypothesis will be analyzed in this chapter:

H1: *“Using a fair-trade production process leads to a customer with a significantly **higher level of behavioral loyalty**”.*

As discussed in the previous chapter, four sub hypotheses are tested and analyzed to provide the answer to the main hypothesis. This chapter discusses the tests and corresponding results for each hypothesis. The analysis is divided in two sections. First the hypotheses that were based on the repurchases will be tested in part (a). Secondly, the hypotheses that were based on the retention rate will be tested in part (b). The hypotheses will be answered by means of the statistical tests but will be supported with an analysis of the used variables. The analysis is structured this way with the aim to provide a realistic answer.

5.2 Part (a) Repurchases

Part (a) will focus on the variables repurchasing continuously and repurchasing discontinuously. In this part the following hypothesis will be tested:

H1.1 *“Using a fair-trade production process leads to a customer with a **significantly higher number of repurchases**”.*

5.2.1 Repurchases continuously

As is discussed in the theory of chapter 2, two kinds of loyalty can be distinguished. In this section the *Repurchases Continuously* (without any interruptions) will be discussed. It describes hard-core loyalty: when consumers exclusively repeat purchase one brand (Yim and Kannan, 1998). This will be done by analyzing the repurchases without interruptions.

5.2.1.1 General findings

Before testing the hypotheses, some general information about the tested variables will be discussed. In table 6 the purchases and repurchases over the last six years are shown. It is very obvious that all brands have to cope with a struggling economy during the years 2008 and 2009 and most likely also in 2010 (this was already expected since the analysis of the market characteristics in chapter 3 showed the same). Nevertheless Kuyichi

and G-Star have grown rapidly for the last 5 years (with some stagnation in 2009 and 2010). The overall growth rate of Kuyichi in the period from 2005 to 2010) is 262.96%²⁶ with an average of 38.2%. Although G-Star has also shown a large increase in sales during the last five years, the growth rate is much lower at an overall growth rate of 26.54%²⁷ and an average of 6.5%.

Table 6 Purchases and repurchases over time²⁸

Purchases in pieces	Kuyichi Purchases	Growth rate	Kuyichi Repurchases	Growth Rate	G-Star Purchases	Growth rate	G-Star Repurchases	Growth Rate
2005	189	*****	10	*****	1929	*****	640	*****
2006	393	107.9%	47	370.0%	2435	26.2%	1023	59.8%
2007	759	93.1%	126	168.1%	3168	30.1%	1389	35.8%
2008	748	-1.4%	143	13.5%	2563	-19.1%	1227	-11.7%
2009	726	-2.9%	198	38.5%	2380	-7.1%	1226	-0.1%
2010*	686	-5.5%	190	-4.0%	2441	2.6%	1406	14.7%
TOTAL	3501	*****	714	*****	14916	*****	6911	*****
AVERAGE	584	38.2%	119	117.2%	2486	6.5%	1152	19.7%

Still it is too simplistic to conclude that Kuyichi was more successful during the last five years, since the absolute growth (growth in the number of pieces of clothing sold) of G-star is still higher than Kuyichi's, namely 512 for G-Star versus 497²⁹ for Kuyichi. Yet, these figures do lead to the conclusion that G-Star is already a mature brand and Kuyichi is still in its growth phase^{30,31}.

Table 7 Developments over time (Purchases & Repurchases)³²

Purchases / Repurchases	Kuyichi	Repurchase Kuyichi	Proportion	GStar	Repurchases G-Star	Proportion	GSUS	Repurchase GSUS	Proportion
2005	189	10	5.3%	1929	640	33.2%	800	171	21.4%
2006	393	47	12.0%	2435	1023	42.0%	801	130	16.2%
2007	759	126	16.6%	3168	1389	43.8%	542	88	16.2%
2008	748	143	19.1%	2563	1227	47.9%	149	17	11.4%
2009	726	198	27.3%	2380	1226	51.5%	168	16	9.5%
2010*	686	190	27.8%	2441	1406	57.6%	219	31	14.1%
Total	3501	714	*****	14916	6911	*****	2679	453	*****
Average	583	119	18.0%	2486	1152	46.0%	447	75	14.8%

* year 2010 was from 1/1/2010 - 1/8/2010, so multiplied with factor (12/7)

When looking at the proportions of repurchases over time, it is shown in the table above that both the proportion for G-Star and for Kuyichi have shown a large increase in the last five years. The neutral brand GSUS shows a large decrease over time, with a small recovery in 2010. The table shows that in 2010 57.6% of all G-

²⁶ Growth Rate per year for Kuyichi between 2005 – 2010 = (686-189)/189= 262.96%

²⁷ Growth Rate per year for G-Star between 2005 – 2010 = (2441-1929)/1929 = 26.54%

²⁸ Forecast for 2010. This is calculated by doubling the number since the data covers only the first six months of the year.

²⁹ G-Star: 2441 – 1929 = 512 versus Kuyichi: 686 – 189 = 497

³⁰ This is based on the theory of the *Product life cycle*, Levitt T. (1965). This theory discusses 4 phases: introduction phase, growth phase, maturity phase and the decline phase.

³¹ *LIMITATION 4: The fact that both brands are at different stages of the product life cycle (the growth stage for Kuyichi versus mature stage for G-Star) have affected the investigation results.*

³² GSUS is the neutral brand to compare with

Star customers made a repurchase, which is quite high when comparing it to Kuyichi where only 27.8% made a repurchase (and especially when comparing it with the 14.1% of GSUS) . Still when looking at the growth rate of the proportions³³, Kuyichi shows much better results than G-Star, namely 424.5% (Kuyichi) versus 73.5% (G-Star).

Still the previous conclusion says nothing about the loyalty level of both customer groups but only about the potential of customer loyalty. From the above, it can be concluded that the important findings are firstly the large increase in sales and repurchases for Kuyichi. This shows good potential for Kuyichi. Secondly, it can be said that G-Star also showed good results: even though the growth rates were lower, the absolute values were very high. Having said this it can be concluded that at this point in time G-Star has the highest number of loyal customer but Kuyichi shows the most promising facts and figures for the future.

5.2.1.2 Chi Square Test

The previous part shows some important findings of the last five years. Subsequently in this part some statistical tests based on the just discussed variables will be done. To do so, the next hypothesis will be tested.

*H1.1.1 "If a customer buys a fair-trade brand, it is **significantly more likely** that he/she will consecutively repurchase the fair-trade brand instead of purchasing another brand".*

The overall goal of this hypothesis is to test whether the Fair-trade brand leads to a customer with a significantly higher number of continuous repurchases. The data shows if the customer purchases EITHER Kuyichi OR G-Star. This means that the variable is a nominal categorical variable, namely Kuyichi/G-Star. Secondly the variable repurchases shows whether a customer **directly** repurchases the same brand. With both variables the proportion repurchases/purchases of both brands will be compared. Since a nominal categorical variable could not be normal distributed, and we would like to compare proportions, there is only one obvious method to use, namely the Chi Square test. The following formula will be used to estimate the Chi Square parameter:

$$X^2 = \sum_{i=1}^n \frac{(O_i - E_i)^2}{E_i}$$

The Chi Square test measures how "close" the observed values are to those which would be expected under the fitted model³⁴, so if both variables were equally distributed. More information about the Chi Square test can be found in exhibit 14.

In exhibit 17 the output of the Chi Square test is shown. The table shows a highly significant level (P <0.001), which means that the H₀³⁵ should be rejected. This result indicates that both variables are related in some way.

³³ Growth rate proportion 2005-2010: [Kuyichi 424.5% = ((27.8-5.3)/5.3)*100%] [G-Star 73.5% = ((57.6-33.2)/33.2)*100%]

³⁴ Chi Square Goodness of Fit Test

³⁵ The Chi Square test measures the difference between the observed and the expected values. The observed values are the values that were given in the data, the expected values are the values that should occur if there

In other words this means that the choice of brand by the customer has a significant influence on the number of repurchases.

When looking at the crosstabs in exhibit 17, it can be concluded that this result is caused by two interesting findings. First it can be stated that Kuyichi's purchases are above expectations, unlike the results for G-Star that scored under the expected value. Secondly the opposite can be said for the repurchases. Customers repurchased less of the brand Kuyichi than expected. Contrary to that, the G-Star customer made more repurchases than expected.

5.2.1.3 Distribution of Repurchases Continuously

To create some further insights in the origin of the differences in the number of repurchases, a distinction will be made for each individual with a low, medium and high number of continuous repurchases. This means that in this table all continuously repurchases are aggregated and distinguished in three levels with the corresponding percentage. Low includes 0-2 repurchases per person, medium is 3-4 repurchases and high is 5 and more³⁶. It is reasonable to assume that a customer in the high repeat patronage group is more loyal than a customer in the low repeat patronage group. Secondly it can be assumed that if there are more customers in the higher segmented group, the customer group of that brand is more loyal.

Table 8 Distribution of loyalty per brand

Repurchases (Continuously)	Kuyichi	% of total	G-Star	% of total	GSUS	% of total	Total	% of total
Low repeat patronage (0-2)	1452	96,0%	2698	77,4%	1267	97,1%	5417	86,0%
Medium repeat patronage (3-4)	42	2,8%	395	11,3%	29	2,2%	466	7,4%
High repeat patronage (5, <)	18	1,2%	391	11,2%	9	0,7%	418	6,6%
Total customers	1512	24,0%	3484	55,3%	1305	20,7%	6301	100,0%

The table shows that of the Kuyichi customers, 96% has done less than three repurchases over the last five years. So only 3.9% of the total customer group has done more repurchases, which is a very small percentage. The same can be said about the brand GSUS. In contrast, the outcomes of the brand G-Star are much more distributed. About 77% of the total G-Star customer group have only repurchased the brand less than three times, the other 23% is distributed over the other two categories. This distribution confirms the 20/80 rule³⁷,

were no differences between the two groups. The theory of what is known as the **null hypothesis**, expects that both means (so observed versus expected) of the sample will be very similar. If not, the null hypothesis will be rejected. As the observed difference between the sample means gets larger, the more confident we become that the second explanation is correct, what means that the null hypothesis should be rejected (Andy Field). Taking this into account, it could be stated that the higher the Chi Square value, the higher the difference between the two groups, hence the more confident we can be to reject the null hypothesis. Consequently this means that in this case the Chi Square is higher than the allowed value, and it could be stated that the variable brand has a significant influence on the amount of purchases and repurchases

³⁶ For the category *Low* only zero is included when the sum of purchases is bigger than zero. This is important because logically, if there was no purchase, there cannot be a repurchase.

³⁷ Vilfredo Pareto (1848-1923) introduced the 20/80 rule. The rule claims that 20 percent of the total customers is good for 80 % of the total sales. Pinnacle Management. Accelerating Results for Growing Businesses.

namely that 20 percent of the total customer group (in this case even a little more) will contribute to 80% of the total sales. This table confirms that the G-Star customer is a much more loyal customer compared to the other two brands.

Considering the above, a few conclusions can be drawn: The customers of G-Star show higher numbers of repurchases, hence more loyal behavior. Subsequently G-Star has a higher percentage of loyal customers (over 20%) contrary to the 4% of Kuyichi. Secondly it can be said that the number of Kuyichi customers is growing. This is based on the high growth rates but also on the high number of first purchases and the low number of repurchases, which indicates that many new customers have emerged. Having said this, only one clear conclusion can be made:

H1.1.1 "If a customer buys a fair-trade brand, it is **significantly more likely** that he/she will consecutively repurchase the fair-trade brand instead of purchasing another brand". **REJECTED**

5.2.2 Repurchases discontinuously

As is discussed in the theory of chapter 2, two kinds of repurchases will be analyzed. *Repurchases Discontinuously* is the second type which describes reinforcing loyalty: when consumers may switch among brands, but predominantly repeat purchase one or more brands to a significant extent (Yim and Kannan, 1998). This will be done by analyzing the total number of purchases per customer.

5.2.2.1 General findings

Like in the previous section, some general findings are discussed first. In the next table the average number of repurchases per consumer is shown.

Table 9 Average number of discontinuous repurchases per consumer

Repurchases (Discontinuously)	Kuyichi	G-Star	GSUS
Total Purchases	3215	13899	2588
Total consumers	1512	3484	1305
Average purchases per consume	2,1	4	2

The table shows that the total number of purchases (hence the discontinuous repurchases) is very different for the three brands. G-Star has an average of four pieces per consumer, which is about twice the number of Kuyichis' (2.1 pieces per consumer) and GSUS' (2.0 pieces per consumer). With this information, it would seem logical that the number of discontinuous repurchases will differ significantly between the Kuyichi and G-Star customer groups³⁸. To confirm this conclusion, the corresponding statistical test will be done in the next section.

³⁸ GSUS is only a neutral brand, so will not be included in further tests.

5.2.2.2 T-Test within one group

The previous part shows some general findings considering the total number of repurchases. Subsequently in this part some statistical tests based on the just discussed variable will be done. To do so, the next hypothesis will be tested.

*H1.1.2 “If a customer buys a fair-trade brand, it is **significantly more likely** that he/she will not consecutively repurchase the fair-trade brand instead of purchasing another brand”.*

The goal of this hypothesis is to test whether the fair-trade brand leads to a customer with a significantly higher number of discontinuous repurchases. The hypothesis complements the previous hypothesis, since it will also give some insight into the overall number of repurchases *with interruptions*.

The variable Repurchases discontinuously contains of all repurchases per consumer that were done in the last five years. Because of this it is impossible to classify the customer as a Kuyichi customer or as a G-Star customer, because he/she will mostly likely have purchased both brands in the last five years (see exhibit 18.1 purchase patterns and distribution of purchases) . When the purchases are aggregated, a ratio variable is created³⁹. Because of this and the fact that the customer cannot be defined as a Kuyichi customer or a G-Star customer, a T-test within one group should be done. The statistical background of this test is extensively discussed in exhibit 14⁴⁰.

Despite the limitations^{41,42} of the T-test, this test has some additional value with respect to H1.1.1. This hypothesis made it possible to estimate the differences in brand loyalty per consumer over time. By also testing hypothesis H1.1.2, it is possible to create some further insight into the number of purchases per customer. In this way it can be tested whether the Kuyichi or G-Star customer has purchased more products

³⁹ It is important to note that a ratio variable is normal deviated, which is a condition for the t-test.

⁴⁰ The T-test assumes that the data is normally distributed and that the variables are dependent. Both assumptions are met since the repurchases discontinuously is a ratio variable and the customers are from the same group and can be a Kuyichi customer as well as a G-Star customer (therefore dependent).




⁴¹ *LIMITATION 5: It is important to consider the difference between the T-test within one group and the T-test between two groups (see exhibit 9), namely that for the T-test within one group the N is the same. This means that the number of repurchases of Kuyichi as well as of G-Star will be adjusted to one value of N. A large disadvantage of this is that the number of purchases of G-Star are much higher than for Kuyichi. This leads to results with a prejudice in favor of Kuyichi. This prejudice is caused by the fact that the proportion of Kuyichi will be lower since it is adjusted to a much bigger N (in the previous test the number of repurchases was adjusted to the number of purchases of the brand itself). Therefore it can already be said that this test will show customers of Kuyichi to be less loyal than they are in reality.*

⁴² *LIMITATION 6: Another disadvantage of the T-test is that it will measure the differences between the two customer groups in general. This means that it will not measure the buying behavior over time, but it will measure all purchases per person in total. By doing this the measurements will be less valid, because actually we want to measure whether the customer acts loyally, and whether this changes over time. This can be done by measuring whether the number of repurchases has increased or whether the customer has switched a lot. So a large pitfall of this measurement is that by using the overall number of purchases, a general view will occur of the number of repurchases, but it is not clear if they were done separately or continuously or if they were done in 2005 or 2010. In analyzing the results, this limitation should be included and considered.*

during the last five years, which is also an indicator for brand loyalty⁴³. This phenomenon is called purchase acceleration.

In exhibit 18.3 the results of the T-test are shown⁴⁴. The T-test measures whether there is a difference between the two observed brands. The H_0 assumes that there is no difference. If there is a difference and the significant level is smaller than 0.05, the hypothesis must be rejected. In this case, it can be said that there is a difference between the observed values of both brands since $P < 0.001$. Hence the hypothesis must be rejected.

Although the above analysis already answers the question whether the two customer groups perform differently, it does not answer the hypothesis whether the Kuyichi customer performs above expectation and hence has a higher loyalty level. So only looking at the significant level is not enough. To answer this hypothesis, the rest of the figures (like the mean, the correlation coefficient and the standard deviation) that are given in the tables should also be analyzed.

-  The correlation coefficient of 0.514 shows that it is likely that if a customer buys a lot of G-Star, he/she will also buy a lot of Kuyichi. (For example: if a customer purchases two G-Star products, then he/she will most likely also buy one Kuyichi product (ratio 2:1).)
-  The mean of both brands differs with 1.97013 in the prejudice of Kuyichi. As was already discussed in the limitations, this was expected to happen because of the large N and the small proportion of Kuyichi customers⁴⁵. This difference in mean values plays an important role in the outcome of this test, hence the low P-value ($P < 0.0001$).
-  The standard deviation of G-Star is much higher than that of Kuyichis'. This is caused by the fact that the spread in the number of purchases is much larger for G-Star customers (a minimum of 1 and a maximum of 75) (see also exhibit 18.2). Since the total number of repurchases of Kuyichi is not that high, the differences between the number of purchases between the customers is also relatively small, which explains the much lower standard deviation.

5.2.2.3 Distribution of Repurchases Discontinuously

To analyze the results further, and to combat the previously mentioned limitations, the variable repurchases (discontinuously) will be divided into three levels⁴⁶: The customer with a low loyalty level (1-2), medium loyalty level (3-4) and high loyalty level ($4 <$)⁴⁷. This is done for both brands. In the table below the different levels of loyalty will be compared and the differences between the loyalty groups will be estimated by showing the

⁴³ Purchases acceleration, see exhibit 6.

⁴⁴ The dependent means T-test is called in SPSS the Paired T-test.

⁴⁵ Total N= 5423: Proportion Kuyichi = $1512/5423 = 27.9\%$ Proportion of G-Star = $3438 / 5423 = 63.4\%$.

⁴⁶ This method is based on the methodology in the article of Robert East and Julie Sinclair: ANZMAC 2000 Visionary Marketing for the 21st Century: Facing the Challenge; Loyalty: Definition and Explanation, Kingston Business School Phil Gendall, Massey University⁴⁶

⁴⁷ This is the same method as is used for testing H1.1.1.

percentage of repurchases per brand⁴⁸. This analysis will complement the T-test that proved that the Kuyichi customer differs in general from the G-Star customer.

Table 10 Distribution of repurchases discontinuously per brand

Repurchases (Discontinuously)	Kuyichi	% of total	G-StAR	% of total
Low repeat patronage	1151	76.1%	1886	54.1%
Medium repeat patronage	237	15.7%	722	20.7%
High repeat patronage	124	8.2%	876	25.1%
Total households	1512	100.0%	3484	100.0%

As you can see, all percentages of medium and high repeat patronage are much higher than for the continuous repurchases. For Kuyichi this percentage is 23.9% (in contrast to the 3.9% of the continuous repurchases) and for G-Star even 45.8% (compared with 22.5% of the continuous repurchases). Despite these higher percentages, the results lead to the same conclusion. Just as for the continuous repurchases, this table shows that the G-Star customers more often purchase the brand, and hence show more loyal behavior, than the Kuyichi customers.

To conclude, it can be stated that all findings support the same conclusion, namely that the Kuyichi customer shows less loyal behavior than the G-Star customer. Therefore, it has to be concluded with respect to the hypothesis under investigation in this section:

H1.1.2 “If a customer buys a fair-trade brand, it is **significantly more likely** that he/she will not consecutively repurchase the fair-trade brand instead of purchasing another brand”. **REJECTED**

5.3 Part (b) Retention rate

As discussed in the theory of chapter 2, not only repurchases are used to determine the behavioral loyalty, but also the retention rate. Since it will shed its light on loyalty from a different perspective⁴⁹, also this indicator of loyalty will be analyzed. In part (b) the following hypothesis will be tested:

H1.2 “Using a fair-trade production process leads to a customer with a **significantly higher** ‘retention rate’⁵⁰”.

⁴⁸ The repurchases were adjusted to the number of total purchases of the brand itself.

⁴⁹ The opposite of retention is switch.

⁵⁰ Total number of purchases (%) – the number of ‘churns’ (%) = Retention rate (%) [100% - X% = Retention rate]

5.3.1 General findings

Just as for the other hypotheses, first some general information about the tested variables will be discussed. In the next table the number of purchases and switches, and the resulting retention rate are shown over the last 6 years. This table again includes the control brand GSUS, which makes it possible to compare the developments of both analyzed brands with a neutral brand⁵¹.

The table shows that the retention rate of G-Star is about twice as high than for Kuyichi. Moreover, the retention rate of Kuyichi is about twice as high than that of GSUS. These results support the earlier findings in part (a) which are based on the number of repurchases. The data shows that G-Star has by far the most loyal customers, followed by Kuyichi and that GSUS has the least loyal customers of all three brands.

Table 11 Switches and retention rate over time

Switch over time	Sum Kuyichi	Switch	Retention Rate	Sum G-Star	Switch	Retention Rate	Sum GSUS	Switch	Retention Rate
2005	189	105	44.4%	1929	680	64.7%	800	388	51.5%
2006	393	294	25.2%	2435	1048	57.0%	801	575	28.2%
2007	759	507	33.2%	3168	1370	56.8%	542	502	7.4%
2008	748	478	36.1%	2563	1131	55.9%	149	177	-18.8%
2009	726	418	42.4%	2380	755	68.3%	168	162	3.6%
2010	400	232	42.0%	1424	419	70.6%	128	77	39.8%
Total	3215	2034	*****	13899	5403	*****	2588	1881	*****
Average	536	339	37.2%	2317	901	62.2%	431	314	18.6%

5.3.2 Chi Square test

The results from the previous section suggest that the G-Star customer will switch less frequently than the Kuyichi customer. To investigate this expectation, the Chi Square test will be used. The following hypothesis is tested:

*H1.2.1 "If a customer buys a fair-trade brand, it is **significantly less likely** that he/she will consecutively switch to another brand".*

The goal of this hypothesis is to test whether the fair-trade brand leads to a customer with a **higher** level of 'retention rate'⁵². The measurements will be done by means of the variable 'number of switches', which is the opposite of retention rate and can be directly derived from the data.

Hypothesis H1.2.1 can simply be tested using the same method as for hypothesis H1.1.1. This is because the variable 'number of switches' is a nominal categorical variable (either Yes No). Secondly, also here we want to measure proportions, namely the number of switches that resulted from a purchase: ratio switches/purchases.

⁵¹ This neutral brand is GSUS. The neutral brand is the control group.

⁵² Total number of purchases (%) – the number of 'churns' (%) = Retention rate (%) [100% - X% = Retention rate]

As discussed before (H1.1.1) the Chi Square table shows the observed and the expected value. The observed values are the values that were given in the data, whereas the expected values are the values that should occur if there were no differences between the two groups. If there is no difference between the two customer groups, then the Chi Square value will be under the allowed value. If not, it can be concluded that there is a significant difference between the number of purchases and the corresponding number of switches per brand. As discussed in part (a), the Chi Square method automatically corrects for the difference in the total number of customers.

The results are shown in exhibit 19. The table shows a highly significant value ($P < 0.0001$), which indicates that both variables (*brand* and *switches*) are in some way related. When looking more carefully at the results it can be stated that the brand Kuyichi underperforms. The number of purchases is lower than expected and the number of switches is higher than expected. This leads to a higher proportion of switches per purchase than expected. Secondly, when looking at the brand G-Star, it can be stated that it performs beyond expectations, with a higher number of purchases and a lower number of switches than expected.

Considering the above, it can be firmly concluded that the Kuyichi customer does not act more loyal than the G-Star customer, in fact the reverse is true.

5.3.3 Distribution of Switches

To get more insight in where the differences occur, a distribution is made (same as for H1.1.1 and H1.1.2) By doing this, the customer group will be divided on their switching behavior. In the next table, the number of switches are assigned to the number of customers.

Table 12 Switching behavior per brand

Switching behavior	Kuyichi	% of total	G-STAR	% of total	GSUS	% of total
Low switch (0-2)	1295	85.6%	2812	80.7%	1140	87.4%
Medium switch (3-4)	154	10.2%	389	11.2%	108	8.3%
High switch (5,<)	63	4.2%	283	8.1%	57	4.4%
Total households	1512	100.0%	3484	100.0%	1305	100.0%

Table 12 shows that the number of switches for Kuyichi is less than three for 85.6%. However this seems like a good results, this is only caused by the fact that the Kuyichi customer purchased the brand a few times. Therefore the chance of a high number of switches will become smaller. The same can be said for the brand GSUS. About 20% of G-Star customers has switched more than twice, which is the highest percentage compared to the other two brands. However, since also over 45% have purchased the brand more than twice (intensive buyers) during the last 6 years (table 10), the switching behavior is not that intensive. It only shows that about 50% of the loyal customers of G-Star have also tried other brands as well. This finding is in line with the correlation coefficient (0.514) that was discussed in section 5.2.2 This value of the correlation coefficient

showed that when a customer purchases G-Star, half of the times he/she will also purchases a Kuyichi product (ratio 2:1). So of a total of three purchases, two will be of the brand G-Star and only one of Kuyichi, which exactly corresponds to the 50% switches.

From the above analysis, it can be concluded that the Kuyichi customer switches more often when compared to the G-Star customer. The brand Kuyichi therefore has a lower retention rate and only one possible conclusion can be drawn:

H1.2.1 *“If a customer buys a fair-trade brand, it is **significantly less likely** that he/she will consecutively switch to another brand”.* **REJECTED**

5.3.4 Limitation variable Switch

As also was discussed in the methodology, an important limitation of the variable switches is the fact that switches can be counted double (see page paragraph 4.2.1). To combat this, the number of switches back should be excluded from the data. In this way the negative effect of the double switch will be minimized. By doing this, it can be expected that the conclusions that were made in section 5.3.1, and especially for the category low brand loyalty, will be weakened. Simultaneously this leads to the final goal of this extra section: to give a more realistic view of the outcomes of hypothesis H1.2.1.

5.3.5 Single Purchases

In the next table the number of customers with single purchases are shown. Also in this table, the brand GSUS is shown in order to compare the two brands with a neutral brand.

Table 13 **Number of customers with single purchases**

Single purchases per household	Kuyichi	G-STAR	GSUS
Household with single purchases	830	1238	760
Total households that purchases the b	1512	3484	1305
Percentage Single purchases of total	54.9%	35.5%	58.2%

As is shown in the previous table, the percentage of single purchases of Kuyichi is 54.9% and for GSUS 58.2%. Both percentages are quite high in comparison with the 35.5% of G-Star. In line with earlier results in this report, these figures also confirm that the average G-Star customer more often purchases more than one product compared with Kuyichi and GSUS customers.

With this information we can make a new table that will subtract the number of single purchases only from the number of switches (see table 14).

Table 14 Switches minus single purchases

Switching behavior	Kuyichi	% of Total	G-StAR	% of Total	GSUS	% of Total
Single purchases	830	*****	1238	*****	760	*****
Low switch (0-2)	465	68.2%	1574	70.1%	380	69.7%
Medium switch (3-4)	154	22.6%	389	17.3%	108	19.8%
High switch (5,<)	63	9.2%	283	12.6%	57	10.5%
Total households	682	100.0%	2246	100.0%	545	100.0%

This table shows that, when excluding the number of single purchases, G-Star’s largest group of customers (70.1% of the total) have only switched 0-2 times. For Kuyichi this number is 68.2%. The difference is not that large, but when considering the fact that the average number of purchases of G-Star is about twice as high as for Kuyichi’s customers, the number of switches for G-Star was expected to be higher. Therefore, it can be stated that the G-Star customer relatively switches less often than the Kuyichi customer, which agrees with the previous findings. So even when the number of switches is adjusted for the number of single purchases, the outcome remains the same.⁵³

H1.2 “Using a fair-trade production process leads to a customer with a **significantly higher** ‘retention rate’⁵⁴”.

REJECTED

5.4 Conclusion behavioral loyalty

From the analysis one has to conclude that G-Star has a much more loyal customer group than Kuyichi. Therefore the hypothesis that fair-trade customers show much more loyal behavior compared to the consumers of normally produced goods must be rejected.

Continuously repurchases: G-Star has a higher number of continuously repurchases comparing to Kuyichi. There are two obvious explanations for this finding that can be derived from the analyzed data. First it can be concluded that G-Star is already a mature brand and has its own strong customer group, think of the 20/80 rule that is proved. Secondly Kuyichi has a lot of new customers, what will lead to a high number of purchases but a low number of repurchases. Considering the growth rates, it is very plausible to think that these findings will change over time and the customers of Kuyichi will show more loyal results in the future. Therefore it can be stated that perhaps this analyzes is done a little bit too early to make a fair comparison of both brands.

⁵³ Additional: Insight in the single purchases will not only adjust the previous results, but it will also show how often a customer switch to your brand. This can be interesting because in that case it will give the brand an opportunity to stick their feet between the door and conquer the customer. So simultaneously it can be stated that if a brand shows a high number of single purchases, it can be seen as an opportunity to steal customers away from their competitor. However, it should not be forgotten that since it remain single purchases, they failed to concur them. When looking at the absolute numbers of all brands, it can be concluded that all brands show large amount of single purchases, what indicates a not loyal market. Brands should try to improve the retention rate with marketing campaigns.

⁵⁴ Total number of purchases (%) – the number of ‘churns’(%) = Retention rate (%) [100% - X% = Retention rate]

Conclusion repurchases discontinuously: Concluding it can be stated that also for the discontinuously repurchases, the G-Star customers show much more loyal behavior than the Kuyichi customer. Since this variable doesn't give information about the progress of this repurchases over time, it cannot be stated whether the Kuyichi customer does perform better in the last few years or worse. But considering the information about the repurchases continuously, it can be assumed that most of the Kuyichi's purchases were done in the last couple of years. Therefore it would be wise to measure the repurchases in five years again and see if there is still such a large difference. With the previous information, it can be assumed that the difference with G-Star will be smaller over time. Nevertheless, at this moment, it cannot be proved that Kuyichi has a more loyal customer group because of the fair-trade production process, hence the hypothesis must be rejected.

Switches: When analyzing the number of switches, it can be stated that also here G-Star showed better results than Kuyichi. Kuyichi's number of purchases were lower than expected but the number of switches were above expectations. Even when the switches were adjusted to the single purchases, the outcomes remain the same. The Kuyichi customer still showed less loyal behavior comparing to the G-Star customer.

Considering all the previous findings, it can be said that only one conclusion is right: The G-Star customer shows much more loyal behavior than the Kuyichi customer, when taking into consideration repurchases and retention rate. SO:

H1: "Using a fair-trade production process leads to a customer with a significant **higher level of behavioral loyalty**". **REJECTED**

Results versus Theory: To implement this findings in the theory that was discussed in chapter 2, both brands will be classified in the matrix of Dick & Basu. With estimating the level of repeat patronage, half of the matrix is already filled in. Considering all findings of chapter 5, it can be concluded that on this moment Kuyichi shows low repeat patronage, and G-Star shows high repeat patronage (see figure 4). As is discussed it is very likely to assume that the repeat patronage of Kuyichi will increase considering the growth rates for as well the purchases as the repurchases.

Figure 4 Loyalty matrix (only behavioral loyalty is included)

Relative attitude	Repeat patronage	
	High	Low
	G-Star	Kuyichi

Chapter 6 Investigation Part 2: Attitudinal Loyalty

As mentioned in chapter 4, the investigation will be divided in two parts: behavioral – and attitudinal loyalty. The previous chapter (investigation part 1) discusses the behavioral attitude. In this chapter the level of attitudinal loyalty, which was described in section 4.3, will be determined.

6.1 Introduction

The following hypothesis will be analyzed in this chapter:

H2: *“Using a fair-trade production process to a product, leads to a customer with a significant **higher level of attitudinal loyalty**”.*

As is explained in chapter 4, this hypothesis is too general to test. It will be divided in three focus areas: brand knowledge, relative attitude (as well the strength as the differentiation) and the Word of Mouth intensity. This classification is based on the CBBE-matrix. As is shown in the hypotheses, it is assumed that the fair-trade brand shows a higher level of attitudinal loyalty. Consequently it is also assumed that all three focus areas will show better results for the fair-trade brand. By investigating all these levels, differences between both brands (whether this is in favor of the fair-trade brand or not) will be clear. Simultaneously it is possible to give specific recommendations at each level.

6.2 Brand Knowledge

Brand knowledge is the first level of the CBBE-matrix. Before loyalty can be achieved, the consumer needs to know the brand. Therefore this investigation will start with testing whether there is a difference in brand knowledge between both brands. To do so, the following hypothesis will be tested.

H2.1: *“Using a fair-trade production process leads to a customer with a significant **higher level of (passive and active) knowledge of the brand**”.*

6.2.1 Level of passive knowledge

Knowledge can be divided in passive- and active knowledge. To answer this hypothesis, the differences between passive and active knowledge of both brands should be established. To start, the level of active knowledge of both brands will be compared. This comparison can be done by using the Chi Square test. In short, it can be stated that this method measures the differences between two categorical variables. The used in the Chi Square test is: *Brand Knowledge Yes/No*. In exhibit 20 the results of this test are shown.

The output shows that the P value is not significant ($P > 0.05$). Although the Chi Square test does not show significant results, it is too premature to state that there is no difference in the knowledge level. Since the P value is only 0.125, there are some differences between the two groups, but not significant.

The absolute numbers show that the brand G-Star has an awareness level of 87%⁵⁵, compared to a brand awareness of 70%⁵⁶ for Kuyichi. This shows that the brand G-Star is better known among the group of customers. Secondly the output shows that the double answer categories (categories 0-0 and 1-1) score above expectation whereas the other two categories scored below expectation. This implies that if a person is in a certain way involved with one of the brands, it is likely that he/she will know both brands. So in other words this means that most respondents are very involved with fashion. This is not surprising since all respondents are regular customers of the retail store.

From the above analysis, it can be concluded that although the passive knowledge does not significantly differ, the absolute numbers do differ: G-Star 87% and Kuyichi 70%. So:

H2.1: *“Using a fair-trade production process leads to a customer with a significantly **higher level of passive knowledge** of the brand”.* **REJECTED**

6.2.2 Level of active knowledge

Besides the level of passive knowledge, the total knowledge level also consists of the active knowledge level. The active knowledge level refers to the amount of information about a brand that a customer has (Wood, 1982). In this survey the active knowledge level will be measured by means of associations. In the survey several associations were given and the respondent had to choose between one and four associations per brand⁵⁷ (see table 15 on the next page). Not only the number of associations, but also the choice distribution among the associations is important. It is assumed that without any knowledge of the brand a respondent will have no associations. But it is also assumed that the better the knowledge, the clearer the associations. For the group of customers with a level of knowledge of the brand, it is expected that they would choose the same associations. The distribution of the associations will give insight in the Points of Parity and the Points of Difference (see page 32). The results of both levels will give insight into whether the brand has a high or low level of active knowledge. Secondly, with this information it is possible to give more accurate recommendations to the fair-trade brand how to improve their knowledge level.

First the number of associations per brand will be compared, which will give insight into the number of respondents with active brand knowledge. In exhibit 21 a paired sample T-Test is done. Since a disadvantage of the T-test is that it does not correct for differences in groups (it uses one N, limitation 5), a selection was made. Only the respondents that already had active knowledge of G-Star are included to test the associations of G-Star. The same is done for Kuyichi. This elimination of respondents without any active knowledge of the brand

⁵⁵ Branding Rate G-Star: $96/110 = 87,3\%$

⁵⁶ Branding rate Kuyichi: $77/110 = 70\%$

⁵⁷ None of the associations that were given were incorrect. Each element stood for a part of the total brand, namely: the assortment, the core values (of both brands) and best value for money. The only exception was the association Fair-trade, because only Kuyichi produces Fair-trade and G-Star does not.

is done to get a fair comparison, since it is logical that when the brand is unknown, the respondent does not have any associations.








With a P-value of 0.000, it can be concluded that, even after correction, the number of associations significantly differs between two brands. G-Star has an average of 2.6 associations compared to a mean value of only 2.2 associations for Kuyichi. The results show that the number of associations is significantly higher for G-Star than the number of associations for Kuyichi. To conclude it can be stated that:







H2.1: *“Using a fair-trade production process leads to a customer with a significantly **higher level of active knowledge of the brand**”.* **REJECTED**

Distribution of the number of associations

Next to the number of associations, it is also very important for a brand to have clear associations. First the Points of Parity should be clear, followed up by strong, favorable and unique Points of Differences. As the next table shows that both brands are seen differently.

Table 15 **Number of associations per brand**

Associations	Kuyichi	G-Star
Assortment	136	312
 Jeans (PoP)	100	178
 Accessories (PoP)	10	34
 Shirts (PoP)	26	96
Core value	30	84
 Trendy (PoP/PoD)	30	84
Value for money	100	100
 Expensive (PoP)	28	86
 Organic (PoD)	72	14
Fair-trade	84	6
 Fair-trade (PoD)	84	6
None	74	22
Total	424 – 74 = 350	520 – 22 = 498

-  Over 65% of the respondents does not know that Kuyichi is 100% organic.
-  Only 6.4% of the respondents knows that G-Star also has an organic line.
-  G-Star (81%) is much more seen as a Jeans brand than Kuyichi (45%).
-  A larger proportion of respondents seems to know that G-Star also has accessories and shirts, so a large variety of products. In fact both brands offer the same range of products.
-  74 respondents do not have any association for Kuyichi at all, contrary to only 22 for G-Star
-  39% of the respondents see G-Star as an expensive brand, contrary to only 13% for Kuyichi.
-  G-Star is more seen as a trendy brand compared to Kuyichi.
-  84 respondents know that Kuyichi was fair-trade. This is about 50% of all the respondents with brand awareness.

When looking at the above results, not only the number of, but also the kind of associations that the respondents had differs. The associations for G-Star are divided among three core values: expensive, trendy and jeans. Contrary to that, Kuyichi is seen as an organic fair-trade jeans brand, but with less convincing numbers. To get more convincing numbers, and hence improve the passive and active knowledge, Kuyichi has to send a clearer and stronger message (think about the unique, strong and favorable associations which were discussed at page 32). Subsequently, to create some advantages of the fair-trade production, improvements in this number should be made. However, as is discussed in paragraph 4.3.2.2, a brand should first have good Points of Parity (jeans, good quality, trendy) before communicating the Points of Distribution (fair-trade, organic, excellent quality).

6.2.3 Conclusion

Given these findings, it can be concluded that the passive and active knowledge of G-Star and Kuyichi does not differ significantly. The insignificant differences that exists are even in favor of G-Star instead of the fair-trade brand Kuyichi. Therefore it can be said with certainty that no evidence was found to support the hypothesis:

H2.1: *“Using a fair-trade production process leads to a customer with a significantly **higher level of passive and active knowledge** of the brand”.* **REJECTED**

6.3 Brand Attitude

Brand attitude is the second level in the CBBE-matrix. It is very important for a brand to create a positive attitude among consumers. However only achieving this is not enough. The consumer should also have a positive attitudinal differentiation. This means that he/she should prefer your brand over all its competitors. The combination of both can be defined as the relative attitude. In this section the difference of the relative attitude, so both attitude strength as attitude differentiation, between both brands will be investigated. This will be done by testing the following hypothesis:

H2.2: *“Using a fair-trade production process leads to a customer with a significantly **higher level of relative attitude in favor of the fair-trade brand”.***

6.3.1 Attitude strength

Relative attitude consists of attitude strength and attitudinal differentiation. In this section the attitude strength will be determined. This will be done by testing the following hypothesis:

H2.2.1: *“Using a fair-trade production process leads to a customer with a significantly **higher attitude strength in favor of the fair-trade brand”.***

Several methods can be used to establish the attitude strength. In this survey the attitude strength will be determined by means of the extreme attitudes (E. M. Pomerantz, S. Chaiken and R. S. Tordesillas, 1995), which is earlier discussed on page 31. Similar to knowledge and importance, extreme attitudes are more resistant to social influences (Osgood & Tannenbaum, 1955; Petersen & Dutton, 1975), and therefore a good way to measure loyalty. To do so, a statistical test will be done with the aim to establish whether there is a difference between the number of extreme attitudes of both brands. The hypothesis will test whether the number of extreme positive attitudes is higher for the fair-trade brand Kuyichi compared to G-Star.

Extreme attitudes

The respondent can choose from five categories (see exhibit 16 questions 7 and 8). The two most extreme options are assumed to be the extreme attitudes: 'Very positive' and 'Very negative'. To establish whether there is a difference, a Chi Square test will be done. The H_0 states that there is no difference, so the respondents have the same extreme attitudes for Kuyichi as for G-Star.

First the descriptives of the extreme attitudes per brand will be analyzed. When looking at the values of both brands, it becomes evident that the outcomes hardly differ. The descriptives show that, when using the complete dataset, 38 respondents have an extreme attitude towards Kuyichi and 40 towards G-Star.

Table 16 Descriptive extreme attitudes

AttitudeStrenghtKuyichi * AttitudeStrengthGstar Crosstabulation

Count		AttitudeStrengthGstar			Total
		Normal attitude	Very negative	Very Positive	
AttitudeStrenghtKuyichi	Normal attitude	154	2	26	182
	Very Positive	24	0	14	38
Total		178	2	40	220

To test whether the extreme attitudes significantly differ between the two brands, a Chi Square test will be done. Since one of the assumptions of the Chi Square is that in each cell the expected value should be bigger than 5, and this is not the case for 'Very Negative', this variable has to be excluded from the test.

In exhibit 22 the results of the Chi Square test are shown. It shows a significant value ($p < 0.05$), which indicates that both attitude strengths are not equally distributed. Therefore the H_0 will be rejected. When looking more carefully at the scores, it can be concluded that the main reason for showing a significant level of only 0.002 is that 154 respondents have normal attitudes for **both** brands. This is on its own not surprising, but statistically, when looking at the values in all other boxes, it is a very high score. Therefore this box really affects the results of the Chi Square test. To combat this, the values that were in the test should be analyzed. Secondly, the knowledge level (as described in paragraph 6.1) can influence the number of respondents with a strong

attitude. Therefore, besides only looking at the numbers in the crosstabs, these numbers should also be adapted to the number of respondents with brand knowledge⁵⁸.

Table 17 Calculations extreme attitudes per brand

Absolute values	G-Star	Kuyichi
Number of respondents with an extreme attitudes	40	38
Number of respondents with brand awareness	192	154
% with extreme attitudes	20.8%	24.7%

As table 17 shows, when adjusting the number of respondents with an extreme attitude to the number of respondents with brand knowledge, the proportion for Kuyichi is larger than the proportion for G-Star. So it can be said that Kuyichi shows more extreme attitudes or Kuyichi has a higher penetration of extreme attitudes. Absolute the number of extreme attitudes for G-Star is higher, but relatively Kuyichi scores higher.

Although the test was effected by the high number of respondents with normal attitudes for both brands, it can still be concluded that Kuyichi scores relatively higher for the extreme attitude scores. Therefore the hypothesis that fair-trade leads to a customer with a higher attitude strength will be accepted:

H2.2.1: *“Using a fair-trade production process leads to a customer with a significantly **higher attitude strength** in favor of the fair-trade brand”.* **ACCEPTED**

6.3.2 Attitudinal differentiation

As discussed in the previous section, relative attitude consists of attitude strength and attitudinal differentiation. In this section the attitudinal differentiation will be tested. The attitudinal differentiation will show whether the correspondent prefers one of the two brands. In this thesis it is assumed that the consumer prefers the fair-trade brand Kuyichi over G-star. To do so, the following hypothesis will be tested:

H2.2.2: *“Using a fair-trade production process leads to a customer with a significantly **higher attitudinal differentiation** in favor of the fair-trade brand”.*

⁵⁸ The adjustment is based on the assumption: when the respondent has no brand awareness, it cannot have any associations and/or attitudes.

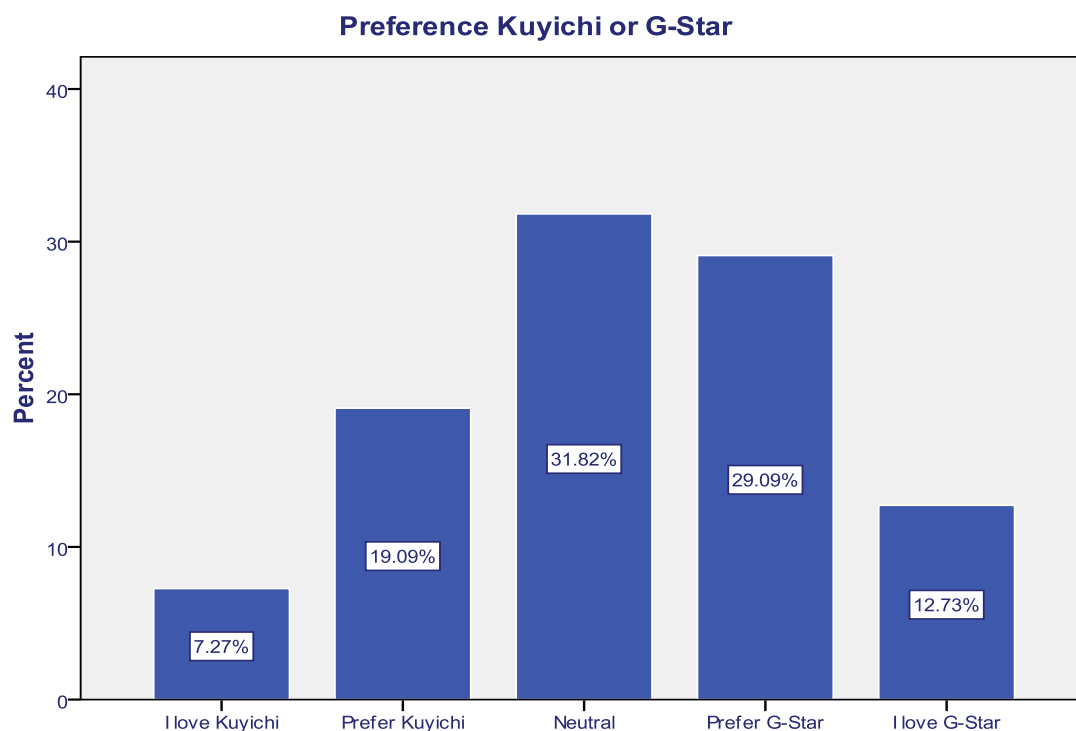
The attitudinal differentiation will be described in two ways. First the question about their preferences will be analyzed. This will be followed up by testing whether more respondents had positive or negative ties between their attitude of both brands⁵⁹.

Preferences

First the absolute numbers will be discussed. As is shown in figure 5, 7.3% of the respondents loved Kuyichi, which is quite a small percentage in comparison with 12.7% for G-Star.

This becomes more evident when looking at table 18 (based on exhibit 23.1). Because even when the absolute numbers are adjusted to the knowledge level, it can be concluded that 37.6% of the people that knew Kuyichi, also preferred the brand. In comparison, 47.9% of all respondents that knew G-Star preferred G-Star. Having said this, it can be concluded that when given the respondents the choice what they should buy, more respondents prefer G-Star. This is quite surprising, since the differences in attitude strength showed the opposite, namely that relatively more respondents had a positive attitude for Kuyichi. This clearly shows that only a positive attitude is not enough to create brand loyalty.

Figure 5 Preference (all respondents)



⁵⁹ Ties: The differences in attitude of one respondent between both brands.

Table 18 Number of respondents with preferences for each brand (adjusted to knowledge level)

	Kuyichi	% with knowledge ⁶⁰	G-Star	% with knowledge ⁶¹
Preference (I prefer)	42	27.2%	64	33.3%
Strong preference (I love)	16	10.4%	28	14.6%
Total	58	37.6%	92	47.9%

Test higher attitudes

To underpin these findings, a Wilcoxon Signed Rank test will be done. The Wilcoxon Signed-rank test is non-parametric and is used in situations in which there are two sets of scores to compare, but these scores come from the same participants. Basically it measures the differences between scores in the two conditions (or variables) that are compared. In this situation these two conditions are the attitudes of one respondent towards G-Star and Kuyichi. The output shows the number of positive and negative ranks between both attitudes. In other words it shows in how many cases the first variable was larger than the second, and vice versa. This test is a good way to measure the attitude differentiation, since it shows how many respondents have the opinion that G-star is better than Kuyichi and vice versa.

As is shown in the output (exhibit 23.2), for 44 respondents of a total of 220, 'G-star negative-positive' was smaller than the 'Kuyichi negative-positive'. In other words this means that in 44 times the respondent gave G-star a more positive attitude than Kuyichi. Subsequently 80 of 220 times, the respondent gave Kuyichi a more positive attitude than G-Star. A total of 96 respondents appointed the same score for both brands. This result is quite surprising, since the just discussed descriptives of the preferences have shown the opposite.

The previous findings are based on the whole group of respondents, including those who had no knowledge of the brand. To establish the effect of knowledge, the test was done again with the respondents with brand knowledge. As is shown in exhibit 23.3, the results are very different. The test does not show any significant values ($P > 0.05$). This is caused by the fact that only 40 respondents had a more positive attitude towards Kuyichi than towards G-Star, which is only 50% of the outcomes of the previous test. Consequently this means that a lot of respondents without any brand knowledge, said to have a more positive attitude for Kuyichi than for G-Star. The previous can be explained by the fact that those respondents are influenced by the social norm to answer very positive considering a fair-trade brand⁶².

⁶⁰ Kuyichi: $(58/154) * 100 = 37.7\%$

⁶¹ G-Star: $(92/192) * 100 = 47.9\%$

⁶² *LIMITATION 7: LIMITATION 7: Respondents are willing to give the socially desirable answer, hence they will talk more positive about fair-trade than they act in reality. This affects the results of the attitudinal loyalty of Kuyichi (prediction > reality). It was tried to reduce this effect during the survey by not telling that this investigation will focus on fair-trade. Secondly, for both brands the same associations were shown (so also fair-trade for G-Star). In this way the respondents were not (or barely) influenced. Still the results show that the respondents gave socially desirable answers in the survey.*

Results

However the results of the Chi Square test regarding attitude strength, show that the attitudes differ in favor of Kuyichi, the descriptives of the ‘Prefer question’ and the Wilcoxon Signed rank test (when adjusted to the knowledge level) showed the opposite. The only way to explain this contradiction in the results, is that respondents are willing to give the socially desirable answer. So when asking about their attitude towards a sustainable and fair-trade brand, they are more likely to answer positively. However when asking about their **own** preferences (so closer to their individual purchase decision moment), many respondents answer with their own preferred brand. This decision is less influenced by social norms, and more based on their individual decision factors⁶⁴. In other words this shows that only a positive attitude is not enough for a brand. The brand should translate this positive attitude to a desire to purchase the brand.

Having said this, it must be concluded that the attitudinal differentiation is in favor of G-Star, even with conflicting results. This conclusion is drawn because the scores of the differentiations outweigh the scores of attitude, since the preference score is closer to the actual purchase decision moment. So:

H2.2.2: *“Using a fair-trade production process leads to a customer with a significantly **higher attitudinal differentiation in favor of the fair-trade brand”.*** **REJECTED**

6.3.3 Relative attitude

The combination of attitudinal strength and attitude differentiation will establish the relative attitude. As discussed in chapter 2, relative attitude and repeat patronage are the basis of the overall loyalty level. To determine the relative attitude the table on the right should be completed for both brands. All numbers are based on the crosstab ‘relative attitude’ that can be found in exhibit 24.

		Attitudinal Differentiation	
		Low	High
Attitude Strength	High	Cell 4 • Low Relative Attitude • Possibility of multi-brand loyalty	Cell 1 • Highest Relative Attitude • High Attitudinal Loyalty
	Low	Cell 3 • Lowest Relative Attitude • Strong need to cultivate attitudinal loyalty	Cell 2 • High Relative Attitude • Good opportunity to strengthen attitudinal loyalty
		Low	High

When looking at both tables, the most notable is that the total amount differ. The total amount of respondents with a high relative attitude for G-Star is much higher compared to Kuyichi.

This difference is caused by the fact that more people preferred G-Star, and therefore were shown in the Relative Attitude table for G-Star (and weren’t shown in the table of Kuyichi). Having said this, the first obvious conclusion to make is that more respondents preferred G-Star compared to Kuyichi.

⁶⁴ Examples of those factors are: Price, quality, material, fit, color and brand.

Crosstab A The total number of respondents with a relative attitude(Kuyichi)

Relative Kuyichi	Attitude	Attitudinal Differentiation: Low	Attitudinal Differentiation: High	Total
Attitude Strength: High		10	20	30
Attitude Strength: Low		16 ⁶⁵	30	98
		44	8	
Total		70	58	128⁶⁶

Crosstab B The total number of respondents with a relative attitude (G-Star)

Relative Attitude Star	G-	Attitudinal Differentiation: Low	Attitudinal Differentiation: High	Total
Attitude Strength: High		6	30	36
Attitude Strength: Low		32 ⁸	46	126
		32	16	
Total		70	92	162⁶⁷

The second finding is that G-Star has the highest Relative Attitude score (compare the two red circles). The relative attitude consists of the respondents with a high attitude strength as well as a high attitudinal differentiation. 20 respondents had a high relative attitude for Kuyichi and when looking at the crosstab for G-Star, it is shown that 30 respondents have a high relative attitude. When looking at attitude strength and differentiation separately, it can be stated that the differences in RA between both brands is mainly caused by the divergent differentiation scores. Although the difference in attitude strength is minimal, the differentiation values differ a lot in favor of G-Star. However, this already gives a feeling about how attitude strength and differentiation are divided between both brands, the scores should be adjusted to the knowledge level. In this way the influence of brand knowledge will be excluded and a realistic view of the differences in attitudes between both brands will appear⁶⁸. This is done in the table below.

⁶⁵ Attitude strength exists of two lines. The first line stands for a positive attitude, but not strong. Since the attitude is already positive, it can be seen as an opportunity for the brand. The second line is neutral or negative, which is a less interesting group for the brand.

⁶⁶ $128 = 220 - 92$ [92 respondents preferred G-Star, those were excluded from the table and can be found in the RA table of G-Star]

⁶⁷ $162 = 220 - 58$ (those preferred Kuyichi and were excluded from the table, and can be found in the RA table of Kuyichi)

⁶⁸ This is done since it is assumed that as well the attitude strengths as the differentiation score are based on the knowledge level. So differences in knowledge level should be distracted from the RA scores, otherwise the differences in knowledge has double impact.

Table 19 The number of respondents with all types of attitudes (corrected with the knowledge level)

Attitude	Kuyichi	% of respondent with knowledge ⁷⁰	G-Star	% of respondent with knowledge ⁴⁵
Attitude Strength	30	19.5%	36	18.8%
Positive Attitude	76	49.4%	114	59.4%
Attitude Differentiation (Preference)	58	37.7%	92	47.9%
Relative Attitude	20	13.0%	30	15.6%

The table shows that respondents have a relatively higher attitude strength towards Kuyichi. Similarly it shows that the proportion of extreme attitudes to positive attitudes is higher for Kuyichi (0.395⁷¹) compared to G-Star (0.316⁷²). This means that when there is a positive attitude, it is more likely for Kuyichi that this is at the same time also an extreme attitude. Subsequently, when looking at the differentiation, almost 50% of the respondents with knowledge preferred G-Star, which is quite high.

When looking at the combination of both scores, it can be concluded that G-Star shows a higher relative attitude. In short this means that the differentiation score has more influence on the relative attitude compared to the attitude strength. It can be concluded that when looking at attitude strength, Kuyichi scores higher, but when looking at the differentiation and relative attitude G-Star shows better results. So:

H2.2: *“Using a fair-trade production process leads to a customer with a significantly **higher level of relative attitude in favor of the fair-trade brand**”.* **REJECTED**

6.4 Word of Mouth intensity

The Word of Mouth intensity is the highest level of the CBBE-matrix. Therefore investigation part two will end with testing whether there is a difference in Word of Mouth intensity between both brands. To do so, the following hypothesis will be tested.

H2.3: *“Using a fair-trade production process leads to a customer with a significantly **higher Word of Mouth (WoM) intensity**”.*

The Word of Mouth intensity will be determined in two ways. First the number of recommendations of both brands will be compared. Subsequently, it will be supplemented with the theory of F.F. Reichheld, namely the net-promoter rate. This rate gives insight into the loyalty level of respondents. Since loyalty arises from

⁷⁰ 154 Kuyichi, 192 for G-Star.

⁷¹ 19.5/49.4=0.395

⁷² 18.8/59.4=0.316

knowledge, followed with associations and attitude, the results of both tests considering WoM, should be in line with the previous results. If not, the loyalty level is influenced by moderators like situational influences and social norms (based on exhibit 3).

6.4.1 Number of recommendations

First the recommendation level of both brands will be compared. Since this is again a categorical nominal variable, the Chi Square test will be used. The output of this test is shown in exhibit 25. It shows a significant level of $P < 0.001$, so therefore it can be said with certainty that both recommendation levels are not equally distributed.

When looking more carefully at the results, it is shown that the scores of the No-No and Yes-Yes categories are above expectation. Secondly both scores are very similar, 66 versus 68. This means that if a respondent recommends one of the brands, it is likely that he/she will also recommend the other brand. This also applies to no recommendations. Contrary to that, the other two boxes (Yes-No and No-Yes) are below expectation. This indicates that the respondents are likely to have multi-branding-loyalty. Secondly it shows that the absolute numbers are very different in favor of G-Star (60), when compared to Kuyichi (26). This suggests that the main difference is caused by the high recommendation score of G-Star compared to the low score of Kuyichi. Of course, to get the relative difference both scores should be adjusted to the knowledge level, see next table. The table shows that even after adjusting the scores, G-Star shows a much higher recommendation score comparing to Kuyichi.

Table 20 Recommendation adjusted to knowledge level

Recommendation adjusted	Kuyichi	G-Star
Recommendation scores	26	60
Adjusted to knowledge level	16.9% ⁷⁵	31.25% ⁷⁶

6.4.2 Net-promoter rate

In addition to the recommendation scores itself, most often the net-promoter rate is used to establish the loyalty level. The net-promoter rate is based on the theory of F.F. Reichheld (2003). Promoters are seen as the respondents that answered *Certainly* (equal to a score of 9-10). Detractors are the respondents that answered *Probably not* and *Never* (equal to scores 0-5⁷⁷). Tracking net promoters⁷⁸ offers organizations a powerful way to measure and manage customer loyalty. Firms with the highest net-promoter scores consistently garner the lion's share of industry growth (F.F. Riechheld, 2003).

⁷⁵ $26/154=0.169$

⁷⁶ $60/192=0.3125$

⁷⁷ Normally the detractors also includes the answer category 'maybe'. But since a lot of respondents did not know the brand Kuyichi, and therefore have answered with maybe, this category is excluded from the rate.

⁷⁸ The percentage of customers who are promoters of a brand minus the percentage who are detractors

Exhibit 26 shows the different amounts per category. Based on that information the net-promoter score will be determined (shown in the table below). The rates are determined by dividing the number of promoters by the number of respondents with knowledge of the brand. Therefore the rates are already adjusted to knowledge level. In table X the results are shown.

Table 21 Net-promoter score

	Kuyichi	G-Star
Promoters	42 / 154 = 27.2 %	68 / 192 = 35.4%
Detractors	30 / 154 = 19.5%	48 / 192 = 25%
Net-promoter rate	7.7%	10.4%

These results show that when using the net-promoter rate, G-Star shows better results. Although the detractor level of G-Star is higher, it is sufficiently corrected by the higher number of promoters. Therefore improvements for G-Star can be done regarding detractors. Contrary to that, Kuyichi should improve its number of promoters. All previous findings lead to the following conclusion:

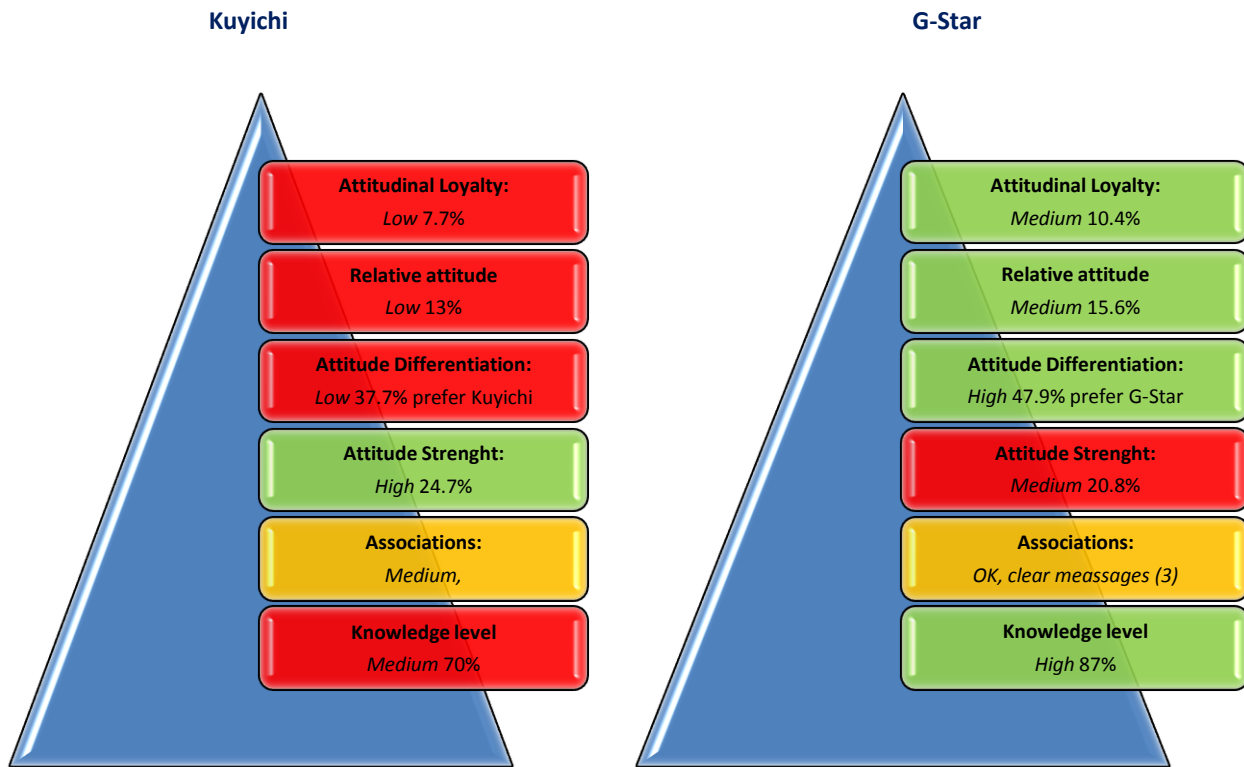
H2.3: *“Using a fair-trade production process leads to a customer with a significantly **higher Word of Mouth (WoM) intensity**”.* **REJECTED**

6.5 Conclusion Attitudinal Loyalty

As is discussed before, this hypothesis is too general to test. It will be divided in three focus areas: brand knowledge, relative attitude (as well the strength as the differentiation) and the Word of Mouth intensity. This classification is based on the CBBE-matrix. As is shown in the hypotheses, it is assumed that the fair-trade brand shows a higher level of attitudinal loyalty. Consequently it is also assumed that all three focus areas will show better results for the fair-trade brand. By investigating all these levels, differences between both brands (whether this is in favor of the fair-trade brand or not) will be clear. Simultaneously it is possible to give specific recommendations at each level.

Chapter 6 has discussed the attitudinal loyalty level of two brands: the fair-trade brand Kuyichi and the normal produced brand G-Star. As is discussed in chapter 4, the attitudinal loyalty is divided in three focus areas. Brand knowledge, relative attitude (as well the strength as the differentiation) and the Word of Mouth intensity, which is based on the CBBE-matrix. The scores of all steps per brand are given in figure 6. The figure makes it very obvious where Kuyichi and G-Star are related and where the brands differ from each other.

Figure 6 CBBE matrix



The only step in the loyalty ladder where Kuyichi beats G-Star is the attitude strength. Although this seems like a good result, the attitude strength is overruled by the low differentiation score of Kuyichi. It is very important that customers are not only positive about the brand, but they should also prefer it over other brands. Otherwise, they like it but they will not buy it, which is not favorable for a brand. Despite that, Kuyichi loses significant ground in terms of brand knowledge. Since all further steps are based on the knowledge level, the first thing to improve is this knowledge level. By this not only the passive knowledge level (so the brand recognition) is meant, but also the strength of the associations. As is shown in the investigation, not only the number of associations differs between the two brands, but also the distribution of associations. Respondents have some strong associations with high scores when thinking about G-Star. Contrary to that, Kuyichi had a lot of associations but no ‘winners’⁸⁰. This means that respondents do not really know what the brand stands for. Subsequently this is translated in the low differentiation score. When the respondent is positive about a brand (good Points of Parity), but does not really know the extra value (Points of Difference⁸¹), he/she will not make the purchase. The customer will choose a brand that has a strong values that suit their own identity. Logically and finally, the recommendation value is also lower for Kuyichi than for G-Star. Since a recommendation puts your own image on the block, customers will not recommend a brand that they are uncertain about.

⁸⁰ A few strong, unique and favourable associations.

⁸¹ This was discussed in paragraph 4.3.2.2

Having said all this, currently, Kuyichi shows a lower attitudinal loyalty than G-Star, therefore:

H2: "Using a fair-trade production process to a product, leads to a customer with **a significantly higher level of attitudinal loyalty**". **REJECTED**

Results versus Theory

To implement all findings in a theoretical framework, both brands will be classified in the matrix of Dick & Basu. In chapter 5 the repeat patronage has already been determined. In this chapter the attitudinal loyalty, hence the relative attitude, is determined. All findings confirm that the customers of G-Star show a higher relative attitude than the customers of Kuyichi.

Figure 7 Loyalty matrix

Relative attitude (Attitudinal loyalty)	Repeat patronage (Behavioral loyalty)	
	High	Low
	High	Loyalty
Low	Spurious loyalty	No Loyalty

G-Star
Kuyichi

Although G-Star showed a higher percentage of relative attitude, both brands did not show very convincing numbers.⁸³ Therefore, both brands will be placed between high and low relative attitude. These low percentages indicate that in the fashion market it is difficult to achieve a high level of relative attitude. But it also indicates that not only Kuyichi should try to improve this level, but also G-Star should. Since this investigation is focused on how to translate fair-trade in loyal customers, only recommendations for the brand Kuyichi will be given in the chapter 7.

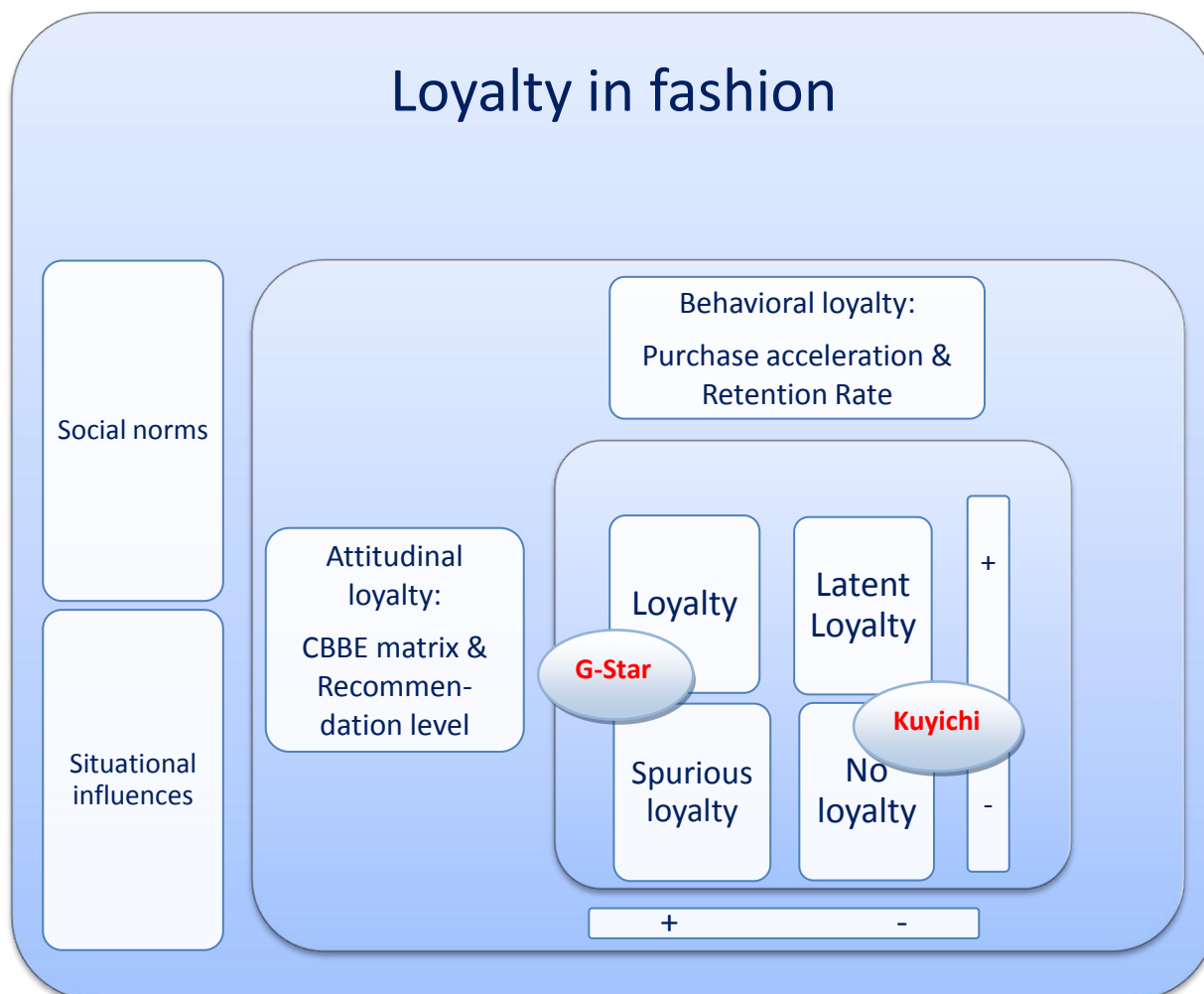
⁸³ Because of this lack of clear results, an additional investigation is done to determine which factors do cause the loyalty of Kuyichi. Since this is not the main goal of this investigation, it is excluded from this report and shown in exhibit 28. However, the findings of this additional investigation will be included in the managerial implications for Kuyichi of chapter 7.

LIMITATION 8: The data did not exist of enough situational influences (like promotion activities of the brands) and social norms (for example the difference in dress code at work per customer, some brand have higher models than other brands). The variables that are included in the additional investigation shown at exhibit 28, are affected by this lack of information in the data. The results of the effect of the included variables is therefore less reliable. Additional research should be done to map all social norms and situational influences that affect purchasing behavior of customers in the fashion industry.

Chapter 7 Conclusion and Managerial Implications

In this chapter all findings described in chapter 5,6 and exhibit 28 will be integrated⁸⁴. First the current loyalty levels of both brands will be shown in the figure below.

Figure 8 Recent loyalty levels of both brands



7.1 Introduction

Unfortunately none of the findings proved that fair-trade has a positive effect on the customer loyalty. When looking at this table it is very clear that Kuyichi has a lower customer loyalty level than G-Star. This chapter will outline the most important findings of this thesis. Secondly it will draw some recommendations for both the fair-trade market in general as for Kuyichi. The chapter will end with suggestions for further research followed by the overall conclusion.

⁸⁴ Exhibit 28 consists of an additional investigation that gives insights in factors that do causes loyalty. This is mainly with the aim to give Kuyichi some tools to enhance their recent loyalty level. It is not intended to answer the research questions.

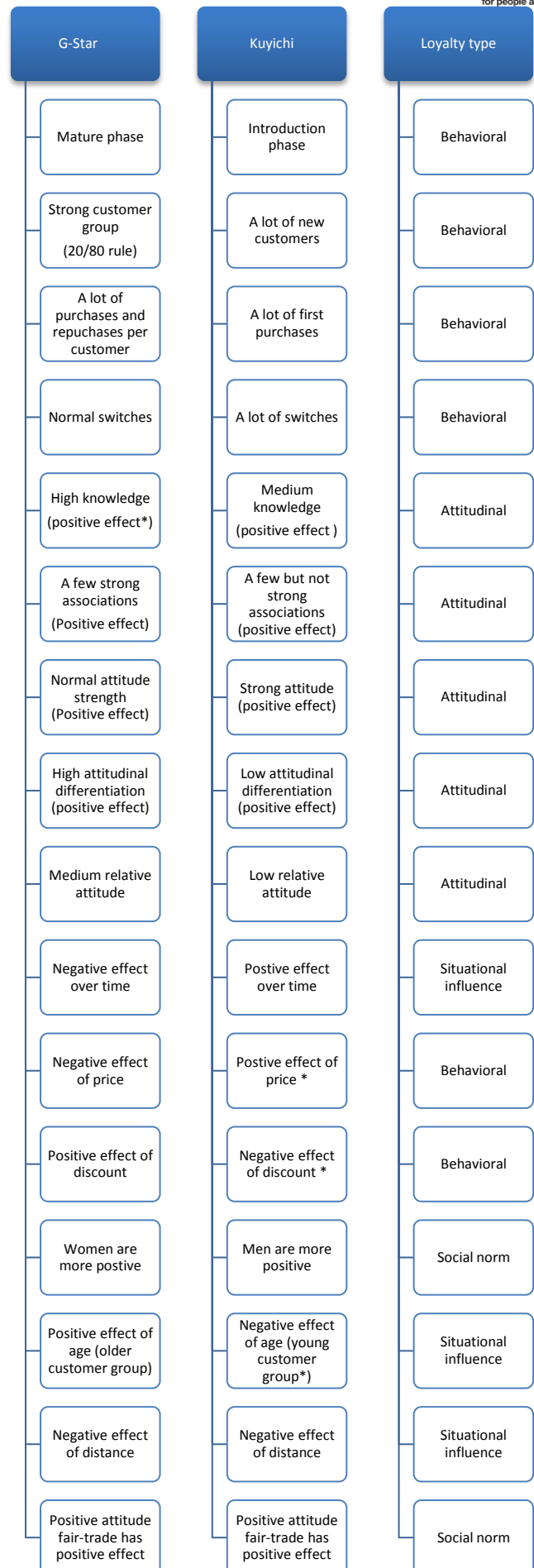
The previous chapters have discussed the behavioral loyalty and the attitudinal loyalty. Exhibit 28 will give some extra insight in the situational influences and the influences of the social norms. Consequently recommendations will be given on all fronts.

Chapter 5 and 6 showed very different results for Kuyichi and G-Star. In all chapters it was clear that G-Star outperforms Kuyichi's. This is why recommendations to Kuyichi will be given using G-Star as an example. The figure on the right shows all of the differences between both brands.

7.2 Important findings

From this investigation it can be concluded that the fair-trade brand Kuyichi does not have more loyal customers than G-Star. Since all results are based on data of the last six years, and considering the fact that this trend is still growing and all indicators for fair-trade are promising, it seems like this investigation is done too early. This conclusion is based on the following points:

- Determining repurchases was difficult since almost all customers did emerge in the last couple of years;
- There was limited brand knowledge on Kuyichi. Purchasing products that consumers know little about, gives already a threshold. So in this case there was a double threshold since first the product type was new (fair-trade) and secondly there was a bad communication hence a low distribution of knowledge.
- G-Star is the most successful Dutch fashion brand. The comparison with a new sustainable brand was perhaps a little bit too ambitious.



The fashion industry has to do with many more aspects than only price, quality and in this case fair-trade. Many aspects influence the purchase decision, for example: personal taste, trends, stock out and other situational influences. The data that was available did not include any of those factors. In this thesis it was assumed that the only difference was the aspect fair-trade. Considering the large differences in results, this does not seem very realistic. Further research should also include other factors.

Because of the limited results of this investigation regarding the effect of fair-trade on loyalty, only a few managerial recommendations can be provided for the fair-trade market in general. In addition some recommendations will be made for further research to investigate the possible connection between fair-trade and loyalty (see section 7.4). Subsequently some recommendations will be given to the investigated brand Kuyichi with the aim to get better marketing successes. In section 7.3 both managerial implications are described.

7.3 Managerial implications

As discussed in the section before, it is difficult to give managerial implications for the fair-trade market in general. This is mainly caused by limited results and the fact that fair-trade in fashion is still emerging. The data that was analyzed was collected during the last six years. Considering the fact that the market in 2005 was very different than the market of today, it would not be fair to use that as a comparison for the future. However, it can be used to learn from the mistakes that were made in the past. First, recommendations will be given to the fair-trade market in general. Thereafter, recommendations will be given to the brand Kuyichi in particular.

7.3.1 Managerial implications: fair-trade in fashion industry

It was clear that both investigations showed limited results. However, still some recommendations about the fair-trade market in general can be made. The recommendations will be divided in behavioral and attitudinal loyalty. Both are shown below.


Behavioral loyalty

- Reward repurchases. Considering the fact that loyalty in fashion is difficult to achieve, it should be rewarded. This can be done by means of a small discount or a special treatment (special sales nights).

Attitudinal loyalty

- Communicate Points of Difference. Managers should be aware of the fact that the market is very competitive. By only communicating the values fair-trade and sustainability, it will not win the war. Brands should first communicate the required values very carefully: Points of Parity, think of good quality, good fit, good price. Thereafter it should communicate its special value: Point of Difference, think of fair-trade, organic or sustainability. Having done this, it will lead to a higher knowledge level

hence higher relative attitude hence higher attitudinal loyalty and consequently also to a higher level of behavioral loyalty among customers.

 **Attract lead users**⁸⁶ (similar to promoters). Lead users are people who are creating the "innovations" of the near future. Managers should select a small group of people that are lead users of the fashion industry. This group should become the promoters of the brand. Important is that the consumers in this group will share their opinions and experiences with a lot of people. The brand should invest in this group: make them enthusiastic and communicate very carefully the Points of Parity and the Points of Difference. By doing this the brand can create a snowball effect because the values that were communicated to the lead users (promoters) will be widely spread. By doing this, the mass market will soon be reached.

7.3.2 Managerial implications: Kuyichi

The previously discussed recommendations are applicable to all fair-trade brands in the fashion industry. Given that this thesis has used the brand Kuyichi as an example, it will conclude with managerial implications of this brand. The recommendations will be based on the results of chapter 5 and 6 and the additional investigation that is shown in exhibit 28.

Behavioral loyalty

Encourage repurchases: The high number of switches and single purchases showed that true loyalty is difficult to achieve and retain in the fashion market. However, it is clear that G-Star accomplished better results with respect to behavioral loyalty than Kuyichi. If Kuyichi wants to increase its loyalty level, it should start with encouraging repurchases. This can be done by giving a reward⁸⁷, for example with a loyalty card that gives a small premium when purchasing the brand more than three times.

Price: The price of Kuyichi has a positive influence on the number of repurchases. There are two explanations for this: (1) super strong loyalty or (2) demand is larger than supply. The first option is very unlikely, considering the fact that all results proved the opposite. The second option can be the case. In this situations the brand can do two things: (1) Increase productions levels till the breakeven point or (2) increase the price. In order to remain competitive the first option is recommended. As is discussed in 7.2 the products should first establish a good base (good price and quality) before the advantage of fair-trade can arise. Subsequently since Kuyichi has already have been selling its product for this price, the risk of losing customers when increasing the price, is also too large⁸⁸.

⁸⁶ Lead users are people who are solving a problem or addressing a new market using products and services that are already available, but they are extending those products and/or services in ways that haven't been "approved" or considered by the firm producing the product or service.

⁸⁷ This method is also discussed in exhibit 2

⁸⁸ The fact that discount has a negative effect on repurchases can be explained by the same reason: supply < demand, and therefore stock out.

Attitudinal loyalty

Knowledge (active): The passive knowledge level of G-Star is higher for Kuyichi, but the difference is not very large. When looking at the active knowledge level there are some large differences between both brands. The respondents clearly knew better what the brand G-Star stands for, in comparison with Kuyichi. When looking at the loglinear regression in exhibit 27.5, all associations have a significant positive influence on the attitudinal loyalty. Therefore, if Kuyichi wants to improve its knowledge level, it should also communicate some (not many) strong, favorable and unique associations (Keller and Tybout, 2002). By doing that, the active knowledge level will increase which will have a positive influence on all other levels of the CBBE matrix. First, the Points of Parity should be communicated properly. It should be clear that Kuyichi is also a trendy jeans brand of good quality. When this message is clear, Kuyichi should differentiate the brand by communicating the Points of Difference, for example by communicating the associations fair-trade and good quality (organic)⁸⁹. Having done this, it is clear what the brands stands for, and Kuyichi can compete more effectively with all other brands⁹⁰.

Attitude: The results of the attitude strength were very positive with respect to Kuyichi. The problem is that this positive attitude is not translated into attitudinal differentiation, so in a preference for the brand Kuyichi in comparison with other brands. This means that when the customer proceeds to a purchase, he/she likes Kuyichi but when comparing it with other brands he/she will prefer another brand. This is a big threat! To combat this it is important that Kuyichi should communicate the Points of Difference very carefully. Then the customer knows why to choose this brand over other brands. It is important that these Points of Difference are something that the competitors do not offer (or in another way). Secondly it is important that it is an added value, so not only something different but also something extra!

Word of Mouth: As is discussed in the theory of chapter 2, a very important indicator for the success of a brand is the net-promoter rate. This rate is a good predictor for future growth. If Kuyichi succeeds in increasing the knowledge level and attitudinal preference of consumers, then it is plausible to think that automatically the net-promoter rate will also increase (the CBBE matrix shows that every level affects the next one). However, this can be enhanced by creating more promoters or by decreasing the number of detractors. This theory is similar to the theory of lead users. Lead users are very commonly used in the fashion industry. Mostly famous people, employees of magazines or sometimes also employees of the fashion shops are chosen to promote the brand since they communicate every day about fashion. This group can be seen as a large opportunity for Kuyichi because if Kuyichi becomes their preferred brand, they will influence hundreds or even thousands of other consumers. The most common way to do so is to find a well known actor/actress or singer to promote the brand. But since Kuyichi has already attracted some famous people, it should be extended to also using other groups. In my opinion the way to do so is to use the people that sell the brand. Those people are

⁸⁹The most obvious associations to choose are the ones with a positive beta: Jeans, fair-trade, Organic, T-Shirts.

⁹⁰A good way to communicate this values, is not by placing large billboards, but to communicate it very targeted. This can be done by means of sales people, since they can communicate carefully to the target group.

involved in the fashion industry so most of the time are well dressed, and maybe even more important because they talk about the brand every day. Another advantage of choosing these people is that they are active in the 'normal community'. This makes it easy for consumers to identify themselves with this group of people.

Common ways to achieve a higher number of promoters amongst people working in sales is by involving them in the process by:

- 🗣️ giving presentations about the production process,
- 🗣️ inviting them to special events,
- 🌐 creating a fashion platform on the internet where they can find everything about the brand.

As a result of the above, it is expected that also the sales will increase, since the new lead users are directly in contact with potential buyers. The lead users will share positive experiences and extra information with potential buyers which will increase the likelihood of a purchase. In this way Kuyichi gets best of both worlds:

1. More promoters, and
2. Customers with a higher knowledge level and positive attitude.

Since the promoters are directly connected with potential buyers in the shop, it can be assumed that the discussed effect will directly lead to higher sales.

Non-attitudinal sources

Increase over time: The growth rate and the effect over time show promising figures (see exhibit 11). This shows that Kuyichi has done a good job in the past, which can give the brand some confidence. The fact that Kuyichi grew with about 200% during the last five years should be regarded as a indicator of success. It could also be used as a means to reduce the risk of the customer of purchasing new brand, because with such a high growth rate, it must be a good brand.

The above does not mean that by doing nothing the brand will stay successful. It only indicates that the brand has become more successful in the recent past. To maintain this level of success, Kuyichi should follow all other recommendations that were discussed in this section.

Age & Gender: The age of consumers has a significant negative influence on the attitudinal loyalty (see exhibit 27.4). This means that mainly young people like Kuyichi. Kuyichi could try to enforce this by addressing marketing campaigns to them, but it could also try to communicate to older people. Given that Kuyichi is still in its growth phase, Kuyichi should first reach the early adopters/early majority⁹¹ (mostly young people in the case of Kuyichi) which ultimately will overflow to the late majority.

The second difference between G-Star and Kuyichi is that men are more positive about Kuyichi than women, and for G-Star it is the other way around. This does not need to be a problem, but considering that women are

⁹¹ Two phases of the product life cycle, Levitt T. (1965), also discusses on page 33.

a very important influence in the purchase process of men, (or in some cases they purchase for their boyfriend/husband without his direct involvement), Kuyichi should focus more on women for both its marketing communication and its products.

Positive attitude fair-trade: The attitude towards fair-trade was also included in the survey of chapter 6. The results of this investigation show that there is a positive relation between positive attitude about fair-trade and recommending Kuyichi (see exhibit 27.4). This means that this group of people (those who are positive about fair-trade) can be potential buyers. To communicate to this group without spending high budgets, Kuyichi can collaborate with other brands which offer trendy fair-trade or sustainable products. In this way they split costs but still reach the right target group.

An outline of all the previous recommendations for Kuyichi is shown in figure 9. Each step will bring Kuyichi one step closer to become a (more) successful sustainable brand.

7.4 Further research

As discussed earlier, it can be stated that this investigation is done a little too soon. However, results of this thesis can support further research. Therefore some recommendations for further research are drawn below. The recommendations are based on the results of investigations part one and two.

- 🌱 Investigate the effect of fair-trade on loyalty in the fashion industry, BUT only compare brands when both are in the same stage (for example the growth/mature stage). For Kuyichi and G-Star this might be the case in about 3-5 years.
 - Focus on indirect and direct repurchases. The number of indirect repurchases says something about the intensity of buying, whereas the number of direct repurchase tells something about the individual changes over time.
- 🌱 Investigate the effect of fair-trade on different product categories: jeans, shirts, bags, etc. Is there a connection between the price of the product and the influence of fair-trade?
- 🌱 Investigate the effect of fair-trade on other markets than the fashion industry. It is recommended to pick an industry with few situational influences and social norms: for example simple food products. (Food products are a good choice since it can be expected that it is less difficult to map all situational influences and social norms for food products compared to the fashion industry. This because more research is done regarding fair-trade in the food industry. Secondly it can be expected that the influence of social norms on food is smaller compared to the influence of social norms on clothes.)
- 🌱 Which other factors do result in customer loyalty in the fashion industry? This investigation can be done by making a regression with the number of repurchases as the dependent variable. The independent factors are all available variables. This research will give insight into the situational influences and social norms of the fashion industry. The result would be very interesting information for marketing managers since they can influence these aspect with the aim to increase the loyalty level of customers.

- The effect of each step of the CBBE matrix on customer loyalty. This would allow managers to guide the level of loyalty by increasing certain aspects of the brand: knowledge, attitude or the overall intensity of loyalty.
- The interaction between attitudinal and behavioral loyalty. It would be interesting to investigate the effect of attitudinal loyalty on the behavioral loyalty.

Figure 9 Recommendation Kuyichi in steps⁹²



⁹² Is most likely also applicable for other brands. However additional research should be done to be sure.

7.5 Conclusion

To conclude, it can be stated that there is a very good future for fair-trade fashion brands. Nevertheless they should realize that the fashion market is very competitive and they will have to compete with brands that have been established for decades. Strong communication of the Points of Parity and Points of Difference to (potential) customers is therefore essential. To get insight into the effect of fair-trade on customer loyalty, further research should be done. It could be assumed that better data (of Kuyichi but also of other fair-trade brands) is available in 3-5 years. In the meantime, younger brands have the chance to grow into a mature brand. When fair-trade becomes a mature market a fair comparison can be made and the real effect of fair-trade can be established.

Chapter 8 Limitations

LIMITATION 1: A large disadvantage of the variable “number of switches” is that it includes all switches that were made by the customer. This may sound strange because in fact those switches are made, but it is crucial to realize that in some situations the switch back is part of the first switch. In this case, the consumer can be said to go back to the preferred (original) brand after a switch rather than making a switch to another brand (this is illustrated in figure 2).

LIMITATION 2: The coincidence factor of choosing a G-Star product is higher considering the difference in supply quantity.

LIMITATION 3: Unfortunately the loyalty card is sometimes used by more than one person. This may skew the research results and therefore this limitation must be considered in the evaluation of the results.

LIMITATION 4: The fact that both brands are at different stages of the product life cycle (the growth stage for Kuyichi versus mature stage for G-Star) have affected the investigation results.

LIMITATION 5: It is important to consider the difference between the T-test within one group and the T-test between two groups (see exhibit 9), namely that for the T-test within one group the N is the same. This means that the number of repurchases of Kuyichi as well as of G-Star will be adjusted to one value of N. A large disadvantage of this is that the number of purchases of G-Star are much higher than for Kuyichi. This leads to results with a prejudice in favor of Kuyichi. This prejudice is caused by the fact that the proportion of Kuyichi will be lower since it is adjusted to a much bigger N (in the previous test the number of repurchases was adjusted to the number of purchases of the brand itself). Therefore it can already be said that this test will show customers of Kuyichi to be less loyal than they are in reality.

LIMITATION 6: Another disadvantage of the T-test is that it will measure the differences between the two customer groups in general. This means that it will not measure the buying behavior over time, but it will measure all purchases per person in total. By doing this the measurements will be less valid, because actually we want to measure whether the customer acts loyally, and whether this changes over time. This can be done by measuring whether the number of repurchases has increased or whether the customer has switched a lot. So a large pitfall of this measurement is that by using the overall number of purchases, a general view will occur of the number of repurchases, but it is not clear if they were done separately or continuously or if they were done in 2005 or 2010. In analyzing the results, this limitation should be included and considered.

LIMITATION 7: Respondents are willing to give the socially desirable answer, hence they will talk more positive about fair-trade than they act in reality. This affects the results of the attitudinal loyalty of Kuyichi (prediction > reality). It was tried to reduce this effect during the survey by not telling that this investigation will focus on fair-trade. Secondly, for both brands the same associations were shown (so also fair-trade for G-Star). In this way the respondents were not (or barely) influenced. Still the results show that the respondents gave socially desirable answers in the survey.

LIMITATION 8: The data did not exist of enough situational influences (like promotion activities of the brands) and social norms (for example the difference in dress code at work per customer, some brand have higher models than other brands). The variables that are included in the additional investigation shown at exhibit 28, are affected by this lack of information in the data. The results of the effect of the included variables is therefore less reliable. Additional research should be done to map all social norms and situational influences that affect purchasing behavior of customers in the fashion industry.

LIMITATION 9: When one customer makes a purchase that consists of more than one product, the data shows a purchase and a repurchase despite the fact that those purchases were done at the same time. Although this is not really a repurchase, since the loyalty level is investigated, and this situation still indicates loyal or not loyal behavior, this is not a problem for the investigation: It is assumed that the customer does not act more or less loyal when the repurchase is done on the same day or on separate days.

LIMITATION 10: The discussion above is also applicable to the variable "number of switches". It is assumed that the customer does not act more or less loyal when the switch is done on the same day or on separate days.

LIMITATION 11: The number of customers at any one time in the retail store was very unpredictable. The shop had really busy moments, when the investigation could not be done. But it also had very quiet moments with very few customers present in the store. These moments were the moments that the questionnaire was conducted. The disadvantage of this is that the distribution of people who are included in the survey is affected. The customers who were visiting the retail store during the weekends, are (generally speaking) not included in the survey even though they account for a large percentage of the sales. The people that were included in the survey were the people that in general do not work fulltime and were visiting the shop during the week. Most of them (67%) were women. The average age of 33 years can be considered as normal.

LIMITATION 12: A disadvantage of this investigation is that the data of both parts of the investigation consists of a limited number of variables. Therefore, it can occur that the results will show a positive relation between a variable and customer loyalty, but in reality there is none. This is called apparent cohesion. The data based on the variables that were included in this investigation is expected to be affected by this exclusion of some other variables that could (potentially) influence customer loyalty . The previous is an important limitation and

therefore this investigation is only used to give more insight into the situation, but will not be included in the main investigation.

Limitation 13: All data is acquired from customers in a single retail store. The results could be different when choosing another store and city. However, considering the fact that the data consists of 35708 purchases made by men and women of all ages, it can be assumed that this effect is insignificant.

LIMITATION 14: This investigation has only focused on two brands of jeans. It cannot be guaranteed that the results are also applicable to other markets.

LIMITATION 15: This thesis did not investigate the effect of fair-trade for different product categories. This effect can fluctuate (the effect of fair-trade on expensive goods or less expensive goods may be very different).

Additional

Additional: During this investigation the word fair-trade is used. As is described in chapter 3 it is very rare that a brand offers a 100% fair-trade goods in the fashion industry. This is why an alternative of 100% fair-trade is used in this investigation: the MADE-BY quality stamp (Blue Button). However the precise rules are different, the idea is the same. Therefore it is assumed that this will not influence any results of this thesis.



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