

# How to boost sales of fair trade and sustainable goods

December 4 2019

---

A researcher from Georgetown University published a new paper in the *Journal of Marketing*, which examines how consumers approach sustainable buying decision making with on-demand production, where they are given power early in the development cycle.

The study, forthcoming in the January issue of the *Journal of Marketing*, is titled "Who Receives Credit or Blame? The Effects of Made-to-Order Production on Responses to Unethical and Ethical Company Production Practices" and is authored by Neeru Paharia.

Want to sell fair trade and [sustainable products](#)? Use made-to-order production and see how [consumers](#) respond favorably when given choice and voice in the development of goods they want.

Imagine a consumer sees a nice pair of shoes she would like to own. This same consumer also recently read an article accusing the shoe brand of using poor labor practices. Although this consumer does not endorse the use of poor labor practices, she nevertheless buys the shoes feeling little guilt, thinking that the damage has already been done. Now instead, imagine that the same shoe brand uses on-demand production. In this case, the brand produces the shoes only after the consumer orders the item from a catalog. Rationally, in both cases the consumer is choosing whether to purchase a product made with poor labor practices. However, in the case of on-demand production, would this consumer still make the purchase?

Many companies have recently found success using various types of on-demand business models. For example, Nike offers consumers the ability to customize their shoes with Nike ID. Custom Ink allows customers to design their own T-shirts. And on-demand printing companies allow customers to order out-of-print and rare titles. More recently, Amazon.com announced "The Drop," clothing made on-demand and designed by prominent influencers. The dominant wisdom behind these made-to-order business models is that they can improve operational efficiency and/or consumer preference fit. However, giving consumers a role in production also has the consequence of giving them direct responsibility over whether a product will be produced. For example, in the case of on-demand books, a book will be produced only if a consumer orders it. In their pursuit of made-to-order business models, marketing managers may have overlooked the consequences of giving consumers control over this aspect of production.

In this research, we argue that giving consumers control of production can prompt them to weigh ethical production attributes (e.g., recycled materials, pollution, underpaid labor) more heavily than when they simply choose premade products from inventory already in stores. While it is most often the firm that decides the ethical parameters of production (e.g., labor, pollution), when products are made-to-order, it is the consumer who ultimately decides whether the product will be produced. Overall, we demonstrate that when consumers are given responsibility for whether a product is produced (e.g., made-to-order, on-demand production, customization, preorders), a stronger link between consumers and production leads to anticipated feelings of guilt or gratification depending on the ethicality of the production process, which then mediates purchase intentions. This link is weaker when consumers do not participate in production (i.e., choosing premade products from inventory). Although firms typically choose their operational strategy based on economies of scale, inventory management, and fit with consumer preferences in mind, this study is

the first to demonstrate that the interaction of operational strategy and production ethicality can have emotional consequences that impact consumer behavior.

Recent industry and consumer behavior research suggests that made-to-order production is becoming an increasingly important product strategy for firms. For example, prominent companies across various categories, including Levi's, Mars, LensCrafters, Dell, Hallmark, Keds, Ford, Nike, and Kraft, have jumped on the customization bandwagon and the use of preorders is common even for large companies, such as Apple. At the same time, companies that focus on responsible supply chains (e.g., Everlane, Patagonia) and certification standards (e.g., Fairtrade International, B-Corp, Energy Star, Marine Stewardship Council) are gaining traction. Major investors are also putting pressure on companies to increase social accountability.

This research has clear and actionable forward-looking recommendations for managers, suggesting that marrying these two strategies could be particularly effective. When deciding whether to give consumers control over production, managers should consider how it might influence how consumers weigh ethical attributes. If a [company](#) invests in more ethical production, it should try to strengthen the link (use made-to-order production), cue customers to think about their broad level of responsibility, and/or reduce diffusion of responsibility. Conversely, if a company has more negative ethical production, it should try to diminish a causal link (use made-to-stock production).

Firms may also want to be more strategic on how they organize their supply chains across a portfolio of products. For example, Timbuk2 produces its off-the-shelf bags abroad (in Indonesia and Vietnam) and its customized bags in the United States (where the labor conditions are presumably more favorable). Although the company may have a variety of economic reasons for setting up operations in this way, they might

also have learned that customers feel a stronger connection with production in one case versus the other. As such, managers should think carefully about how control over production and ethical attributes interact in order to identify opportunities and avoid risks.

**More information:** Neeru Paharia, Who Receives Credit or Blame? The Effects of Made-to-Order Production on Responses to Unethical and Ethical Company Production Practices, *Journal of Marketing* (2019). [DOI: 10.1177/0022242919887161](https://doi.org/10.1177/0022242919887161)

Provided by American Marketing Association

Citation: How to boost sales of fair trade and sustainable goods (2019, December 4) retrieved 17 July 2024 from <https://phys.org/news/2019-12-boost-sales-fair-sustainable-goods.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.