



Merchandise Assortments of Online Fair Trade Retailers: Are They Balanced?

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Introduction and Justification Fair-trade has emerged as a powerful concept in today's marketplace. In 2011, consumers spent 6.6 billion USD on certified fair-trade products or items, which represents a 12% increase in sales over 2010 (Thompson, 2012). Fair-trade is a social movement aiming to set fair prices for products, alleviate poverty, and assist producers and workers marginalized by the traditional economic model. In response to the increase in sales of fair-trade products, research has emphasized a strong need for investigating fair-trade customer interests, and satisfying customer expectations with good quality merchandise and customer-friendly web sites (Halepete & Park, 2006). To our knowledge, no previous literature has examined the merchandise assortments of on-line fair-trade shops; assortments are important because they drive firm revenue and profitability, which in the fair trade context is invested in the marginal economies. To fill this gap, the purpose of this study is to evaluate the current status of merchandising assortments offered by on-line fair trade retailers to identify typical assortment characteristics that will inform future studies linking profits to assortments of such shops.

Literature Review Defined as an international trade partnership based on dialogue, transparency, and respect (FINE, 2001), fair trade has received attention from researchers investigating fair trade business practices (Goworek, 2011), and profiling fair trade consumers (Littrell & Miller, 2001; Ma & Lee, 2012). Researchers confirmed that fair trade business empowers producers and improves their quality of life through socially responsible business practices, such as "paying fair wages, providing safe working conditions, being environmentally friendly, offering training, and contributing community development" (Halepete, Littrell, & Park, 2009, p. 143). Online shopping channels have been recognized as an emerging market outlet for fair trade products, and the richness of information related to products, culture, and artisans as well as the variety of product assortment have been identified as criteria for business success (Lee & Littrell, 2005; Paige, 2009). However, offering a balanced assortment of merchandise is critical for retailers who must satisfying diverse consumer demands while maintaining a sustainable level of profitability (Yu & Kunz, 2010). Specifically in the apparel shopping context, a well-planned merchandise assortment is even more important in order to trigger consumer commitment and provide utilitarian and hedonic shopping benefits (Park, Kim, Funches, & Foxx, 2012; Rupe & Kunz, 1998). Two traditional terms for dimensions of merchandise assortment are *breadth* and *depth* (Rupe & Kunz, 1998). While assortment breadth refers to "the number of product lines," assortment depth is defined as "the number of product items within each product line" (Lewison, 1994, p. 423). The breadth and depth can be used to calculate the number of stock-keeping units (Kunz, 2005). Planning assortments are closely

related to planning budgets. Supported by a well-structured pricing system, an interactive, dynamic plan for merchandise budget and product assortment increases the opportunity for retailers to satisfy customers and optimize sales and profitability (Kunz, 2005). Based on the literature review, the current study proposes the following research question:

RQ: What is the breadth and depth of the merchandise assortments offered by on-line fair trade fashion retailers?

Method A total of 22 North American fair-trade retailers operating direct online retail sales were selected. All retailers in the sample carried either apparel or accessories products. To analyze the merchandising assortment, the study measured the number of apparel (socks/tights, skirts, pants, sweaters, tops/shirts, dresses, and outerwear/jackets) and accessories (jewelry, bags, small accessories, scarves, and belts) categories and the number of styles in each of these categories.

Findings The on-line fair trade shops typically did not deliver a full spectrum of fashion related merchandise. The median number of product categories carried was 3.5 with a range of 1 to 9 categories. Most notably, a large inconsistency was evident in the merchandising assortments of the apparel relative to the accessory categories; only 58% of shops carried apparel products, while all shops carried accessory categories. In addition, the quantity of styles carried in the accessory categories was significantly larger; the combined mean number of styles carried in the apparel and accessories related categories was 175 and 245, respectively. A disproportionately large breadth of jewelry (the mean of number of product styles = 120, where the range was 14 to 467) was presented in several on-line fair trade shops. This case was also true for the breadth of bags, where the mean of number of product styles was 64, ranging from 1 to 345. The number of stock-keeping units was calculated for the retailers in the sample; the mean was 1,855.36, with a range of 1 to 13,684.

Conclusions and Implications The study revealed that the current merchandise assortments of fair trade retailers may not be optimum for achieving sustainable profitability. A primary merchandising function is to offer balanced product assortments using well-planned merchandise budgets in order to appeal to a broad range of target consumers (Kunz, 2005). While retailers may seek to offer diverse product assortments to achieve their financial goals, such product diversity may increase the occurrence of out-of-stocks and decrease financial productivity (Rupe & Kunz, 1998). It is suggested that on-line fair trade retailers consider specializing by limiting their selection to a few related categories, or carry a broad number of categories but a limited number of styles in each. In some cases, they may need to deliver a more targeted marketing message to communicate their specialization. Lastly, they should develop a systematic way to organize the large volume of jewelry styles, for example, by a color, a stone type, or a place of origin, to facilitate customer choices.

References- Available Upon Request