Fair Trade – How to rise its market share?
Problems and restrictions of Fair Trade with a focus on consumer attitudes

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Abstract

One of the world’s most severe problems today is poverty. Can it be solved with Fair Trade? During this thesis the topic of Fair Trade and the problems it has to face will be presented. First an introduction will be given on how Fair Trade works, how it developed and where it stands today. Then the problems and the criticisms it has to deal with will be illustrated. The main focus will be on the problem of the low market share of Fair Trade products and on consumer attitudes towards it. The aim is to find out restrictions and problems of Fair Trade products concerning consumer acceptance, for example reasons why consumers do not buy Fair Trade products and opportunities for further marketing activities to address those problems. For the second part of this thesis, a quantitative study has been conducted by carrying out a survey among potential Fair Trade consumers, mainly students, which has brought insight into their actual attitude towards Fair Trade and their motivation for buying or not buying Fair Trade products. The results of this study confirm the problems defined in existing literature, which are most notably the high price, a lack of information and trust in Fair Trade and a lack of availability of Fair Trade products. In order to help more of the world’s poor to get out of poverty, it is important to address those problems so that the market share of Fair Trade products can increase.
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1 Introduction

1.1 Background of the problem
Theory and praxis are often two different things. The same with global trade. The theory by Adam Smith and David Ricardo says that free trade will be automatically a win-win situation for both of the trading partners. Each of them has some comparative advantages and because of that can specialize on producing goods in which they have those advantages. The goods they cannot produce themselves due to difficulties with climate, lack of raw materials or other reasons, will be imported from one of the other partners. So every country will produce the goods it is best in, and import the others. This is the theory. In praxis, international trade is one of the reasons for the current situation of extreme poverty of the main part of the global population (McMichael, 2004). Global inequalities have grown. And they have grown dramatically, so that more and more and more people are questioning the general assumption of free trade being an advantage for everyone (Schmelzer, 2007).
One of the reasons, wherefore free trade does not work as it should in theory, is that the power is concentrated in hands of some supermarket chains of the northern countries. They use their power in negotiations with their providers to press down purchasing prices. Many small and medium sized producers are not able to compete under those circumstances. For them, who are already disadvantaged, the constantly falling market prices have devastating effects. Another significant problem is the lack of information about the market and prices that the small producers in developing countries have to face. So trade has to be made fairer and disadvantages have to be corrected to overcome those imperfections and make it possible for developing countries to get out of their poverty. Fair Trade aims to do this, and wants to improve the lives of the producers in developing countries and work against the global inequalities in income distribution. The main goals are to correct the disadvantages of the producers, which are problems with market access due to lacks of information, transportation methods, education and credit access (Nicholls, Opal, 2005).
The concept of Fair Trade is not about aid, charity or “just doing good” (Nicholls, Opal, 2005), but it is a system based on the market mechanism.

1.2 Problem definition
Consumers in the developed countries are asking for corporate social responsibility and want to buy “ethical products” because they feel more and more concerned about where their
products come from and under which circumstances they are produced. By buying Fair Trade products they can satisfy this need and make themselves feel better, and producers in developing countries can benefit through higher incomes and a better living standard. However, although more than half of the population define themselves as ethical consumers and are aware of Fair Trade, the market share of Fair Trade products is still rather marginal, which impedes Fair Trade from working broadly against the poverty problem, but allows only to help a small number of the poor. So it is important to increase the market share of Fair Trade products in order to better address the world’s poverty problem. The question today is if Fair Trade has the potential to survive in the mass market and if its problems can be solved.

1.3 Purpose of the study and research questions
The purpose of this study is to find out the most important restrictions and problems of Fair Trade, especially concerning the market share of Fair Trade products. The focus of the research will be on questions about the consumer side of Fair Trade and their motivation and attitudes towards buying Fair Trade products. The research questions which are going to be treated are “How is consumer awareness of Fair Trade and who is buying Fair Trade products?” “What are the most important restrictions and problems of Fair Trade, concerning its consumer acceptance?” and “How could the market share of Fair Trade products be improved to help more people?”

2 What is Fair Trade?

2.1 Definition
A definition of Fair Trade has been developed by FINE1, a cooperation of the four biggest international organisations dealing with Fair Trade:

“Fair Trade is a trading partnership, based on dialogue, transparency and respect, that 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

1 FINE consists of the following organizations: FLO (Fairtrade Labelling Organizations International), WFTO (World Fair Trading Organization, former IFAT), EFTA (European Fair Trade Association) and NEWS! (Network of European Worldshops)
practice of conventional international trade. Fair Trade organizations have a clear commitment to Fair Trade as the principal core of their mission.” (definition FINE, 2001).

There has to be made a distinction between Fair Trade and “fair trade”. Fair Trade is the concept defined above, which is concerned with specially defined business practices and standards in order to get a Fair Trade certification mark. However, there are also many companies who are not participating in the certification process of FLO (Fair Trade Labelling Organizations International), for example because for some products there are no standards and certification criteria yet, or because for them the costs of certification and control are too high. Those companies, who also claim to use socially conscious business practices and help producers in the developing countries, call it “fair trade”, or sometimes also “community trade”, like in case of The Body Shop. During my work I will focus on Fair Trade, the FLO certified products, because it is difficult to look behind all the special and different practices of the companies who claim to use “fair trade”, but do not work according to the standards set by FLO.

2.2 Aims

The aim of Fair Trade is to work against the inequalities caused by the free market system. As I mentioned above, the problem is that the incomes of the world’s trading activities are not at all distributed equitably between all the participants of the supply chain. The producers in developing countries are often working under very bad conditions, and many times they do not earn enough money to feed their families or send their children to school, although they have a job and are working all day. They are exposed to the fluctuations of the world market price, and since they do not have access to capital, to credits or to the necessary market information, they are not able to invest into the development of new production strategies for improving their productivity. If the market price drops, they do not have the possibility to just switch to growing other products, as producers in the developed countries would do.

Fair Trade aims to address all those problems in order to reach a more equitable distribution of the incomes of the world’s trading activities and thus to improve the lives of the disadvantaged producers in developing countries. Furthermore it also implies aiming for sustainable development in terms of protection of the environment, social justice, preservation of the cultural diversity and economic development (FLO, 2009).
The basic principles of Fair Trade are for example transparent and long-term trading partnerships between producers and traders, direct purchasing from producers and avoiding to have many middlemen, agreed minimum prices, focus on development and technical assistance via the payment of a so-called Fair Trade Premium (A. Nicholls, C. Opal, 2005).

2.3 How does Fair Trade work?

Fair Trade first of all aims at shortening the supply chain, and bringing consumer and producer closer together (Nicholls, Opal, 2005). By means of this, some of the usually big number of middlemen should be cut out of the supply chain, because they get a quite huge percentage of the price the consumer pays for the product, and so drive down the amount of money the producer gets at the end. So one of the requirements to for companies that want to have the Fair Trade certification mark on their products is direct trade with the producers. (Nicholls, Opal, 2005)

The Fairtrade Labelling Organizations International (FLO) is setting international standards, which have to be accomplished by producers and traders who want to participate in the program and want to have the Fair Trade Mark on their products.

The common principles of social, economic, and environmental development are the basis of all the standards. Some of the most important points are that social rights and security have to be ensured, forced labour or child labour is forbidden, the legal requirements have to be respected, training opportunities have to be provided and the producing organization has to be democratic and transparent and must not discriminate any of its members (FLO, 2009). Concerning the environmental development, the focus is on minimum use of agrochemicals, no use of genetically modified organisms and maintenance of soil fertility and water resources. There are two different types of standards, the product standards and the generic standards. The product standards are set individually for each type of product and are to ensure that the conditions of production are socially, economically and environmentally responsible.

Concerning the generic standards they are divided further into the generic trade standards, which apply for all producers and traders, and the generic producer standards, which apply only for the producers. The generic trade standards order traders to pay a minimum price to the producers, which has to cover the costs of sustainable production, and works as protection against the fluctuations of the market price. The producers are always paid the minimum
price, which ensures the covering of their production costs, even if the world market price is below this. If the market price rises and is higher than the minimum price, traders have to pay the market price. Furthermore the traders have to pay an additional sum that the producers can invest in development, which is called the Fairtrade Premium or social premium. This money is used by the producers to improve their quality of life. They can decide whether to invest it in social issues, health, education, economy and so on.

The figure below shows the functioning of the Fair Trade price in the case of cocoa beans. It becomes clearly visible how the Fair Trade minimum price, together with the social premium, soothes the world market price fluctuations for the producers. This is a very important contribution to the improvement of their situation since it prevents them from being so exposed to and so dependent on these fluctuations.

Other requirements to the traders are that they have to pay in advance if the producers want that, which can help them to get access to capital, one of the most important factors for successful production and development. Traders also have to sign contracts which allow the producers do adopt long-term planning and sustainable production practices and thus make them more competitive.

The generic producer standards are set for small-scale producers or for hired labour. The small-scale producers have to be organized in co-operatives or some kind of other organization with a democratic participative structure. That is because they have to decide

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2 Alex Nicholls, Charlotte Opal: Fair trade – market-driven ethical consumption, 2005, page 46
altogether about what to do with the incomes from the Premium, for example if they want to build a school, create a pension fund or something else for their common interest. By means of this not only the producers, but also the community, and their families, can benefit from the Fairtrade Premium.

The producer standards for hired labour require that the employers pay adequate wages to their employees, guarantee the right to join a trade union, ensure adequate health and safety standards and provide them with good housing if this is necessary (FLO, 2009).

The direct effects on the producers are first of all a higher income due to the minimum price and the premium, a better access to credits and better market access due to the organization in form of co-operatives, which also gives them a better and stronger position when negotiating with middlemen. Another advantage of the co-operatives is, that farmers can pool their incomes and of course the premium, to buy a telephone, TV or get internet access, so that they are able to get market and price information and are less dependent on middlemen. As mentioned above, in developing countries the legal systems are often weak, and laws are not attended. This is where the Fair Trade regulations for hired labour, child labour, and working conditions in general, help the people to have better working conditions.

Furthermore, there are some indirect effects which include better education, psychological and organizational effects like for example a bigger political and public participation of the producers (Nicholls, Opal, 2005). Fair Trade also offers benefits for the producers who do not take part in it. The non-Fair Trade farmers can benefit from the community projects which are financed by the Fair Trade premium, for example projects like roads, clinics and schools (Nicholls, Opal, 2005).

3 The Development of Fair Trade

3.1 History of Fair Trade

Fair Trade is a relatively young idea, which came up as the negative results of free trade became more and more visible and people started to realize that many people win from free trade, but there are also many losers. During the last thirty years there has been a notable growth in ethical consumer behaviour which can be said to be the main force behind the development of Fair Trade (Nicholls, Opal, 2005).
The first Fair Trade movements started in the Netherlands in the 1960’s. It were mainly young people who started to organize in groups and started to import and sell third world products in special so-called “world shops”. The movement swapped over to Germany, and other European countries and more and more groups started to sell Fair Trade products on markets and bazaars. In 1987 the EFTA (European Fair Trade Association) was founded and in 1988 the Max Havelaar label, the first Fair Trade certified label, was introduced. The first Fair Trade Coffee was sold in Dutch supermarkets. In 1989 IFAT (International Federation for Alternative Trade) was founded.

During the 1980’s and 1990’s there were several different Fair Trade marks in Europe, for example the Max Havelaar label (in Belgium, Switzerland, Denmark, Norway and France), the Transfair label (in Germany, Austria,Luxemburg, Italy, the United States, Canada and Japan), the Fairtrade Mark in the UK and Ireland, Reilu Kauppa in Finland and Rättvisemärkt in Sweden.

In 1997 several Fair Trade label organizations started working together with the name FLO (Fairtrade Labelling Organizations International) and their headquarters in Bonn, Germany. Their aim was better co-operation concerning the definition of international Fair Trade standards, certification and supervision of traders and producers.

In 2003, the first international Fair Trade mark was launched by FLO to improve the visibility of the Mark on supermarket shelves, and to facilitate trade and export procedures (FLO, 2009).

In 2003 the European Commission started to support Fair Trade. In 2003 until 2005 the campaign “fair feels good” was launched in Germany with financial support of the government.

At the end of 2007 there were 469 importing organizations trading with Fair Trade products (Krier, 2007). in the whole world, and more than 1 million producers in 58 different developing countries were benefitting from the program (FLO, 2007).

3.2 The Fair Trade market today

Fair Trade sales have risen considerably during the last years, Fair Trade is expanding to address the mass market and many new Fair Trade products have been launched in recent years. Fair Trade products are available in supermarkets, international coffee chains like Starbucks, Dunkin Donuts, and on the internet.

In 2008 the Fair Trade certified sales increased by 22% compared to 2007 (FLO, 2009). Despite the global crisis and the economical recession, none of the Fair Trade markets shrank.
There were over 2,700 companies which use the Fair Trade mark on their products and more than 6,000 different Fair Trade certified products were available. The following graph shows the development of Fair Trade sales from 1992 to 2007. The total turnover during those 15 years has been 837.5 million Euros. Annual Fair Trade turnover rose from zero in 1992 to 140 million Euros in 2007. The market entry of different Fair Trade certified products is also showed in the chart.

- 1992 coffee
- 1995 tea
- 1996 chocolate
- 1997 honey; candy
- 1998 bananas
- 1999 orange juice
- 2003 launch of the official Fair Trade logo
- 2005 roses; wine; footballs
- 2006 rice; fruit juices; sugar
- 2007 ice cream, cotton

**Development of Transfair products 1992-2007 in Germany**

![Graph showing development of Fair Trade sales from 1992 to 2007](http://www.transfair.org/ueber-transfair/das-wurde-erreicht/bei-uns.html) (captions translated)
4 Problems with Fair Trade

Besides all the supporters of Fair Trade, there are also some that criticise it and question the long-term benefits. In fact, many of them claim that Fair Trade does make things even worse and the only solution is to make free trade possible all over the world and to reduce all the remaining trade barriers.

4.1 Quality problems

Henderson (2008) and Berndt (2007) point out that Fair Trade has negative effects on the consumer, because the quality of the Fair Trade goods will be lower than quality of normal products. They argue in the following way, taking the example of coffee: First of all, they point out that the minimum price set by the FLO will have the effect that producers will not produce less if the market price (and thus demand) falls. The producers will not have the need to reduce production, because the price they get for their Fair Trade products is guaranteed. So they will create a surplus. There will be too much Fair Trade coffee and not enough consumers who are willing to buy it. The consequence is, that the producers will sell the surplus, which they cannot sell at the Fair Trade price, at the market price. So the offer of coffee at market price will also rise, and if the amount is big enough, the market price will go down even further.

The next problem is that FLO standards do not include standards about the quality of the coffee. That causes the following effect: The producers have created a surplus due to the minimum price. Now they have to sell this surplus on the open market. In contrast to the Fair Trade market, on the open market quality does matter there. The higher the quality of the coffee, the higher will be the price the producers get. So if the producer has harvested some coffee which has a lower quality than the rest, the logical consequence would be that he would sell this lower quality coffee at the Fair Trade price, because quality does not matter. Then he will sell the high quality coffee on the open market to maximize his benefits. So in the end the consumer will pay a higher price for lower quality. Berndt (2007) also points out that there is a free-rider problem. Since all the producers have to be organised in cooperatives, all their beans will be mixed during the milling process. So of course, if a farmer wants to produce high quality coffee, it does not make sense anymore, if all the others put only their lowest quality coffee. Since none of the farmers is responsible for the quality of the coffee or gets credit for quality, no farmer has a strong incentive to provide quality
(Henderson, 2008). The result is, that at the end the consumer gets a lower quality product if he is buying Fair Trade, although he is paying a higher price.

4.2 Fair Trade vs. Free Trade

A proposal to solve the world’s problems is to immediately end all trade barriers, for example tariffs, quotas etc., since they lower the price producers receive, and also drive up the price the consumers have to pay.

So the critics of Fair Trade say that not Fair Trade, but Free Trade should be the solution. They argue that the biggest problem for the producers in developing countries is the EU’s Common Agricultural Policy, which impede them from exporting to the EU due to the immense subsidies European farmers get (Clarke, 2009). Farmers in developing countries cannot compete with them at all, so it is important to work against this unfair competition and give all the producers the same opportunities and conditions to sell their products where they want to.

Furthermore, a basic condition to permit development and higher incomes for a country is the production of goods. By exporting only the raw materials, you cannot gain as much as by selling finished products. But the developed countries do not make it possible for the developing countries to export finished products. The tax on cocoa beans, for example, is much lower than the tax on chocolate and forces poor producers to export only their cocoa beans. So of course, most of the gains of the chocolate production stay where the actual chocolate is produced, in the Northern (developed) countries. Even if the cocoa beans are Fair Trade, it would be better for the producers to be able to produce the whole chocolate bar and then export it. So the final aim should be free trade, but to reach this will still be a long way, in case it will be possible at all.

4.3 “Clean-washing”

Schmelzer (2007) brings forward the argument that many companies use the Fair Trade mark on some of their products to justify exploiting practices in the production process of their other products. He brings up the example of Nestlé, which was named the world’s least responsible company in 2005, and not much time later announced to start its own brand with the Fair Trade certification mark.
In many studies on global retail chains it turned out that companies like Lidl and Starbucks do not sell Fair Trade products because of the principles or the idea of Fair Trade, but the possibility to develop new markets and to have higher profits. They see Fair Trade as a quite useful marketing instrument to distinguish themselves from competitors (Schmelzer, 2007). The problem with this is, that if they only sell a few of their wide product range under the Fair Trade mark, they can still use their power to press down market prices and can use suppliers for their other products that do exploit poor producers and thus work against fair trade at the same time as supporting it.

4.4 Problems with the Functioning of the Fair Trade system

A point that is criticised many times is the distribution of the incomes of Fair Trade. Often the retailers in the North take the biggest part of the benefits for themselves and only a small part actually reaches the producers. Much of the higher Fair Trade price is lost during the supply chain to traders, importers, and the retailer itself (Stecklow, White, 2004). Furthermore it is to say that part of the higher price the consumer pays will be eaten up by the cost of the co-operative’s bureaucracy and the fee for the certification (Henderson, 2008). The fees that the co-operatives have to pay to the FLO in order to get the Fair Trade certification mark lies between $2000 and $4000, which is a quite high sum for a group of poor farmers.

Another problem mentioned is that producers have to organize in co-operatives to decide about the use of the Fair Trade Premium, so there is the risk that the democratic decision does not include benefits for all of the producers, and that some do not value the spending at all.

Another point Henderson mentions is the fact that Fair Trade standards do not allow the use of genetically modified products. However, he explains that this could result in a big problem for the banana industry, because currently the most produced type of bananas faces the problem of the Panama disease. The risk is quite high that it will be wiped out by the disease. The banana could be made resistant against this type of disease with the help of genetic engineering. However, at the moment there is little chance this will be done since genetically modified food is forbidden in many countries and many people do not want to eat genetically modified products. Henderson argues that Fair Trade organisations, as well as governments have a big influence on the further development, because if they do continue to persuade consumers not to buy modified bananas, there will be no incentive for engineers to develop them. For people in developed countries this will not result in a big problem, if the banana should be wiped out, because they can easily find substitutes. However, in the poorer
countries, many people depend on the banana for their survival, even more people than 
depend on rice (Koeppel, 2008). So Henderson argues that for them a genetically modified 
banana could save their lives, and Fair Trade organizations and governments in the North are 
preventing poor people from surviving because they do talk negatively about genetic 
engineering.

Some researchers also claim that a solution which could work better than Fair Trade is just to 
give people in poor countries the money consumers would spend on higher prices for Fair 
Trade products (Henderson, 2008). Of course, with direct donation of money, more of the 
money ends up directly in hands of the poor people, in contrast to the Fair Trade supply chain, 
where not the whole price a consumer pays goes to the producer. However, this has to be 
seen in context with the actual conditions. In case of a sudden crisis, aid can help faster and 
better than Fair Trade, but it does not have the same long-term effects as Fair Trade does 
(Nicholls, Opal. 2005).

4.5 The market share

Apart from all the problems mentioned before, one which represents an important restriction 
for Fair Trade to work successfully, is its market share. It is still relatively low\(^3\), and Fair 
Trade could help many more people to get out of poverty if the market share would be higher. 
Marketing efforts are already directed to address this problem, as can be seen in the launch of 
numerous new Fair Trade products in recent years.

5 Fair Trade and the consumer – restrictions and 
opportunities

Before, I have given a general overview about the topic of Fair Trade and how it works, and 
general criticism on the whole Fair Trade system.

Now I will concentrate on the consumer side and on the problem of the market share of Fair 
Trade products.

The ethical concern of consumers has been increasing during the last years, they want to 
know about how their products are produced and about their social and environmental 
impacts.

\(^3\) In 2006, Fair Trade sales represented 0,1% of all goods traded internationally according to the United States-
based Fair Trade Federation.
This is also because today it is becoming easier for the consumer to buy Fair Trade products, since Fair Trade is starting to go “mainstream”, which means that in many northern countries supermarkets are selling Fair Trade products, and many companies start to launch their own fair trade products and brands.

Furthermore there are the efforts of the Fair Trade organizations to harmonize the different Fair Trade marks and unify them to one official Fair Trade mark. The FLO wants to make the identification of Fair Trade products as easy as possible by using the Fair Trade Mark for all the products that meet their standards.

From the viewpoint of the consumer Fair Trade could be seen as an additional product feature, like colour or size, so they can decide if this satisfies their needs better than a normal product, which will be the case if the consumer is ethically concerned. So the offer of Fair Trade products amplifies the product range available for the customers and gives them more choice (Nicholls, Opal, 2005).

However, the market share of Fair Trade products is still relatively low, as mentioned before, and it is clear that in order to help more poor people to get out of poverty, the market share has to improve.

So my aim is to find out how consumer awareness of Fair Trade products is today, where the problems and restrictions of Fair Trade products are, and which facts motivate the consumer to buy Fair Trade products.

5.1 The Fair Trade consumer

5.1.1 Awareness and attitude towards Fair Trade

Consumers are more and more interested in where their products come from, under which circumstances they were produced and what they are buying exactly. Concern for global challenges like poverty and climate change is rising, and the same does ethical consumerism. According to a study conducted by Trendbüro, a German Consultancy for Social Change, ethical consumerism is rising and will also continue to rise in the following years. More than half of the population are defining themselves as “active ethical consumers” today, and 50% of the consumers are familiar with the Fair Trade certification mark, as shown by a study of FLO in 15 countries.

In fact, total Fair Trade sales have risen during the last years, even despite the actual crisis, according to Transfair, which shows that consumers trust in Fair Trade and want to support it even in times of economical difficulties.
In Germany there has also been a significant rise in consumer motivation to buy Fair Trade products. The German consumer association and the German Federal Ministry of economical cooperation and development started a campaign called “fair feels good” in Germany in 2003 which was linked with two surveys among consumers, one previous to the campaign and one afterwards. The result was, that from 2003 to 2007, the years when the surveys had been conducted, the number of buyers of Fair Trade products (seldom, sometimes or regularly), had risen from 27.9% to 37.4%, thus about 9.5%.

It is to say that consumer awareness and acceptance of Fair Trade has clearly risen during the last years, which is very important for the further success of it. However, there is still some potential, as will be outlined below.

5.1.2 Characterists

The study mentioned above also had the result that women are more likely to buy Fair Trade products than men (41.2% in contrast to 33.3%).

This fits with results of studies in the UK, which also found that women are more likely to be aware of the Fair Trade mark than men (42% compared to 35%) (Nicholls, Opal, 2005). As Nicholls and Opal (2005) point out, the “typical” Fair Trade consumer is middle-aged, affluent and degree-educated, and, as mentioned before, more likely to be a woman. However, this characterization is based mostly on surveys among consumers in the UK, since most of the research on Fair Trade consumers has been done there. So it has to be regarded with respect to possible differences due to the cultural diversity.

Nevertheless, the study conducted in Germany mentioned before, had comparable results. The percentage of buyers of Fair Trade products, dependent on the income, had been highest in the highest income groups (50.4% Fair Trade buyers with an income of more than 2500€, 29% with an income of less than 1000€, the other income groups had percentages of Fair Trade buyers between 33% and 35%) (fair feels good, 2007). The results for number of buyers dependent on educational level fit to the UK results as well. Also in Germany, the typical Fair Trade buyer has the A-levels or a university degree (50.4%), while for example among people without special apprenticeship and only secondary school degree, the percentage of Fair Trade buyers was only 18.2%. The study conducted in Germany did not look at the age of Fair Trade buyers, so this cannot be compared directly to the results of the UK studies. However, since all of the other factors are alike, it could be concluded that the
fact that the typical Fair Trade consumer in the UK is middle-aged would have a comparable result in Germany.

5.1.3 Purchasing locations and products

The most popular location for buying Fair Trade products in Germany in 2007 was the supermarket, with 42.6% of the consumers purchasing their Fair Trade products there (fair feels good, 2007). The same development can be seen in international sales figures, which show that the biggest increase of Fair Trade sales has been reached with supermarket sales. Almost as important as the supermarkets are the organic food shops (41%). This shows that the combination of organic and Fair Trade is becoming more and more popular among consumers.

Many consumers (38%) also purchase Fair Trade products in Worldshops, some in health food shops (13.5%), whereas churchly organizations (2.9%), catalogues (2.4%) and the Internet (1.1%) are not so popular. The biggest growth rates in sales from 2007 to 2008 had Fair Trade tea (112%), cotton (94%), wine (57%), flowers and plants (31%) and bananas (28%) (FLO, 2009). Other often sold Fair Trade products are honey, coffee, sugar, cocoa beans, fresh fruit, fruit juice, rice and sports balls.

5.2 Restrictions and problems of Fair Trade products

Despite all the positive developments and the rise in consumer awareness, the market share of Fair Trade products is still rather fractional, as mentioned before.

There are different factors that are impeding the Fair Trade market share to grow, according to Nicholls and Opal (2005):

- The problem of communicating the human element of sustainability to the consumer.
- Difficulties in establishing consumer commitment to Fair Trade purchasing.
- Obstacles in getting more Fair Trade products on to supermarket shelves.
- Perception of low quality because of early negative experience with “green” or ethical/solidarity products.
- The ethical aspect is only one of a number of multiple factors in purchase decisions.  

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4 Alex Nicholls, Charlotte Opal: Fair trade – market-driven ethical consumption, 2005, page 153
Although there have been efforts to unify all the different Fair Trade marks by launching one official FLO Fair Trade certification mark, not all companies are using this mark today, due to different reasons, for example the high certification costs.

This point also makes it sometimes difficult for the consumers to recognize a Fair Trade product, since there are a lot of companies who do not have the Fair Trade certification mark on their products, but use their own fair trade principles and marks. An example of a company using its own fair trade principles is The Body Shop, a retailer of beauty and cosmetic products.\(^5\)

For the consumer it is hard to understand all those different labels and to know what they are all about and which one is worth supporting it and which one can be trusted in.

Concerning the problems in establishing consumer commitment it could be concretised further into the following factors:

5.2.1 Price

One of the important points to the consumer when deciding whether or not to buy a product is the price. Fair Trade products are usually more expensive than comparable products without a Fair Trade mark, due to the higher price the companies have to pay to the producers.

The high price is one of the most important problems of Fair Trade products concerning consumer acceptance and the market share. For many consumers a higher price is a restriction, and could be a reason for not buying a product. The study which has been conducted in Germany in 2007 for the campaign “fair feels good” by the German consumer association and by the German Federal Ministry of economical cooperation and development found out that for 30.7% of the people in Germany, the high price of Fair Trade products represents a reason for not buying them.

The consumer has to be willing to pay more to support the Fair Trade system. So first of all, he has to be aware of Fair Trade and understand why it could be reasonable to buy those, more expensive products instead of the cheaper possibilities available.

\(^5\) The Body Shop claims that it supports fair trade but it does not have the Fair Trade certification mark and uses its own “Community Trade Principles”. This Community Trade program is about building up relationships with disadvantaged producers around the world, to guarantee them an adequate income and to help them to develop sustainable production strategies. The Body Shop only wants to use natural ingredients in order to maximise sustainable benefits to its suppliers and to satisfy its customer’s expectations of The Body Shop as an ethical retailer.
5.2.2 Availability of Fair Trade products

Another important problem for Fair Trade products and their market share is the availability. During the last years, Fair Trade products started to swap over to the mass market, and are not only available in Worldshops or Fair Trade shops anymore, but often also in supermarkets. However, sometimes it is still difficult for the consumers to find them, as studies have shown. 35.5% of consumers in Germany claim that they do not buy Fair Trade products or buy them only seldom, because they are only available at a too small number of shops, and because people do not know where to buy them (fair feels good, 2007). Furthermore, 21.1% claim that the products are often hidden in the supermarket and hard to find.

5.2.3 Lack of information and lack of trust

The study in Germany found out that 20.9% of the consumers do not know enough about Fair Trade or about the products, so that they do not buy them. 7.5% said that they do not believe the promises about Fair Trade are true.

5.2.4 Buy local

There are many voices today that call for “buying local”, and claim that local products are more sustainable than those who have been transported over long distances (sustainable table, 2009). Since concerns for climate change and global warming are rising more and more, many consumers prefer to buy local products.

As Fair Trade products usually come from developing countries to the developed ones, they have always long ways of transport and thus are competing with those local products. Here of course we have to consider the restrictions of buying local. It is rather difficult to buy only local products, since there are many items that are not available of local producers, simply because it cannot be grown in our regions. Due to that, as mentioned above, not all of the Fair Trade products directly compete with local products. However, the “buy local” movement is an issue for those Fair Trade products that could also be produced in the northern countries, like flowers and honey, for instance.
5.2.5 Quality of Fair Trade products

According to Nicholls and Opal (2005), the perception of low quality of Fair Trade products is a restriction, since at the beginning of the Fair Trade movement, there were no quality standards and the products usually really had a lower quality than other products. However, the studies in Germany found out that this image is rather not an issue today, since only 2.1% of the consumers stated that they think the products have a lower quality or do not taste as well as other products.

5.3 Possibilities and opportunities of Fair Trade – How to improve the market share

All of the problems mentioned above at the end have a negative influence on the market share of the Fair Trade products. However, in order to help more of the world’s poor people to get out of poverty, the actual market share has to grow.

There are different possibilities for reaching this aim. Most important is to educate the consumer and to use innovative marketing in order to build brands and generate ethical and quality-based values around the Fair Trade mark. The Fair Trade marketing already started to change its strategy of a niche target to addressing to the mass market, which is important in order to continue to grow (Nicholls, Opal, 2005).

The study “fair feels good” in Germany found an interesting potential for a broadening of the Fair Trade market. The respondents were questioned if they in general support Fair Trade, regardless if they are buying products at the moment or not. So it became clear that the number of Fair Trade supporters was between 33 and 44 per cent of the people who are not buying Fair Trade products at the moment. Those people are already aware of Fair Trade and supporting the idea of it, so they represent a good potential for market growth with the help of strategic marketing activities addressed to them.

Another interesting result has been found concerning Fair Trade buyers dependent on educational level. In the group of pupils, only 8.7% stated to buy Fair Trade products at the moment, but 56.4% stated to support it in general, which is the highest percentage of supporters of all the educational levels. The conductors of the survey interpreted this as a proof of the success of the educational efforts about Fair Trade in schools (fair feels good, 2007).

In order to further improve the development of Fair Trade it will also be necessary to broaden the product range available, to bring Fair Trade to a wider audience (Nicholls, Opal, 2005).
This problem has already partly been addressed in recent years, when many Trade products have been launched. One very important new idea was to mix Fair Trade and non-Fair Trade ingredients to compose a product for the middle price segment in order to reach also the less well-affluent consumers. This has been successfully done with Traidcraft’s Geobar, a fruit bar which consists of Fair Trade honey, sugar, and other commodities, and of non-Fair Trade products. At least 20-50% of a product’s ingredients have to be Fair Trade to have the Fair Trade mark. With the Geobar, the Fair Trade market could experience an expansion to a mass price-sensitive market, since it is positioned in the middle price segment. Thus, developing more of those composite products will be a key objective for new Fair Trade product development in the future (Nicholls, Opal, 2005).

Another important strategy will be to further increase the availability of Fair Trade products for the consumers. In the UK, all of the four big supermarkets were offering Fair Trade products already in 2001 (Nicholls, Opal, 2005), and also in Germany many supermarkets are selling Fair Trade products today, and even discounters (Lidl) have started to sell them. However, like the studies showed, availability is still a problem to the consumers in Germany, so there have to be further improvements.

Furthermore, education of the consumers is very important to generate and improve trust in the Fair Trade mark and to rise awareness. This is not only to be done by conventional marketing communications strategies, but also with the help of new strategies like for example the Fair Trade Towns initiative (Nicholls, Opal, 2005). The Fair Trade Towns must fulfil special requirements in order to get the award, and the final aim is to make consumers connect their local community with their ethical concerns and thus raise awareness of Fair Trade. As many consumers feel powerless and do not feel that they can address the poverty problem as individuals, by buying Fair Trade products, with the help of Fair Trade Towns they feel more powerful because they act in a group of more people (Nicholls, Opal, 2005).

All those initiatives and marketing strategies are addressing the problem of the low Fair Trade market share and will have to be continued in order to reach their aim.
6 Own research

6.1 Method
Here I will give information about the method that was used for the study.

6.1.1 Choice
In order to find out more about the attitudes of the consumers towards Fair Trade and to find results to my research questions, I decided to do an empirical research. The best and easiest way to do that was a survey, so I designed an online survey with Google Docs which consisted of 13 questions. Concerning the choice of this method, I decided to carry out a survey because this was an easy and adequate way for my purpose to find out about consumer attitudes and positions related to a special subject. I could phrase my own questions and ask a large number of people to respond to them. The choice of an online survey was the best way to do in this case, because it was a cheap and fast way to get a large number of answers, and because it was easy to evaluate since you get the answers already as a data file. Another advantage has been, that I could also reach a lot of respondents in Germany without having to be personally present there.

The questions concentrate on the reasons why or why not consumers do buy Fair Trade products, and if they know about Fair Trade in general. Furthermore I asked general questions about age, income, gender and nationality of the respondents, in order to find out if the answers are influenced by those factors. Since the previous studies conducted about Fair Trade do not concentrate so much on consumer motivation for buying Fair Trade products, I asked some questions about this in order to find opportunities for Fair Trade in the future.

6.1.2 Procedure
First of all I designed my questionnaire, creating a spreadsheet with Google Docs. Then I started by sending it out via mail to contacts I already had. However, by doing that I could only reach a very limited number of people, so I decided to send my questionnaire also to the students of Mid Sweden University, using the mailing list, and to the students of my university in Germany, the FH Aachen, in order to get a larger sample. Like this I got the contact to a lot of people from Sweden and from Germany. During the 11 days while the survey was online, I got 847 responses, which for me was a quite good result for me and was enough for my purpose. However, due to reliability issues, I had to delete some of the
answers, because some respondents did not answer some of the questions or did not answer them properly. So at the end I had 721 responses which I could work with.

The data analysis has been done in Excel and Access.

6.1.3 Validity / Reliability

The validity of this research is of course limited in some aspects. First of all, due to the limited contacts and possibilities of reaching respondents, now 84% of the responses are from people between 16 and 29 years old. So it is to say that the results are not representative for the whole population. Anyway, this could also be an interesting point, since the respondents, which are mainly students between 16 and 29, are representing a very important consumer group. Within some years, they will fit perfectly in the profile of a typical Fair Trade consumer which was mentioned before, since by then, the respondents will be middle-aged, they will probably be degree-educated if they finish their studies, and they will probably be also rather affluent since a university degree usually increases the opportunities for finding a relatively well-paid job.

Therefore it will be interesting to analyse what their opinion and attitudes towards Fair Trade are like today and what could maybe be done to increase the market share in the future with respect to the attitudes of those future Fair Trade consumers.

Another problem of the research is, that the responses are limited mostly to students of Mid Sweden University and the FH Aachen, so they are neither representative for Sweden or Germany in general, but maybe more for the special regions where those universities are located. One could maybe come to different results using samples in other parts of both countries.

Furthermore, there is another problem with the design of the survey. Some questions were designed so that the respondents could point out their degree of agreement or disagreement to different statements. Here it was only possible to propose a limited number of different statements, and it may be that there are other reasons or possible answers that were not considered in the survey, to which the respondents would have agreed if they would have been mentioned. In conclusion, the results are not completely exhaustive and could be deepened further by using another, revised questionnaire.
6.2 Results

6.2.1 Information about the respondents

6.2.1.1 Gender
The respondents were 57% male and 43% female.

6.2.1.2 Age
Like mentioned already above, concerning the age of the respondents it is to say that there is quite an imbalance between the different age groups. In fact, 84.3% of the respondents were between 16 and 29 years old, 15.4% between 30 and 49 years and only 0.3% were between 50 and 65 years old. This is due to the fact that the contact with the respondents was established through the universities, so that nearly all of them are students.

6.2.1.3 Income
This fact is also reflected in the distribution of the income groups. 79% of the respondents stated to have a monthly income of less than 1000€ (10440.60 SEK). The next biggest group is that of income between 1000 and 1500 € per month, which was 13%, whereas only 5% of the respondents stated to have a monthly income of between 1500 and 2500€. The income groups of 2500 till 3500 € per month and more than 3500 € per month are represented with 2% respectively.

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6 Exchange rate 2009-12-16
6.2.1.4 Nationalities
Concerning the nationalities of the respondents, the largest groups are German and Swedish persons, with 55% German and 31% Swedish respondents. 14% had other nationalities. I will use the opportunity to try to find out if there are significant differences between the answers of German and Swedish persons. In total the respondents have 29 different nationalities.

6.2.2 Results of the questionnaire
In this section the results of the survey will be presented.

6.2.2.1 Did you ever hear of the topic of Fair Trade?
It became obvious that the majority of the respondents are aware of the topic of Fair Trade, namely 94% stated to have heard of it, and only 8% state to have never heard about Fair Trade.

When comparing Swedish and German respondents, there is a small difference between the results. Of the German respondents, 97.2% stated to have heard about Fair Trade, while among Swedish respondents, it was only 94.2%.

Furthermore, 95.1% of all women stated to have heard about Fair Trade and 94.4% of the men.
6.2.2.2 Do you feel well informed about the meaning and aims of Fair Trade and how it works?
This question was answered with “yes” by 49%, and 51% of the respondents answered with no.
Again there is only a small difference between German and Swedish respondents. Of the Swedish respondents, 51.1% answered with “yes” and of the German respondents, 49.7% answered with “yes”.
The difference between men and women is a little more significant, as 53.4% of the women answered with “yes” and only 46.5% of the men.

6.2.2.3 Do you in general support the idea of Fair Trade, do you think it’s a good thing?
Although most of the respondents stated not to feel well informed about the exact meaning of Fair Trade, 86% answered the question if they in general support it and think that it is a good thing, with yes. 11% said they do not know and 3% do not support the idea of Fair Trade.
Again the results of German and Swedish respondents are comparable. 88.2% of the German respondents answered with “yes”, 2.5% answered with “no” and 9.3% answered “I don’t know”. Of the Swedish respondents, 89.6% answered with “yes”, 1.8% answered with “no” and 8.6% answered with “I don’t know”.
The difference between women and men is again a little more significant. 89.3% of the women answered “yes”, 2.3% answered “no” and 8.4% answered “I don’t know”, while 84.9% of the men answered “yes”, 2.9% answered “no” and 12.2% answered “I don’t know”.
6.2.2.4 How often do you buy Fair Trade products?

Fig. 5

71.5% stated to buy Fair Trade products seldom, 16.6% stated to buy them regularly and 11.5% said that they never buy Fair Trade products. 0.3% claim to buy only Fair Trade products.

Comparing the results of Swedish and German respondents, there is a higher difference than in the previous questions. Of the German respondents, 13.6% said they never buy Fair Trade products, 75.8% said to buy them seldom, 10.4% said regularly and 0.3% said that they only buy Fair Trade products.

Of the Swedish respondents, 5.8% said they never buy Fair Trade products, 65.9% said they buy them seldom, 27.8% said to buy them regularly and 0.4% said to buy only Fair Trade products.

Also the results differ between men and women. While 8.4% of the women stated to never buy Fair Trade products, 13.9% of the men stated this. 69.6% of the women and 72.9% of the men said to buy Fair Trade products seldom. 21.7% of the women and 12.9% of the men claimed to buy Fair Trade products regularly. There were 0.3% of the women and 0.2% of the men who stated to buy only Fair Trade products.
6.2.2.5 Where do/did you buy Fair Trade products?

As can be seen in the chart, the most popular purchasing location for Fair Trade products is the supermarket. 68% of the respondents indicated to buy their Fair Trade products in the supermarket, and the second most popular location to buy Fair Trade products is the Café or Restaurant with 26%. 22% of the respondents claimed to buy Fair Trade products also in a Bio-Supermarket, whereas only 17% go to a Worldshop and 12% purchase Fair Trade products on the Internet.
6.2.2.6 Which Fair Trade products do/did you buy?

The most popular Fair Trade products are Coffee, which 51% of the respondents have bought, and chocolate with 50%. Fair Trade Bananas were bought by 39% and Fair Trade Tea by 37%. A little less popular are fair traded clothes (14%) and rice (12%). Only 2% of the respondents claim to have bought Fair Trade Flowers. 5% mentioned to buy also other products, which were cosmetics, juice, fruit in general, accessories, cocoa, olive oil, muffins, cola, honey, chutney, spices, football, pottery, wine and brown sugar.

6.2.2.7 Why do you buy Fair Trade products?

This question is divided into 6 statements, where the respondents could indicate if they „totally agree“, „mostly agree“, „mostly disagree“ or „totally disagree“. If the numbers add up to more than 100%, this is because it was rounded up to simplify.

6.2.2.7.1 „It makes me feel better.”
21% of the respondents stated that they totally agree with this, that they are buying Fair Trade products because it makes them feel better. 51% claimed to mostly agree with it, 18% partly disagreed and 9% totally disagreed.

6.2.2.7.2 „I want to help poor people in developing countries.”
With this statement, 49% of the respondents agreed totally, 38% mostly agreed and only 8% partly disagreed and 5% totally disagreed.

6.2.2.7.3 “It’s a new trend and I want to go with the trends.”
Only 3% of the respondents totally agreed with this statement, and 4% mostly agreed. 22% mostly disagreed and 71% totally disagreed.

6.2.2.7.4 “The products taste/look better.”
For this statement, the opinions of the respondents differ significantly. 6% of them totally agree and say that for them Fair Trade products taste or look better than other products. 41% mostly agree with this statement, but also 35% rather disagree with it, and 35% totally disagree.

6.2.2.7.5 “I think Fair Trade products have a higher quality.”
The answers to this statement show the same pattern as to the previous one, with 13% agreeing totally, 46% agreeing mostly, 31% disagreeing mostly and 10% disagreeing totally.

6.2.2.7.6 “I do not want to support the global companies.”
This statement is maybe not as clear as the other ones, so the result has to be regarded with caution. What I wanted to say is, that people might buy Fair Trade products to boycott in some way the big powerful companies that are exploiting poor farmers in developing countries. However, I am not sure this is what everyone understood, since of course there are also Fair Trade products available nowadays from global companies, so that you do not necessarily boycott global companies with buying Fair Trade.
The answers to this statement are quite equalized, with 20% claiming that they totally agree, 36% say that they partly agree, 31% mostly disagree and 14% totally disagree.

6.2.2.7.7 Other reasons
In the questionnaire there was also an option for the respondents to give other reasons why they are buying Fair Trade products. Some also used this option. One reason which was mentioned was, that Fair Trade products are often also ecological, since the producers have to respect some standards which are also about sustainable production and protection of the environment. Many also stated here that they just want to be fair, and want to make sure that the worker gets a fair salary for his work. Some answered that they also buy Fair Trade products to set a political statement.
6.2.2.8 Which reasons are preventing you from buying Fair Trade products?
This question is structured in the same way as question nr. 6. There were 7 statements and the respondents had to state to which degree they agree or disagree with those statements.

6.2.2.8.1 “The price of Fair Trade products is too high.”
The respondents showed a high degree of agreement to this statement. 20% totally agreed and 47% mostly agreed that the higher price of Fair Trade products prevents them from buying. 24% mostly disagreed with this and 8% totally disagreed.

6.2.2.8.2 “The quality of Fair Trade products is lower than the quality of other products.”
Only 2% totally agreed that they do not buy Fair Trade products because of a lower quality than that of other products, and 8% mostly agreed with this. In contrast, 42% mostly disagree and 48% totally disagree.

6.2.2.8.3 “I do not know where I can buy Fair Trade products.”
Here we can see that the respondents have quite different opinions. 10% of them totally agree that the lack of knowledge about possible purchasing locations prevents them from buying a Fair Trade product, and 28% mostly agree, whereas 32% mostly disagree and 31% totally disagree.

6.2.2.8.4 “I do not know how to recognize a Fair Trade product.”
The majority of the respondents do not agree with it, 7% totally agree, 19% mostly agree, whereas 30% mostly disagree and 44% totally disagree.

6.2.2.8.5 “I do not have enough information about Fair Trade.”
About this statement, again the opinions differ notably. 13% totally agree that they do not have enough information about Fair Trade to decide to buy such a product, and 30% mostly agree with this. 31% state that they mostly disagree and 26% totally disagree.

6.2.2.8.6 “I do not believe that it really helps poor people.”
This statement was rather negated by the majority of the respondents. 8% state that they totally agree to think that Fair Trade does not really help poor people, and that this is the reason for not buying Fair Trade products. 23% mostly agree with this, while 42% mostly disagree and 27% totally disagree.

6.2.2.8.7 “I want to buy local products and support local producers.”
To this statement, 19% of the respondents totally agreed and 44% mostly agreed. 25% mostly disagreed and 11% totally disagreed.
6.2.2.8.8 Other reasons
Here the respondents mentioned that they do not buy Fair Trade products because they are not available everywhere and they do not have the time to go to different shops only to buy a Fair Trade product. The limited variety of Fair Trade products was also mentioned. Another important aspect for the respondents was that they doubt that the extra money they spend really arrives to the poor.

6.3 Analysis
In general, I want to try to find out the most important restrictions and problems of Fair Trade and also the opportunities it could have for improving the market share, deduced from the information about consumer acceptance. As mentioned before, at the moment, the market share of Fair Trade products is quite low and of course, if a higher market share could be achieved, it would have more impact and help more producers and workers in the developing countries. So, to work properly and to really make a big change to the inequalities in the world trading system, the market share would have to rise significantly. That is why I would like to try to find out if and where are possible opportunities or restrictions for that.

6.3.1 The Fair Trade consumer

6.3.1.1 Awareness and attitude towards Fair Trade
As could be seen in the results, 94% of the respondents had already heard of Fair Trade, but only 49% feel well informed about its exact meaning, the concept and aims of it. This is quite significant, that more than half of the respondents do not feel well informed about it. This is an important finding, because if people do not really know which effects the higher price of Fair Trade products has, that is, if they are not informed about all the features of the product, they cannot properly come to a purchase decision. So most likely they will purchase a cheaper product and not settle for a Fair Trade product. In order to come to the right decision for oneself, a person has to be informed about all the choices that are available. So, before deciding whether or not to buy a Fair Trade product, consumers have to be fully aware that it exists in the first place, and secondly have to know what it means and what it is all about.
About the question if they in general think that Fair Trade is a good thing, in contrast, 86% answered with yes, 11% do not know and 3% answered with no. So which conclusion can be drawn from this? First, the consumers state they do not feel well informed, but afterwards they say that they think it’s good. So this leads to the conclusion that they associate something
good with Fair Trade, although they do not really know the details about it. This is a positive result, since it is easier to convince those people to buy Fair Trade products who already have a positive attitude towards it than those who think it is not good. Concerning those who answered that they do not know, it would be the aim to inform and educate them about Fair Trade in order to convince them to support it, which is still easier than to convince those who have a negative attitude.

It is striking that 88% of the consumers have already bought Fair Trade products (seldom, regularly). However, the number of regular buyers is considerably lower than that of those who buy seldom. Still, in comparison with the results of the former studies this percentage of buyers is relatively high.

Concerning the difference between German and Swedish respondents it became clear that awareness of Fair Trade in general is a little higher among the German respondents, while the Swedish are more supportive towards it and buy Fair Trade products more regularly. Also women are more aware of Fair Trade than men.

Concluding it is to say that the awareness of Fair Trade among the respondents is high, and the general attitude towards it is largely positive, although a small percentage does not believe at all that it is a good thing. However, more than half of them are not well informed about the meaning and aims of Fair Trade, a problem which clearly has to be addressed in order to improve the market share of fair traded products.

6.3.1.2 Characteristics of the Fair Trade consumer
Since my sample of respondents was concentrated mostly on one age group and one income group, I can only compare the results to a limited extent to those of the previous studies conducted. However, my results confirm the results of those studies mentioned before, concerning the difference between men and women. Women stated to feel better informed about Fair Trade, were more supportive and stated to buy Fair Trade products more regularly than men.

6.3.1.3 Purchasing locations and products
The most popular location to buy Fair Trade products is still the supermarket, and with 68% the number is even higher than in the study conducted in 2007, which shows that people, especially students, as in my sample, rather buy everything they need in one store instead of going to a different shop for buying Fair Trade products. So it is important to continue expanding the product range available in supermarkets and to increase the number of
supermarkets selling Fair Trade products. The second most mentioned location for the purchase of Fair Trade products was the café or restaurant, followed by the bio-supermarket (organic food shop). 17% of the respondents claimed to buy Fair Trade products in Worldshops, less than in the study “fair feels good”. In contrast, 11% of the respondents stated to buy on the Internet, whereas in the other study it was only 1.1% of the respondents. So it can be said that among students, the Internet is becoming important for buying Fair Trade products, and surely there is still potential for an expansion of the possibilities and offers for online shopping.

The most important Fair Trade products among the respondents are coffee and chocolate. Bananas are on the third place, in contrast to global numbers, where bananas are the most sold Fair Trade product. Fair Trade tea is also popular, more than one third of the respondents have bought it. Clothes and rice are less important at the moment, the same as flowers, which could be explained because those products have only been launched for the first time under the Fair Trade label in 2006 or 2007, so that not all consumers may be aware of them yet.

6.3.1.4 Motivation for buying Fair Trade products

The most important motivation for consumers to buy Fair Trade products is that they want to help the poor people in developing countries. 87% totally or mostly agreed to this. This is also the most obvious reason as it is the most important product feature of Fair Trade items. Here we can see that consumers value this product feature quite highly. This can be seen in connection with the rise of ethical consumerism during recent years. Consumers are more and more interested in where their products come from and under which circumstances they are produced. Buying Fair Trade products makes them feel better, they can help the poor while still enjoying the same variety of products. In my study, 73% of the respondents mostly or totally agreed that they buy Fair Trade products because it makes them feel better. So for consumers it is important to help the poor, and if they do it, they feel better, while for example the issue of being trendy is not often considered in context with buying Fair Trade products. Another reason for consumers to buy Fair Trade products is their perception of the quality. 59% totally or mostly agree that they buy Fair Trade because the products have a higher quality than other products. Furthermore, 48% of the respondents claimed to buy Fair Trade products because they think that they taste or look better than other products. It can be seen that the marketing efforts in recent years have fulfilled one important aim. The problem mentioned by Nicholls and Opal (2005) about the perception of low quality of Fair Trade
products is no longer a problem, but an opportunity and an important product feature now which influences the purchasing decision of many consumers.

The argument to buy Fair Trade products in order to not support big or global companies had a quite mixed result. Like mentioned before, buying Fair Trade does not automatically imply not supporting a big company, especially not when buying “mainstream” Fair Trade products in the supermarket. However, in total 56% of the respondents totally or mostly agreed to this statement, so it can maybe be derived from this result, that in general the consumers are sceptical about big or global companies and quite a huge percentage of them would prefer not to support them too much. If we see this in connection with the negative reactions which came up when for example Nestlé started selling Fair Trade products, it is easier to understand this mistrust for big companies. So maybe we can say that Fair Trade products of smaller companies, which do not have so much the image of making profit at all costs, would be better accepted and more trusted in.

The environmental issue also plays a role in consumer decision. The fact that Fair Trade products often also are organic is another reason for consumers why they would buy those products.

6.3.2 Restrictions and problems of Fair Trade products

In general the most important problems Fair Trade products have to face are the high price, which prevents a lot of consumers from buying them, and furthermore there are restrictions which are connected to a lack of information about Fair Trade. Here the most important ones are that consumers do not know where the products are available, and also a lack of trust in the proper functioning of Fair Trade. The problem to recognize a Fair Trade product also represents a restriction.

So although the general attitude towards Fair Trade is fairly positive, if it comes to the purchasing decision, the lack of information, the doubts and the high price present restrictions that must not be undervalued. It is very likely that the market share of Fair Trade products could be improved if those restrictions would be addressed.

6.3.2.1 Price

The most important barrier that prevents consumers from buying Fair Trade products is the price, according to my survey. 67% totally or mostly agreed that the higher price of Fair Trade products prevents them from buying. Only 8% totally disagreed, which means that they
do not see the higher price as a problem for themselves. When compared to the results of the study “fair feels good” in Germany, there is a quite high difference, since in this study, only 30.7% of the respondents mentioned the price as a reason for not buying Fair Trade products. This result can be explained with the fact that my respondents were mainly students and 78% of them have a monthly income of less than 1000€, in contrast to the other study with respondents from all the income groups. Clearly, this makes them more sensitive to a higher price, because most of them have to pay attention to how much they spend and consequently will rather choose the cheapest product. So in conclusion, if the price of Fair Trade products would be lower, more people could afford to buy them, market share would rise and more people in the developing countries could profit. Of course, still it has to be considered, that not everyone who said that the higher price prevents him/her from buying now, would automatically buy the products if they were cheaper.

6.3.2.2 Availability
Concerning the availability of Fair Trade products, my study brought comparable results to the previous studies in Germany (“fair feels good”). Important restrictions are the problem of finding a Fair Trade product, and a general lack of information about Fair Trade. Still 38% of the respondents agreed that they do not know where to buy Fair Trade products. Another problem was that consumers complained that Fair Trade products are not available in every shop, so that they would have to go to an extra shop in order to purchase those products. And that is although today, Fair Trade products are not only available in Worldshops like twenty years ago and there are efforts to make them available everywhere. Many supermarkets and also discounters today offer Fair Trade products, but in Germany this is not as usual as in the UK, for example. There are still many shops that do not sell Fair Trade products.

Another restriction of Fair Trade which was also mentioned by the respondents is the limited variety of products available. At the moment it is not possible to consume only Fair Trade products because only few items of our daily needs are available as Fair Trade. Some consumers simply do not drink coffee or tea, and one of my respondents even claimed he does not consume any of the products that were mentioned in the questionnaire. For those people of course it is quite difficult to buy Fair Trade products then, even if they would like to.
6.3.2.3 Lack of information and lack of trust
In my survey there were 31% of the respondents who partly or mostly agreed that Fair Trade does not really help the poor. So there are clearly doubts about the proper functioning of Fair Trade. This result is striking, considering that for one third of the consumers, when deciding whether to purchase a Fair Trade product, those doubts are a restriction. Another important restriction is the general lack of information about Fair Trade which prevents the consumers from buying the products.
Furthermore, still 26% of the respondents mostly or partly agreed that they do not know how to recognize a Fair Trade product and because of that do not buy them.
Those results do also confirm the results of the studies conducted in Germany before, although the problem with trust in the effectiveness of Fair Trade was not as clearly shown there.
However, those problems, like the problem of where to buy the products, could be addressed through consumer education and information.

6.3.2.4 Buy local
Moreover, there are still other problems for the consumers which prevent them from buying Fair Trade products, not only is it the price. The second most important in terms of agreement is the wish to “buy local” and rather support local producers.
However, as outlined before, this will be a restriction only for those Fair Trade products that could also be produced in our countries, for example honey, flowers or vegetables. Since I did not specify this matter in my questionnaire, I do not want to put too much weight on the result here. But all in all it becomes clear that many of the consumers would chose local products over Fair Trade products, which is finally not such a big restriction for Fair Trade in general because as explained before, many Fair Trade products are without competition from local producers.

6.3.2.5 Quality of Fair Trade products
Concerning the perception of quality of Fair Trade products, the survey gave a quite positive result. Only 2% of the respondents totally agreed that they do not buy Fair Trade products because they perceive their quality as lower than that of other products. 8% claimed to mostly agree with it, so 90% of the consumers do not see a restriction in the quality of Fair Trade products and do not perceive it as lower than that of others. Apparently, Fair Trade has reached to be positioned as one kind of a specialty product and to be associated with quality.
Again this result confirms the result of the previous studies conducted. It is not that surprising that the answers to statement 4 and 5 are similar since quality and taste/look are quite related issues about a product. If one perceives the quality of a product as bad, it is not likely that he will state it has a good taste, for example.

6.3.3 Possibilities and opportunities of Fair Trade – How to improve the market share

The most important product feature of Fair Trade products which makes consumers choose those items is the fact that they can do a “good thing” and help someone who is poor. So, in order to improve the market share of Fair Trade products, this factor should be stressed when advertising or informing about the products, also in order to convince those who still doubt that Fair Trade does really help the poor.

The combination of Fair Trade and organic labels for products can also increase consumer acceptance, so there could also be a further potential for increasing the market share which should be used.

Since there are more than half of the consumers who state that they do not feel well informed about Fair Trade, marketing efforts should continue to concentrate on consumer education and information. Those efforts should also concentrate on education and persuasion of those consumers who do not trust in Fair Trade.

Another important issue is to improve the availability of Fair Trade products, since many consumers see the limited availability as an important restriction. Since the supermarket is the place where most people buy Fair Trade products, it is important that the number of supermarkets selling Fair Trade products is extended. In view of the fact that cafés and restaurants are also a popular location for buying Fair Trade products, there is a potential which should be exploited here through making Fair Trade coffee and other convenient items available in more cafés and restaurants.

Since more than two thirds of the respondents said that the high price of Fair Trade products prevents them from buying, this problem should be addressed in order to improve the market share and make Fair Trade products available to a broader group of consumers. One possibility is the production of composite products, as mentioned before. Like this, there will be a cheaper variety of Fair Trade products available so that also less affluent consumers could afford to buy them.
7 Conclusion

Fair Trade definitely is a concept which is aiming to fight one of the world’s most severe problems – poverty. Caused by failures of the global market system, the poverty problem will not be solved easily. Efforts like charity and financial aid have limitations and often fail to have long-term effects. Fair Trade applies where the global market system fails, and addresses to the injustices of this system which cause people in the developing world to have to live in poverty.

During the research for this thesis it became obvious that Fair Trade has numerous challenges to face in the future in order to work properly. It is not only that some companies are using the Fair Trade mark only for a clean-washing of their image and on the other hand have business practices that work totally against all the aims of Fair Trade. There are also problems with the functioning of the whole system, the setting of standards and the quality of the goods.

Fair Trade is a compromise, since the perfect solution to the poverty problem would be a free trade system without barriers like tariffs or taxes which impede a fair competition for everyone. So Fair Trade is not the ideal solution. However, there has already been a change to the lives of many producers and workers in developing countries, who without Fair Trade would still live under inhuman conditions today.

Thus for now, Fair Trade can be seen as a sustainable, self-financing and long-term solution to fight against poverty, which still can be improved to ensure its effectiveness.

One of the biggest restrictions for Fair Trade and making a change to the world’s poverty problem is the marginal market share of Fair Trade products. This problem can and has to be addressed primarily through concentration of marketing activities in order to increase consumer acceptance, trust and motivation to buy Fair Trade products. Consumers have to be educated and have to be informed about Fair Trade and its aims, and have to trust in it, so that they can come to a purchase decision and can consider paying a higher price for the Fair Trade product. The high price of Fair Trade products and a general lack of information about Fair Trade still are important restrictions for many consumers. Especially among students, or people with lower income, the high price is a restriction. Fair Trade products are still rather located in the high price segment and thus are not an option for everyone. This could be addressed through product innovation, and development of more combined products, which could be sold at a lower price than 100% Fair Trade products.

Efforts to bring Fair Trade to the mass market are various and have also brought first positive results.
There has been a rise in consumer concern and awareness about Fair Trade, due to many marketing activities in the last years. However, there is still potential for further increase of the market share, which will have to be addressed in the future, by improving availability, choice and price range of Fair Trade products, and by consumer education and product innovation.

8 Possible further research
It could be interesting to conduct further surveys separately in northern countries among potential Fair Trade consumers in order to find out more about cultural differences and preferences concerning Fair Trade products, so that the Fair Trade marketing could be adapted respectively. Studies about consumer attitudes towards Fair Trade should be repeated periodically to find out if the marketing efforts have positive results and if consumer acceptance and trust in Fair Trade is constantly rising, and what are the problems which still have to be addressed.
9 Acknowledgements

First of all I would like to thank all those people who took the time to fill in my questionnaire, who made it possible for me to get such a large sample of respondents. Furthermore I would like to thank Carolin Pilz for proof reading the thesis and giving good comments for its improvement.
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11 Appendix

Survey about Fair Trade
Hello everybody,
I am writing my bachelor thesis at the moment about the topic of Fair Trade and for that I have to do a survey. It would be great if you could help me by answering the questionnaire. It will last not more than 5 or 10 minutes and would help me a lot!
Thank you very much!!
Alexandra Nagel

1. Did you ever hear of the topic of Fair Trade?
   - ☐ yes
   - ☐ no

2. Do you feel well informed about the meaning and aims of Fair Trade and how it works?
   - ☐ yes
   - ☐ no

3. Do you in general support the idea of Fair Trade, do you think it is a good thing?
   - ☐ yes
   - ☐ no
   - ☐ I don't know

4. How often do you buy Fair Trade products?
   - ☐ I never buy Fair Trade products.
   - ☐ seldom
   - ☐ regularly
   - ☐ I only buy Fair Trade products.
5. Why do you buy Fair Trade products?

<table>
<thead>
<tr>
<th>Reason</th>
<th>I totally disagree</th>
<th>I mostly disagree</th>
<th>I mostly agree</th>
<th>I totally agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>It makes me feel better.</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>I want to help poor people in developing countries.</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>It is a new trend and I want to go with the trends.</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>The products taste/look better.</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>I think Fair Trade products have a higher quality.</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>I do not want to support the big global companies</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
</tbody>
</table>

Do you have another reason than the above mentioned for buying Fair Trade products?  

6. Where did/do you buy your Fair Trade products? (you can give more than one response)

- □ Supermarket.
- □ Bio-Supermarket
- □ Worldshop
- □ Internet
- □ Café/Restaurant
- □ Other:
7. Which Fair Trade products do/did you buy? (you can give more than one response)

- □ Bananas
- □ Coffee
- □ Chocolate
- □ Rice
- □ Clothes
- □ Tea
- □ Flowers
- □ Other: [ ]

8. Which reasons are preventing you from buying Fair Trade products?

<table>
<thead>
<tr>
<th>Reason</th>
<th>I totally disagree</th>
<th>I mostly disagree</th>
<th>I mostly agree</th>
<th>I totally agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price of Fair Trade products is too high</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Quality of Fair Trade products is lower than that of &quot;normal&quot; products</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>I do not know where I can buy Fair Trade products</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>I do not know how to recognize a fair traded product</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>I do not have enough information about Fair Trade</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>I do not believe that it really helps poor people</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>I want to buy local products and support local producers</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
</tbody>
</table>

Do you have another reason than the above mentioned for not buying Fair Trade products? [ ]
9. Your gender?
   - male
   - female

10. How old are you?
   - younger than 15
   - 16-29
   - 30-49
   - 50-65
   - older than 65

11. How much money do you have for your monthly living? (in €)
   - less than 1000
   - 1000-1500
   - 1500-2500
   - 2500-3500
   - more than 3500

12. Which is your nationality?