An investigation of consumers' knowledge and perceptions of Fairtrade coffee and its implications for small-scale farmers in the supply chain

An empirical study of the German market for Fairtrade coffee

Leon Erne

152121371

Dissertation written under the supervision of Nuno Moreira da Cruz

Dissertation submitted in partial fulfilment of requirements for the MSc in Management at CLSBE, Universidade Católica Portuguesa, January 4th, 2022

Abstract

Fairtrade International certified coffee aims to make coffee production in the Southern Hemisphere more sustainable (a market-based response to environmental and human rights violations in supply chains). Existing literature often emphasizes that Fairtrade fails to lift farmers out of poverty and frames these inefficiencies as so-called 'pitfalls'. This paper aims to identify potential weaknesses and pitfalls in the supply chain of Fairtrade coffee. Additionally, the research determines consumers' level of knowledge about Fairtrade coffee and its influence on the livelihood of smallholder farmers in the South.

To answer the research questions, a quantitative study was conducted among 412 German coffee drinkers on their attitudes towards Fairtrade coffee and their understanding of supply chain conditions. The findings confirmed all the weaknesses and suggested that consumers have insufficient knowledge about Fairtrade and its implications. This lack of knowledge leads to misconceptions and causes an imbalance of demand and supply that facilitates the pitfalls of the Fairtrade label. It can be concluded that awareness in society and understanding of Fairtrade need to be improved in order to increase demand and thus resolve its weaknesses.

Author: Leon Erne

Title: An investigation of consumers' knowledge and perceptions of Fairtrade coffee and its implications for small-scale farmers in the supply chain

Keywords: Ethical consumption, Fairtrade Certification, Coffee supply chain, Fair trade conditions, Knowledge, Awareness, Consumer behavior

Resumo

O café certificado Fairtrade International tem como objetivo trazer mais sustentabilidade (como resposta baseada no mercado às violações do ambiente e dos direitos humanos nas cadeias de suprimentos) à produção de café no Hemisferio Sul. A literatura existente sublinha frequentemente que o Comércio Justo não consegue tirar os agricultores da pobreza e enquadra estas ineficiências como as chamadas "armadilhas". Este documento visa identificar potenciais fraquezas e "armadilhas" na cadeia de suprimentos do café do Comércio Justo. Além disso, esta tese determina ainda o nível de conhecimento dos consumidores sobre o café do Comércio Justo e a sua influência na subsistência dos pequenos agricultores do Sul. Para responder às questões da investigação, foi realizado um estudo quantitativo entre 412 consumidores alemães, sobre as suas atitudes em relação ao café do Comércio Justo e a sua compreensão das condições da cadeia de suprimentos. Os nossos resultados confirmaram todas as fraquezas e sugeriram que os consumidores não têm conhecimento suficiente sobre o Comércio Justo e as suas implicações. Esta falta de conhecimento leva a equívocos e causa um desequilíbrio entre a procura e a oferta que facilita as "armadilhas" do rótulo de Comércio Justo. Concluímos que a consciência na sociedade e a compreensão do Comércio Justo precisam de ser melhoradas a fim de aumentar a procura e assim resolver as suas fraquezas.

Autor: Leon Erne

Título: Uma investigação dos conhecimentos e percepções dos consumidores sobre o café certificado Fairtrade e as suas implicações para os pequenos agricultores da cadeia de suprimentos

Palavras-chave: Consumo ético, Certificação de Fairtrade, Cadeia de suprimentos do café, Condições do Comércio Justo, Conhecimentos, Comportamento dos consumidores

Acknowledgements

Words cannot express my appreciation to the precious people who supported the process of my Master's thesis. First of all, I would like to express my deepest gratitude to my professor and supervisor Nuno Moreira da Cruz, and the Center for Responsible Business & Leadership at Católica-Lisbon.

I am also thankful for the valuable insights I received from political scientist Kate MacDonald, Fairtrade International's supply chain manager Johanna Schmidt, and Wilfried Wunden, fair trade practices expert in the coffee supply chain, during the interviews. Special thanks should go to the study participants who made this comprehensive data analysis possible. I would also like to mention the seminar cohort and the library João Paulo II from Católica University.

Lastly, I could not have undertaken this journey without my amazing family, who always supported me unconditionally. And I'd like to thank my friends for creating the perfect environment.

Table of Contents

Table of Figures

Glossary

Ethical consumerism – also referred to as purchase-driven buying is the motivation to purchase more responsibly in order to contribute to sustainability

SDG – Abbreviation for United Nations Sustainability Development Goals which address governments, the private sector, and society to take action towards improving sustainability for people and the planet

Fair trade – refers to general equal and non-exploitative trading terms

Fairtrade (International) – abbreviated with FT, stands for the "Fairtrade Labelling Organisation International" who established the non-profit trademark to support farmers in the South

FLO-Cert – is Fairtrade's certification body that monitors the compliance of all actors in the supply chain with the FT standards

Cooperatives – democratically organized regional producer networks that are Fairtrade-certified organizations with up to a thousand farmers for better bargaining power

Premium – an extra of 0.2€ per pound on top of the price for investments in community and infrastructure

Minimum Price Floor – the minimum limit of 1.40€ per pound that determines the lowest possible price for the FT coffee in case of weak market prices

WTP – Abbreviation for consumers' willingness to pay (extra) for a product

Supply Chain – steps from production over processing and transportation to distribution and retail

Pitfalls – unsuspected difficulty, also referred to as weakness or misconception

Intention-Behavior Bias – also referred to as social desirability bias is a tendency to express a more desirable intention that is not aligned with the consumer's actual behavior

1. Introduction

We live beyond our means. The equivalent of almost three Earths would be required, if everyone in the world consumed at the level of Germany (UNICEF Office of Research, 2022). Our prosperity and affordability of consumer goods are closely linked to living conditions in the Southern Hemisphere. On the other hand, current trade and consumers' ignorance marginalize the producer side. This gives rise to the countertrend of so-called purpose-driven consumption. Paying attention to the sustainability of a product is becoming increasingly important, as "more than 80 percent want brands to take action on key global challenges such as climate change and global poverty" (Fairtrade International, 2022). This more ethical form of consumption increases enjoyment, purchase intent, and willingness to pay (WTP) for more sustainable products. But while marketing focuses mainly on environmental sustainability, they underplay the human dimension. However, consumers find it difficult to decide between supposedly fairer products. Labels of responsible business can provide orientation for sustainability and transparency. For instance, the Fairtrade International (FT) trademark (see Figure 1) aligns with the twelfth Sustainable Development Goal (SDG): "Responsible Consumption", a framework adopted by all United Nations member states.

Figure 1: The FAIRTRADE Mark (Fairtrade International, 2018)

Fairtrade aims to ensure fair prices, training, credits, and access to markets for farmers through a market-based approach. Its minimum price floor of $1.40 establishes stable coffee prices for certified farmers. Additionally, the Fairtrade Premium of €0.20 per pound of coffee raised an extra €86 million in 2020 (Fairtrade International, 2020). This was allocated to local infrastructure projects and direct payouts. In 1997 the umbrella label "Fairtrade Labeling Organisation" (FLO) was founded and is represented by national FT initiatives in consumer countries (Nicholls & Opal, 2005). Coffee cultivation in the South is audited by Fairtrade's own certification body FLOCert. About 840,000 FT farmers from 32 countries are organized in democratic Fairtrade cooperatives and comply with labor and environmental protection standards (Fairtrade International, 2020). The direct FT coffee supply chain (see the blue arrows in Figure 2) starts with the smallholder selling via the cooperative to roasters, who process, ship, and roast the coffee and sell them in branded packages to retailers.

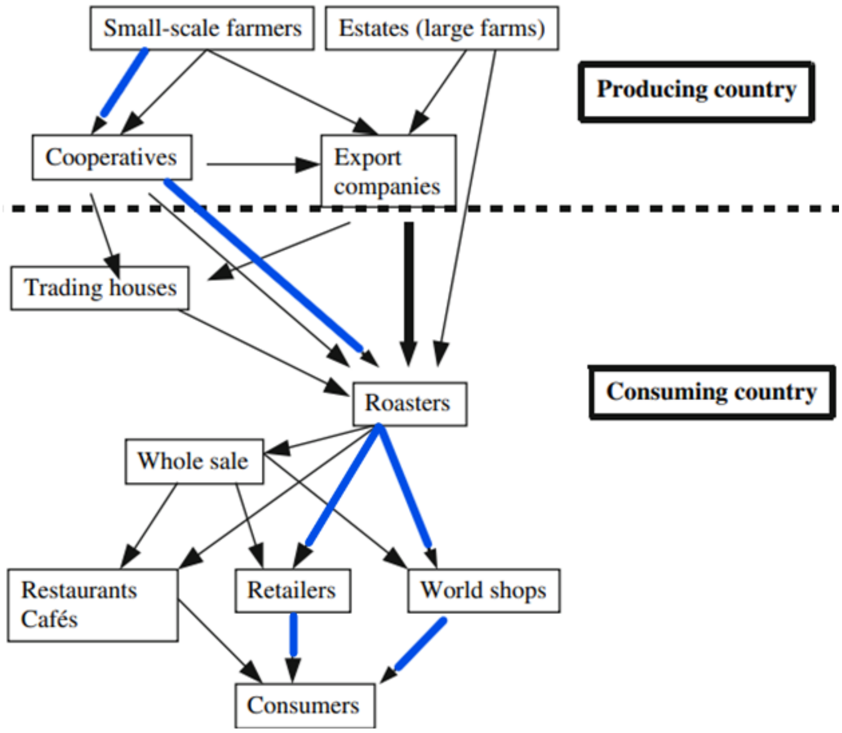

Figure 2: The coffee supply chain and the direct Fairtrade path (Valkila et al., 2010)

But Claar & Haight (2015) identified major weaknesses of this supply chain, the so-called Fairtrade pitfalls. These concern structural oversupply, bargaining power, as well as disparities and will be discussed in this paper. Nonetheless, the globally sold Fairtrade coffee volume doubled within the last ten years and previous studies showed a higher willingness to pay (Panhuysen & Pierrot, 2020). But while existing literature assumes sufficient FT knowledge of consumers, this study found a lack of knowledge regarding the big picture of the FT supply chain. Therefore, this research seeks to investigate the underlying understanding of Fairtrade among German consumers and its implication for the South. Awareness and attitude towards Fairtrade coffee are examined to identify the level of Fairtrade knowledge. It sheds light on the pitfalls for FT farmers and answers whether a lack of knowledge might even be beneficial for Fairtrade.

2. Research intention and significance

The aim of the research is to study coffee consumers' understanding of Fairtrade, produce generalizable knowledge on consumers' perception of FT coffee, and relate it to the challenges of the Fairtrade supply chain.

Existing literature outlines strengths, weaknesses, and inefficiencies of the FT system and investigates the consumer behavior of Fairtrade coffee. However, researchers often presuppose that consumers are aware of the big picture of Fairtrade. This paper will contribute to these research areas by studying consumers' understanding of Fairtrade coffee and its supply chain. It aims to shed light on pitfalls of the supply chain of Fairtrade-certified coffee and consumers' awareness about it. Furthermore, it bridges the gap of how increased knowledge can ultimately reduce misconceptions. While many researchers have focused on consumer markets in other countries, this investigation looked at the German market. For this purpose, the following research questions and hypotheses were defined:

- **RQ1: What are the implications of the Fairtrade supply chain for small-scale farmers?**

  H_1: Fairtrade does little for farmers in the global South but is very favorable for businesses in the North.

- **RQ2: How good is consumers' knowledge of Fairtrade and how aware are they of the big picture of Fairtrade's supply chain?**

  H_2: Fairtrade is widely accepted with superficial knowledge and limited awareness of its implications for the supply chain.

- **RQ3: How does awareness influence consumer attitudes towards Fairtrade coffee after learning about the big picture?**

  H_3: The lack of knowledge, especially about Fairtrade's weaknesses, is beneficial to Fairtrade and its consumption.

3. Literature review

3.1. General observations

In 2000, Laura T. Raynolds examined, as one of the first, the success of Fairtrade International. The Fairtrade International mark, she said, is the harmonization of various Fairtrade NGOs under one umbrella organization. The social initiative with ecological goals impacts the cultivation in the South and the consumption of the North positively (Raynolds, 2000).

Since then, a growing body of studies investigated Fairtrade's consequences for stakeholders on both sides. The literature identified three relevant key areas for the research scope. First to emerge were studies on the impact and benefits of Fairtrade (Wright & Heaton, 2006; Macdonald, 2007; Le Mare, 2008; Johannessen & Wilhite, 2010; Méndez, et al., 2010). A prominent advocate is Smith (2009), who debunked the emerging critical views of Fairtrade.
Critical studies pointed out the negative sides and pitfalls for FT farmers in the coffee supply chain (Haight, 2011; Getz & Shreck, 2006; Hira & Ferrie, 2006; Ruben & Fort, 2012). The paper by Beuchelt & Zeller (2011) and Claar & Haight (2015) provide comprehensive analyses of Fairtrade's' pitfalls and serve as key literature.
Third, Valkila et al. (2010) examined the financial implications for FT farmers, followed by further research on cash flows in the coffee value chain years later (Minten et al., 2018; Naegele, 2020). Additional research fields refer to consumers' willingness to pay and Fairtrade knowledge (Pedregal & Ozcaglar-Toulouse, 2011; Yang et al., 2012; Bartels & Onwezen, 2014; Pavlovskaia & Kara, 2022). The Belgian Fairtrade pioneer De Pelsmacker wrote several studies on WTP, which were quoted thousands of times (De Pelsmacker et al., 2003; De Pelsmacker et al., 2005; De Pelsmacker et al., 2007). Interestingly, WTP research in recent years has focused increasingly on new markets and generations (Liu et al., 2019; Aksoy & Ozsonmez, 2019; Pavlovskaia & Kara, 2022). Still, the majority of Fairtrade literature comes from major markets in Germany, France, the UK, and the USA (Varul, 2009; Lange, Combris, Issanchou, & Schlich, 2015; Pavlovskaia & Kara, 2022). Most consumer studies use quantitative methods (Taylor & Boasson, 2014). Studies on cultivation come mainly from European or American researchers, but often focus on Latin America, for example, Nicaragua and Guatemala (Macdonald, 2007; Méndez, et al., 2010). African countries like Ethiopia are less covered (Minten et. al, 2018). Case studies, including interviews with farmers, are common practice on the production side (Beuchelt & Zeller, 2011).

3.2. Deep dive - pitfalls and benefits

Existing literature on the coffee supply chain discussed not only the benefits but also lesser-known pitfalls of Fairtrade cultivation. For instance, Claar and Haight (2015) recognized that Fairtrade International, "even though well-intended", fails to deliver its purpose of a better life for farmers and indicated certifications can become an economic burden.
To support this view several major pitfalls of the Fairtrade supply chain were identified and serve as a guide for further discussion. Criticism concerned the high costs of FT, especially caused by certification fees (initial application fee: 525 € + annual certification fee: 1170 - 2770

€, depending on the size of the cooperative) (Claar & Haight, 2015). However, there is "no guarantee to find a willing buyer", hence only 60% or even less of the produced FT quantity is sold to the Fairtrade market, according to Méndez et al. (2010). More pessimistic estimates highlighted a dilemma of greater supply than demand which justifies the high certification fees as an entry barrier (Dragusanu et al., 2014). As a result of this market inefficiency, fairly produced coffee ends up as conventional coffee on the supermarket shelf "at whatever price the quality of the coffee will support" (Haight, 2011).

A lesser-known, but much-discussed, pitfall is that Fairtrade facilitates disparities not only locally, but also globally. There is a shift to comparatively richer coffee countries, that might have established better supply chains, quantities, and qualities (Goff, 2018; Getz & Shreck, 2006). Claar and Haight (2015) gave the example of Peruvian farmers (mid-income country) who supplied 25% of the global Fairtrade coffee in 2009, compared to only 4% from Tanzania (low-income country) (see Figure 3). Least developed countries (LDCs) accounted for only 13.5% of certified producers in 2014 according to Sylla (2014).

Figure 3: The top five selling countries by volume (Fairtrade International, 2017)

To conclude, FT literature raises questions on whether Fairtrade farmers are better off. While Fairtrade International (2018) emphasized the beneficial contribution of its premium (0.2$ per pound), it is "unlikely to significantly contribute to improving the welfare of coffee producers" (Minten et al., 2018). Premium distributions show that only 25% are paid directly to the farmers, a larger fraction is needed for the program management (see Figure 4).

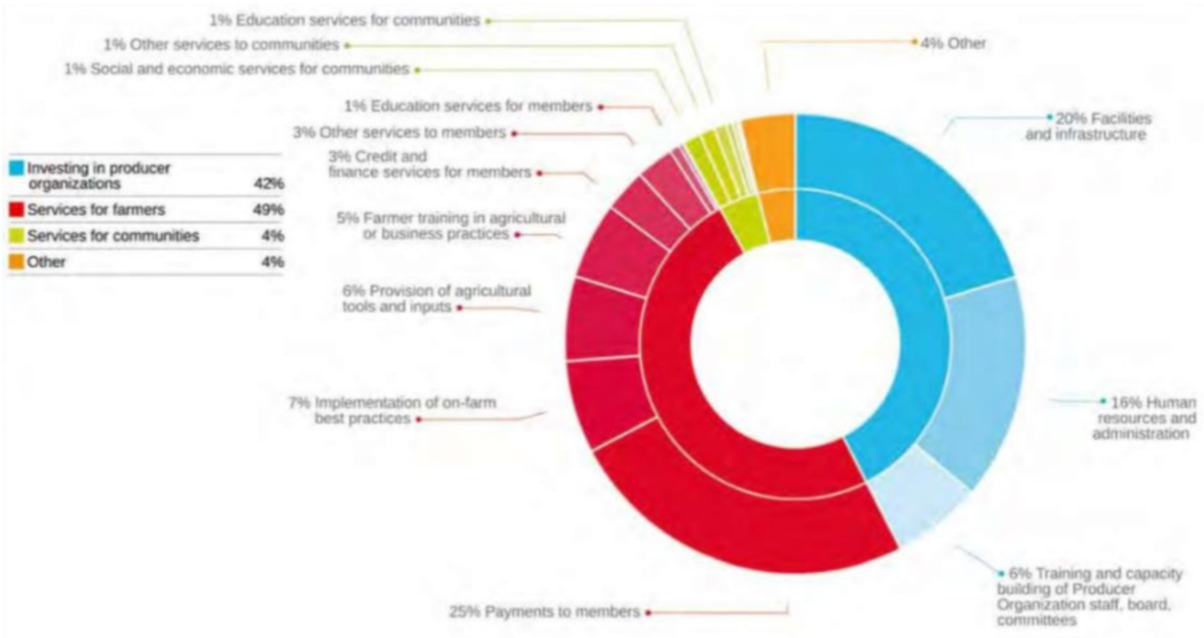

Figure 4: Fairtrade coffee premium distribution (Fairtrade International, 2017)

The case study of farmers in Nicaragua by Beuchelt & Zeller (2011) demonstrated that over ten years certified Fairtrade farmers were not better off financially relative to conventional farmers. From a financial perspective, Beuchelt & Zeller found it incomplete to highlight better prices for Fairtrade farmers, since their net income is also determined by yield levels and production costs. FT production costs are on average higher and might not be covered by the extra of the Fairtrade price (Kilian et al., 2006). A recent study by Naegle (2020) calculated that farmers receive a seventh of what coffee drinkers pay extra. Roasters get the largest portion of the Fairtrade premium due to their market power. Similarly, Valkila et al. (2010) analyzed how the financial benefits of Fairtrade coffee are distributed between a producing country (Nicaragua) and a consuming country (Finnland). Supply chains of Fairtrade and conventional coffee were compared and slightly higher prices were found for FT farmers. But a significantly smaller proportion of the coffee price reaches the producing country in the Fairtrade supply chain (35%), compared to the conventional one (48%). All these studies examined income distribution and concluded that farmers were not better off and instead roasters and retailers profited the most (Johannessen & Wilhite, 2010).

Most researchers include the strengths and weaknesses of the Fairtrade supply chain. But while the aforementioned studies emphasized pitfalls, there is advocating literature on the benefits of the system. “Evaluating the criticisms of fair trade” by Smith (2009) is probably the most contrary to the key literature of Claar & Haight (2015). His literature review evaluated existing pitfalls and found evidence not to reject Fairtrade. Smith condemned criticizing papers “lack evidential rigour and sophisticated theory". Kate Macdonald (2007), who was also interviewed for this research, supports the positive view. Fairtrade ensures higher prices, access to markets and credits, increases income, and by this improves farmers' quality of life. According to her, Fairtrade has the potential to enhance marginalized farmers and responsible consumer behavior, but empowerment fails to bring fundamental changes to livelihoods. Likewise, De Gelder (2022) and Wright & Heaton (2006) acknowledge weaknesses, but consider the system as part of a long-term solution for marginalized groups. Le Mare's literature review (2008) summarizes the issue by saying Fairtrade might improve well-being, but cannot solve the multifaceted issues of farmers alone.

3.3. Deep dive - knowledge and understanding

According to Le Mare (2008), there are not only economic burdens for Fairtrade producers but also educational challenges. There is an asymmetry in the distribution of information in cooperatives leading to a lack of knowledge among farmers. Cooperative members have a very basic understanding of Fairtrade, whereas delegates have more information and opportunities (Getz & Shreck, 2006; Le Mare, 2008). The consumer side also lacks knowledge, for example on how FT differs from conventional coffee or how supply chains work (Pedregal & Ozcaglar-Toulouse, 2011). Hira & Ferrie (2006) support this view and found a lack of awareness due to socio-economic and regional differences. Similarly, Varul (2009) indicated that British consumers knew more about it than Germans. Other studies investigated the Fairtrade knowledge of age groups and contextualized the findings to their purchase intentions (Pavlovskaia & Kara, 2022; Robichaud & Yu, 2021; Aksoy & Ozsonmez, 2019). However, existing literature too often assumes sufficient knowledge of customers.

A significant positive correlation between consumers’ knowledge and purchase intention was found by Newhouse & Buckles (2020). They replicated De Pelsmacker’s FT studies which classified coffee as a low-involvement product. Therefore, in addition to demographic data, coffee drinker attitudes are relevant to determine consumer behavior and WTP (De Pelsmacker et al., 2003; De Pelsmacker et al., 2005; De Pelsmacker & Janssens, 2007).

3.4. Deep dive - purchase behavior and willingness to pay

Quantitative surveys contain country-specific data and allow examination of the relationship between WTP and demographic factors. Detailed examination by Liu et al. (2019) and Bartels

& Onwezen (2014) share the view that age correlates positively with a higher willingness to pay. In contrast, Doran (2009), said demographics are not significant for Fairtrade consumption. One of the most influential research on the willingness to pay for Fairtrade coffee is De Pelsmacker et al. (2005), who showed Belgian customers are willing to pay 10% extra on average for fairly produced coffee. This is consistent with a similar study from the US (Hertel et al., 2009). The case study from Yang et al. (2012) stated Chinese Fairtrade customers have a 22% higher WTP than others. In contrast, Taylor & Boasson (2014) found a risk of overpricing the coffee as "over 62% of respondents are unwilling to pay any premium at all".

Yang et al. (2012) found no significant relationship between FT knowledge and WTP in the rather new Chinese Fairtrade market, while Aksoy & Ozsonmez (2019) stated FT knowledge only increases customers' willingness to pay if they believe it is more ethical.

The studies from Lange et al. (2015) and De Pelsmacker & Janssens (2007) suggested that consumer awareness of Fairtrade principles influences the WTP positively.

Besides knowledge and demographics, Andorfer & Liebe (2012) identified values and attitudes as drivers for higher willingness to purchase Fairtrade coffee. Likewise, Lee (2016) recognized a positive influence of empathy on WTP. Zerbini et al. (2019) refer to Lee's study and state "attitude towards fair-trade products positively influences purchase intention", which is in accordance with Doran (2009) and De Pelsmacker et al. (2005).

3.5. Books and Fairtrade reports

The quality of this research is ensured by using high-ranked scientific journal papers. Besides, books on Fairtrade's challenges provided a foundation and broader perspectives. Focusing on consumers, Fridell (2007) along with Nicholls & Opal (2005) studied the long-term potential and impact of consumer-driven approaches. Fairtrade builds on the effect of trust-based labels, therefore it is essential that consumers recognize it and know more about it (Loos et al., 2012). The weakness of this approach, Brown (2013) found, is that the FT coffee supply outpaces the demand, and farmers "cannot find a buyer to purchase their coffee at fair-trade prices".

On the producing side, Goodman et al. (2012) stated Fairtrade certificates facilitate inequalities. Jaffee's book (2014) disagreed and believes in Fairtrade's potential to rebalance the coffee market. Recommendations for a fairer mechanism are given by Loske (2017). His book presented pitfalls in the net value chain for producers and suggested involving producing countries more in the supply chain, for instance by reducing duties.

A considerable contribution to existing literature comes from Fairtrade Germany and Fairtrade International. These reports, standards, and articles are authored or commissioned by Fairtrade

itself and may be limited in neutrality (Fairtrade International, 2021). The Fairtrade standards define social, ecological, and economical requirements for stakeholders in the Fairtrade supply chain and promote goals like the empowerment of marginalized groups through cooperatives or decent working conditions (Fairtrade International, 2009). It is often supported by reports and infographics explaining how transparent supply chains work, where the coffee comes from, and what the minimum price floor or the fairtrade premium is (Fairtrade Germany, 2015; Fairtrade International, 2018; Fairtrade International, 2021).
Commissioned evaluation reports are published regularly to highlight the impact of Fairtrade and identify areas for improvement. These emphasize achievements such as improved market access and democratic cooperative structures, but also acknowledge limitations like gender inequality and insufficient climate action (Fairtrade International, 2020; Nelson & Pound, 2009). However, Fairtrade recently reported the adjustment of its climate-related standards (Fairtrade International, 2021).

4. Methodology

4.1. Selected research method

Quantitative research is the predominant method of studies investigating Fairtrade consumer behavior, so it is adopted here as well. Surveying customers directly makes sense to understand the *what*, *how,* and *why* of their decisions. Comparatively, qualitative interviews on the consumer side include the risk that they present themselves as superior to their actual buying behavior. This so-called "intention-behavior bias" describes the difficulty of translating reported concerns into actual purchasing behavior (Young et al., 2010). It can never be completely excluded but is mitigated by anonymous quantitative surveys. On the other hand, case studies and qualitative research in the field of Fairtrade are predominantly used to study specific actors in the supply chain, for instance, producers. For this purpose, three phone interviews were conducted with experts in the Fairtrade supply chain in early November. The objective was to acquire fundamental knowledge and verify the challenges in the supply chain. These industry experts were:

- **Johanna Schmidt** works for Fairtrade International and monitors the producing side;
- **Kate MacDonald** authored studies on Fairtrade and justice in global supply chains;
- **Wilfried Wunden** is an advisor for fair trade practices in coffee production.

For the quantitative research, a survey was conducted using the online tool "Qualtrics" from

24/10/22 to 07/11/22. This research design was the best way to inquire the FT knowledge of German consumers and to identify a potential lack of understanding regarding Fairtrade products and its supply chain. These primary data were collected using dependent variables, like 'self-assessment of Fairtrade knowledge' and 'willingness to pay', in order to test relationships for the research questions.

4.2. Study procedure

The survey was structured in two parts. The first part investigated people's preferences, buying behavior, knowledge, and perception of Fairtrade-certified coffee. It was followed by a brief info section that exposes the respondents to some benefits and major pitfalls of the FT supply chain (see the infographic in Figure 5).

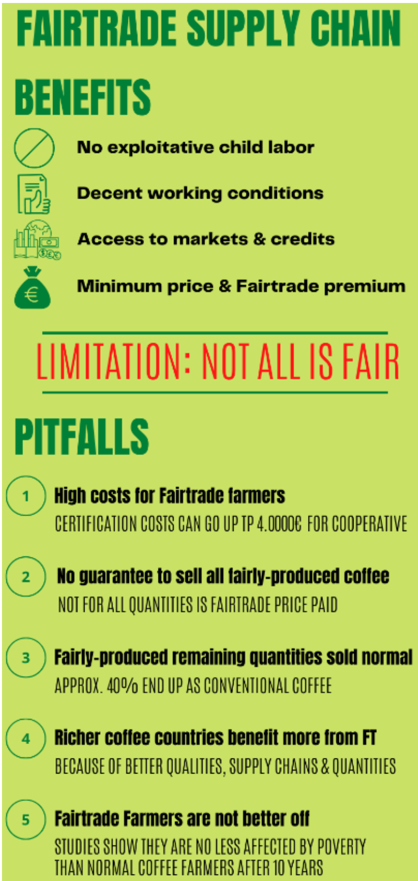

Figure 5: Infographic for survey respondents

In the second part, there were questions about the attitude towards FT after being informed about the negative impact of Fairtrade on local producers. The last side of the survey included four questions about the demographics of the respondent. The aim of the questionnaire was to understand the influence of knowledge and information on people's perception of Fairtrade

coffee. The survey was piloted to confirm the readability and comprehensibility of the questions, as well as to assure validity and repeatability.
The questionnaire contained 23 questions for coffee consumers and was designed in German. First, consumers were asked, "Do you drink coffee?" to include only coffee drinkers. All questions were closed and straightforward, including nominal (Yes/No or Agree/Don't Agree), multiple choice questions, and ordinal questions (5-point Likert scale). This approach, and specifically the 5-point Likert scale, was used to ensure easily quantifiable and appropriate data analysis. An extract with an example single-choice question and a 5-point Likert scale is shown below (see Figure 6 and Figure 7).

Figure 6: Example question of a single-choice question on WTP

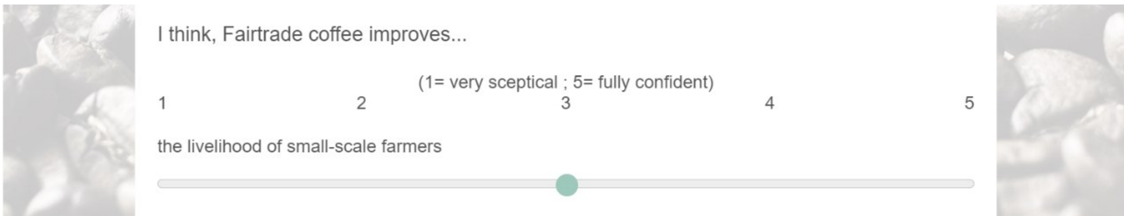

Figure 7: Example question of a five-point Likert scale

All answers and demographic data were treated anonymously and confidentially. Furthermore, the display of the answer options (e.g., package choices) was rotated to ensure that there is no bias.

4.3. Sample

A total of 552 responses were obtained from Germans of heterogeneous socio-economic backgrounds. After cleaning the data and excluding the non-coffee drinkers (from the initial question "Do you drink coffee?"), 412 coffee consumers were included in the analysis. This is consistent with about three-quarters of Germans drinking coffee regularly (Statista Research Department, 2021).

Existing consumer surveys, for instance, Yang et al. (2012), often contain demographic biases by exclusively surveying university students. This shifts the results towards a younger sample with higher education. To conduct a representative and unbiased survey of the German population, the researcher distributed the questionnaire not only among fellow students but also in Facebook groups and via Messengers to a diverse audience in rural and urban areas. In particular, heterogeneity in terms of educational background is crucial to study the average knowledge of Germans and seeing whether Fairtrade reaches the whole society.

4.4. Sample demographics

The sample aimed to be diverse and consists of 52.4% percent females and 47.6% males. The average age was 42 years, similar to the German overall age average of 44.6 (Statista Research Department, 2022). To gain an unbiased impression of consumers' knowledge, the educational background was evenly distributed, with 203 respondents with a higher university degree versus 209 without. The largest concentration in terms of the profession was employees, followed by students. The screenshot of the Stargazer table below shows the descriptive statistics of the data analysis in R-studio (see Figure 8).

Statistic	N	Mean	St. Dev.	Min	Max
Progress	412	100.000	0.000	100	100
Q2KnowLabel	412	0.796	0.403	0	1
Q2.2KnowFT	412	0.971	0.168	0	1
Q5BuyFT	412	2.760	1.082	1	5
Q7Premium	412	2.553	0.877	1	5
Q9Est.Knowledge	412	2.704	0.728	2	5
Q10.1BasicKNWL	412	2.473	0.952	1	5
Q10.2GoalsKNWL	412	2.311	0.989	1	5
Q10.3DiffKNWL	412	2.473	1.088	1	5
Q10.4SupplyKNWL	412	2.347	1.039	1	5
Q10.5PriceKNWL	412	2.347	1.055	1	5
Q12.1Isupport	412	0.968	0.175	0	1
Q12.2Iboycott	412	0.592	0.492	0	1
Q12.3Ifair	412	0.735	0.442	0	1
Q12.4Ipay	412	0.910	0.286	0	1
Q12.5Iquality	412	0.163	0.369	0	1
Q12.6Iinfluence	412	0.682	0.466	0	1
Q12.7Itrade	412	0.175	0.380	0	1
Q12.8Isupplychain	412	0.427	0.495	0	1
Q12.9Iresearch	412	0.337	0.473	0	1
Q13.1BetterLife	412	3.568	0.862	1	5
Q13.2BetterTransp	412	2.956	0.953	1	5
Q13.3BetterAware	412	3.131	0.990	1	5
Q13.4BetterHuRights	412	3.291	1.041	1	5
Q14KnowInfo	412	0.175	0.380	0	1
Q15Supprised	412	3.201	1.085	1	5
Q18.1TrustFT	412	2.765	0.902	1	5
Q18.2FairFT	412	2.760	0.916	1	5
Q18.3PositiveFT	412	3.146	1.008	1	5
Q18.4BestFT	412	2.842	1.145	1	5
Q18.5ValueFT	412	2.859	1.076	1	5
Q19Gender	412	0.476	0.500	0	1
Q20Age	412	41.993	16.055	15	85
Q21Edu	412	3.568	1.077	1	5

Figure 8: Descriptive statistics of all variables with Stargazer

The evaluation and analysis were done with R-Studio and Qualtrics. Prior to this, incomplete data and outliers in the processing duration were eliminated with Excel. A combination of the visualizations of Qualtrics and the Stargazer function of R was used for the analysis of descriptive, relative, and absolute statistics. More advanced analysis of the cause-and-effect relationships of two interfering variables are supported by R. The results of the survey are included in appendix A, the questionnaire and the R-code can be made available upon request.

5. Results

5.1. Pitfall confirmation

Researchers, like Claar & Haight (2015), highlighted five major pitfalls, that may be relevant but unknown to coffee drinkers. These identified weaknesses of FT were verified through the aforementioned interviews with the three industry experts: Schmidt, Wunden, and MacDonald. First, the expensive certification fees for farmer cooperatives (entrance fees: €525 & annual costs: €2770+) were confirmed by FT-employee Schmidt and the FLOCERT calculator. The screenshot below shows the estimated certification cost for a small FT cooperative (see Figure 9).

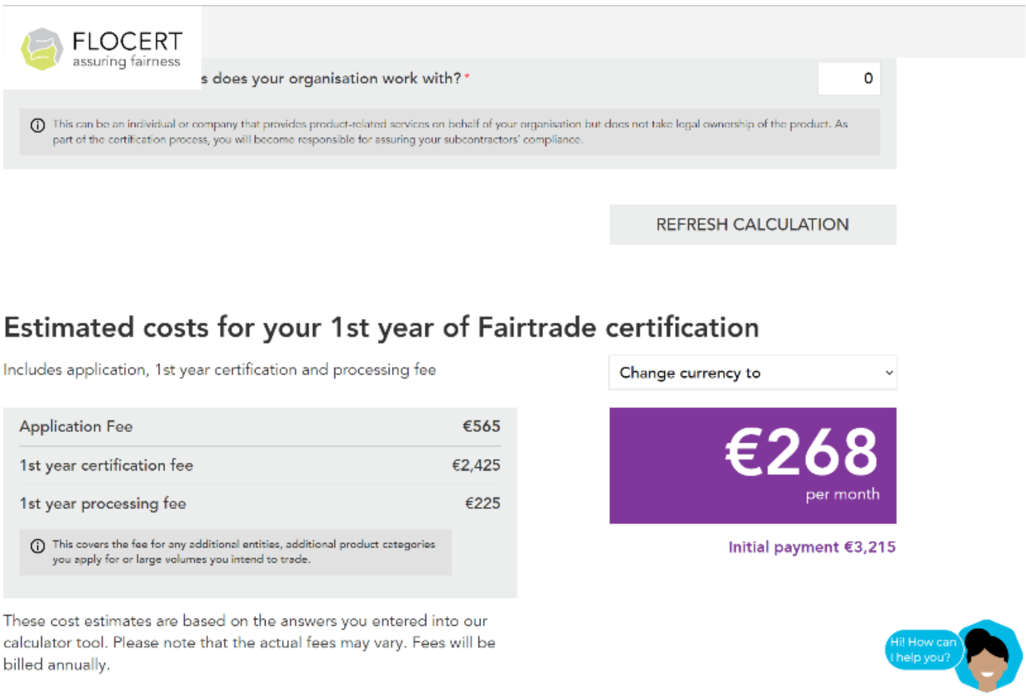

Figure 9: FLOCERT certification cost calculation (FLOCERT, 2022)

Schmidt (2022) compares it to higher audit fees for coffee brands, which thereby subsidize the time-consuming certification of cooperatives. Second, despite the high costs, there is no guarantee for coffee farmers to sell all their fairly produced quantities as Fairtrade coffee (Dragusanu et al., 2014). As more and more coffee cooperatives become certified, each cooperative can only sell a smaller portion of its production through Fairtrade (Naegle, 2020; Schmidt, 2022). The remaining coffee volume is sold through conventional channels without the FT premium (Méndez, et al., 2010). Estimates of the amount actually sold as FT coffee are case-specific and vary, but Schmidt (2022) and Wunden (2022) state that a FT share of about 30% is enough for a farmer to be profitable.

Fairtrade exacerbates not only local but also global disparities (Getz & Shreck, 2006). Latin American economies with higher GDPs supply significantly more compared to relatively poorer African countries (Claar & Haight, 2015). MacDonald (2022) validates the inequality (pitfall four) that Fairtrade excludes the poorest of the poor, but consumers prefer the taste and quality of Latin American Arabica coffee (Schmidt, 2022).

For the fifth pitfall, Beuchelt & Zeller (2011) pointed out Fairtrade certification fails to lift farmers out of poverty. Wunden (2022) confirmed the finding and MacDonald (2022) agreed but emphasized that higher FT incomes contribute indirectly to better conditions through social infrastructure investments.

The three experts acknowledged the weaknesses mentioned in the infographic (see Figure 5) and additionally criticized Fairtrade's lack of support for migrant workers. However, they put the pitfalls into perspective and emphasized the imbalance of supply and demand. The complexity of the issue and manifold factors influencing the poverty of marginalized groups make proper communication with Fairtrade difficult (Schmidt, 2022).

5.2. Fairtrade consumer behavior and WTP

The questionnaire queried demographics to understand the sample and explore correlations of socio-economic factors. Demographic variables did not significantly influence fair trade behavior and knowledge. However, the average age of those who know more about it is relatively lower. The consumer preference was examined by two initial questions. Participants should select one of the six shown coffee packages and explain their choice. The most selected package was ‘Café Intencion's’ Fairtrade coffee slightly ahead of ‘Segafredo's’ budget coffee (see Figure 10). The top three preference criteria were price (164), certification label (158), and brand (152). Accordingly, 59% of those stating labels preferred ‘Café Intencion’. Respondents who named brand picked Lavazza or Segafredo (both 31%). And the most chosen coffee by price-sensitive consumers was Segafredo (42%).

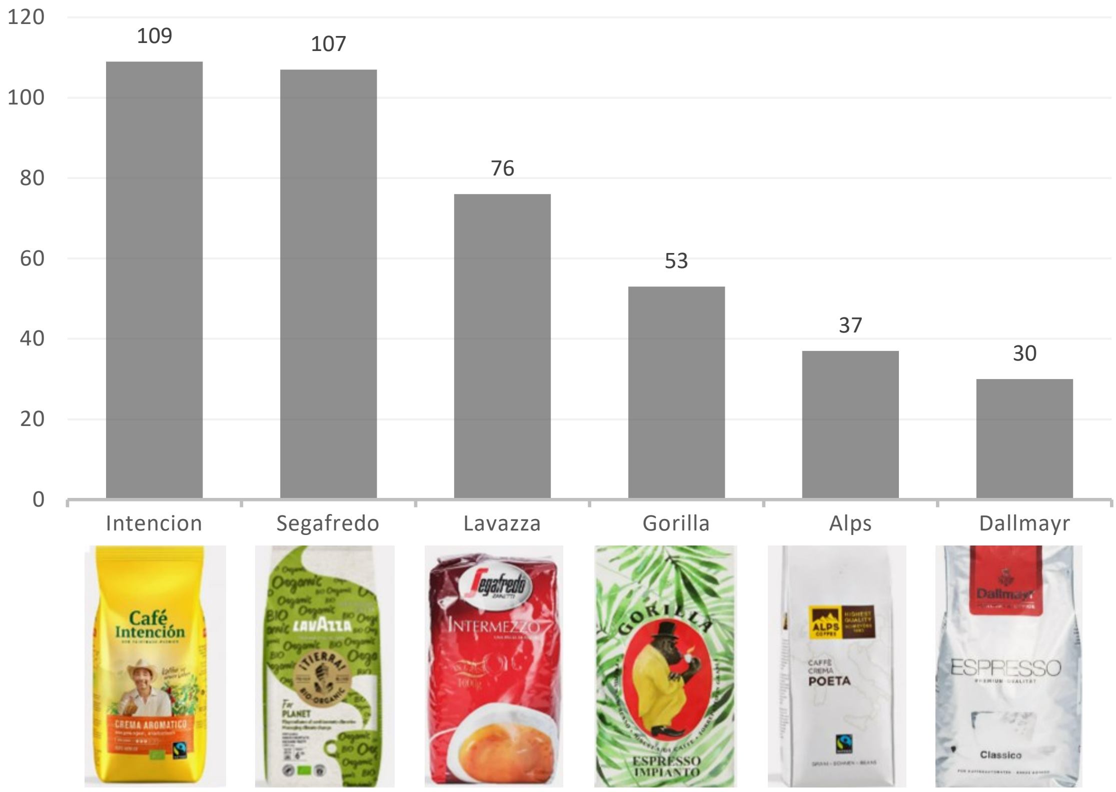

Figure 10: FT coffee 'Café Intencion' ranks first, followed by 'Segafredo' and 'Lavazza'

According to the data, 85% have purchased Fairtrade coffee at least once and the majority buy it in supermarkets. Yet not even a quarter of the sample buys it frequently or always. More positive findings occurred for willingness to pay, as 91% of coffee drinkers would pay a premium for FT coffee. Per kilo, 40% of respondents would pay ten percent extra, another 40% would pay 20% more and eleven percent even reported a WTP of more than 30%. Customers who are more aware and buy more regularly demonstrated a significantly higher WTP. The main motivation for paying more was to support smallholder families, protect the environment and simply do something good.

5.3. Consumer knowledge

It is important for certification labels to be recognized by people at first glance (Loos et al., 2012). Therefore, the survey presented the label and examined whether participants know it. Only three percent never heard of Fairtrade and 80% recognized the trademark. Asked for a self-assessment of their overall Fairtrade knowledge compared to other people, 44% rated their FT knowledge as worse than average and another 44% said it was average (see Figure 11). Only two percent would call themselves experts. The remaining ten percent considered their FT knowledge at least above average.

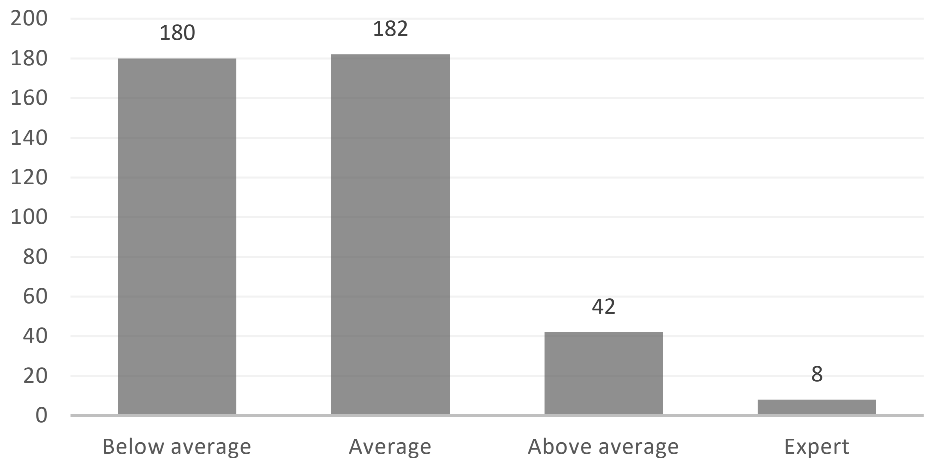

Figure 11: Self-evaluation of people's overall Fairtrade knowledge

More specifically asked for their knowledge of Fairtrade basics, 14% described their it as above average and only 12% are above average when it comes to knowledge about Fairtrade objectives. In contrast, half of the sample rated their own knowledge of the basics as below average and over 60% did so regarding their knowledge of the goals. Similarly, the knowledge of the coffee supply chain and pricing was rated below average by almost 60% of the respondents. And added together, about 15% described their Fairtrade knowledge in these two aspects as good or very good. The remaining quarter represents the average in each case. People were most confident in their ability to distinguish Fairtrade from regular coffee, as one quarter has average knowledge, and another quarter knows better than average (see appendix A).

To explore consumers' level of knowledge, the survey included a test question with four facts and two myths about Fairtrade. The central goal of better working conditions and banning exploitative child labor was identified as fact by 86%. Likewise, 80% knew about Fairtrade’s goals to establish higher and more stable incomes and 53% were aware of FT standards regarding environment-friendly farming. However, nearly half incorrectly believed that Fairtrade implies direct trade, and another quarter named the myth that Fairtrade could guarantee the sale of all fairly produced quantities. Only 15 respondents gave all four correct answers.

A statistical model to test the influence of all knowledge variables on buying behavior showed that respondents with higher self-assessed knowledge, especially on the distinction of Fairtrade, are more regular FT consumers. Further analysis indicated that individuals with better knowledge, specifically about pricing and distribution, reported on average a higher WTP.

5.4. Perception and expectation

For a better understanding of customers' perception of Fairtrade, customers were presented with statements that they could agree or disagree with. The acceptance of Fairtrade is reflected in the overwhelming 97% who considered the objectives of Fairtrade worthy of support. The power of ethical consumerism is perceived by 68% who thought they can have an impact. Therefore 56% boycotted unfair products in the past. However, only about 43% ensured that everyone in the supply chain benefits, while two-thirds admitted they never research the coffee supply chain. Subsequently, participants were asked for their assessment of Fairtrade's potential to achieve specific objectives. More than half were confident or very confident about Fairtrade's ability to improve the livelihood of smallholder families. Only 38 respondents were skeptical. Similarly, 42% believed in Fairtrade’s impact on improving human rights, however, twenty percent were doubtful. Fairtrade's potential to make supply chains more transparent is viewed skeptically by roughly one-third. Fewer respondents think Fairtrade improves transparency. More trust was found for Fairtrade’s potential to increase people’s awareness, as 36% trust or fully trust it. All these data are visualized in appendix A.

5.5. Awareness of the bigger picture

To test how awareness of the bigger picture affected participants, they were presented with benefits and pitfalls of the Fairtrade system using the infographic from Figure 5. Although most respondents are familiar with Fairtrade, about 83% were not aware of the presented information (see Figure 12). Yet only 44 percent reported they were surprised or very surprised. There is a negative correlation between decreasing surprise with increasing self-evaluated knowledge.

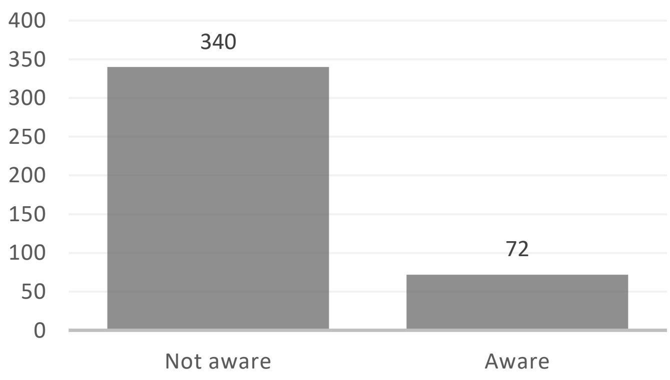

Figure 12: Great unawareness of the bigger picture

The investigation of possible root causes of the unawareness revealed the lack of education on this topic (80%) as well as the over-reliance on labels. Likewise, lack of actual interest is among the most cited responses. But who is held responsible for enforcing a fairer supply chain? By far, politics is seen as having the greatest responsibility for securing human rights in the supply chain. Supermarkets were seen next, closely followed by consumers. Coffee brands rank penultimate, NGOs last.

In response to the infographic, the trust level has suffered. 40% no longer believed Fairtrade coffee is a trustworthy product. In contrast, only 18% still agree or fully agree. One-third doubted its fairness, while only three percent still perceived it as very fair.

After all, Fairtrade is still seen as an initiative with a good purpose by 35% who agreed or fully agreed. Yet the majority (39%) no longer perceive Fairtrade as better than conventional coffee, while another third was undecided. Similar data on the FT premium indicates that 37% rather disagree it is worth the extra and only 28% continued to support it.

6. Discussion

6.1. Hypothesis 1

H1: Fairtrade does little for farmers in the global South but is very favorable for businesses in the North.

All identified pitfalls from the literature were verified by the three experts. But while Schmidt (2022) acknowledged the high fees, she explained that those are still low given the extensive audit scope, since they are subsidized by comparatively more expensive certifications for international coffee corporations. Further criticisms of Fairtrade certification include that controls happen too rarely and are always announced. Sauerbier & Rosskamp (2018) even claimed that certification bodies are the beneficiaries of the Fairtrade label.

Regardless Méndez et al. (2010) identified a “lack of understanding of certification meanings” among coffee farmers and described abuse of power and miscommunication in cooperatives as weaknesses of the certification. “As long as the participant farmers lack understanding of their ‘rights’ as Fair Trade partners (e.g. to minimum prices and social premiums)” the market-based approach fails (Getz & Shreck, 2006).

Miscommunication also affects the second pitfall. While criticism exists, that certified farmers can only sell about 60% on the FT market, even 30% is sufficient for profitability (Wunden, 2022). Since FT supply exceeds demand and these vulnerabilities are highly interconnected, this leads to the third pitfall ("FT coffee ends up in the conventional coffee market"). To maintain Fairtrade's profitability, higher entry barriers prevent its share from falling below 30% (Schmidt, 2022). These entry barriers make a more closed system necessary, which ultimately leads to local and global disparities (pitfall four) (Getz & Shreck, 2006). The admission freeze and the predominant focus on Latin American coffee excluded the poorest of the poor, especially in Africa. Increased Fairtrade purchasing and balanced supply and demand, would not only ensure the inclusion of more African farmers but contribute to solving other pitfalls as well (MacDonald, 2022).

Based on data from similar studies, Fairtrade fails to effectively transfer the premium to farmers, allowing the wrong actors to benefit from higher prices. According to Naegele (2020), U.S. consumers pay on average $1.5 more per pound for Fairtrade coffee, of which the roasters receive $1.16 while the farmers receive only $0.24. Hira & Ferrie (2006) calculated 9% of the sales price reaching the producer; Johannessen & Wilhite (2010) estimated an income of 13% for the coffee farmer, compared to 60% of the sales price going to the roaster. Even more pessimistic are Claar & Haight (2015), speaking of just 3 cents going to the consumer country for every extra euro spent. The lion's share of the Fairtrade income stays with the big players in the consumer country (see Figure 13), plus they benefit from a socially responsible reputation.

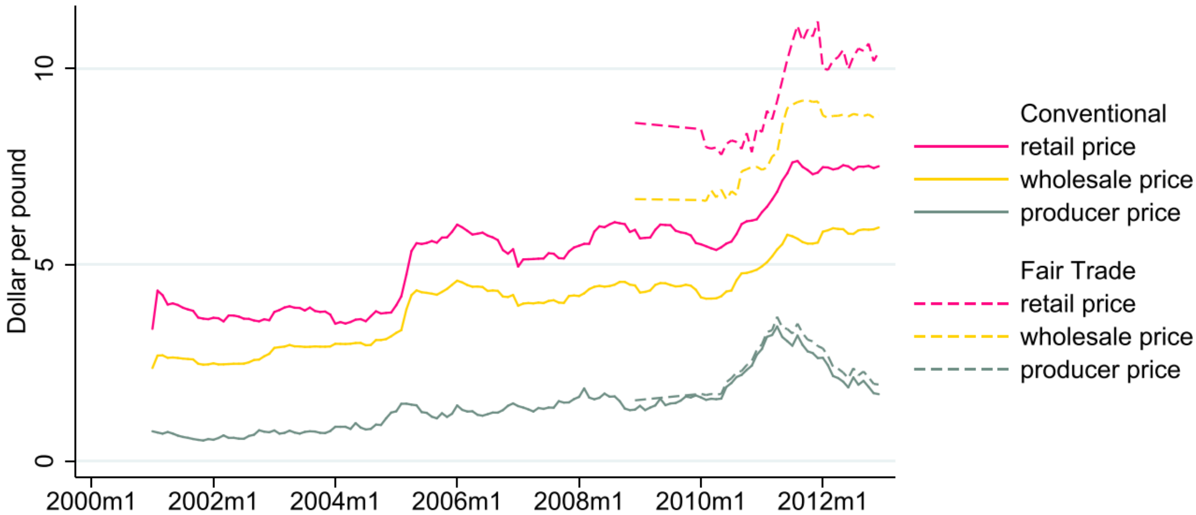

Figure 13: Price distribution compared for conventional and FT coffee (Naegele, 2020)

Compared to 48% of the conventional coffee price for the producing country, only 35% of the Fairtrade income reaches it. Yet, in absolute terms, more income for coffee farmers is generated by Fairtrade (Valkila, 2010). While Naegele (2020) agreed, she stated that the majority is used for Fairtrade's certification fee and overheads, so it is uncertain how the premium impacts farmers' livelihoods (Minten et al., 2018).

But could increased demand lift smallholder families out of poverty (Pitfall5)? Farmers who are FT and organic certified are more resilient and "managed the coffee crisis better, but do not develop equally well as conventional producers during times of good coffee prices" (Beuchelt & Zeller, 2011). Fairtrade actually guarantees other than lifting people out of poverty, because it is very complex since further factors are involved (Schmidt, 2022). The income is not increased directly, but indirectly by the FT premium, which can be invested in education or technical equipment. Fairtrade alone may be insufficient to end smallholder poverty, but the complexity of the issue makes it difficult to communicate FT goals (MacDonald, 2022).

Again, communication failed as respondents believed Fairtrade ensured decent working conditions, although migrant workers have limited access to education, health, and sanitation facilities. Unlike smallholder families, migrant workers are excluded from Fairtrade standards and receive lower wages than on conventional farms (Cramer et al., 2014). This understudied pitfall about workers' rights needs to be specifically analyzed and corresponding standards must be updated. Minimum wage and labor rights are the responsibility of the respective government, thus closer cooperation between them and Fairtrade could be valuable (MacDonald, 2022).

Measures against child labor and their communication are effective examples of Fairtrade's advancements. FT stopped saying child labor is banned from Fairtrade plantations (Mauthofer & Santos, 2022; Mauthofer et al., 2018). Instead, they refer to combating exploitative child labor (Sauerbier & Rosskamp, 2018). Fairtrade emphasizes there is no guarantee that children will not support family farms, but it achieved more educational investments and less employment of minors (Scharfenberger, 2019).

It is an achievement of Fairtrade that they have impacted the entire coffee industry and competitors responded by raising their supply chain standards (MacDonald, 2022). Furthermore, many studies are non-generalizable case studies. Nonetheless, studies like Beuchelt & Zeller (2011) and Johannessen & Wilhite (2010) are right in saying certifications increase costs while hardly improving the economic situation.

It is to Fairtrade's advantage that researchers uncover deficiencies and communicate them transparently. Based on this, pitfalls can be verified and Fairtrade standards can be improved in order to support farmers. **The first hypothesis that Fairtrade does little for the global South, but is very beneficial for businesses in the North, can thus not be fully rejected**. Insufficient demand for FT coffee is among the reasons causing these issues (Smith, 2009). It would be interesting to see if a more balanced supply/demand ratio would improve the situation and eliminate pitfalls.

6.2. Hypothesis 2

H_2: Fairtrade is widely accepted with superficial knowledge and limited awareness of its implications for the supply chain.

Data analysis revealed no significant dependence of FT knowledge on socio-demographic factors. Yet better-informed respondents were slightly younger on average. This might be explained by the emergence of Fairtrade in the late 90s, greater sustainability awareness of younger people, and increased educational measures with schools (Robichaud & Yu, 2021; Pavlovskaia & Kara, 2022). Regarding FT purchasing behavior, no influence of factors such as age, gender, or occupation was found. This is consistent with the studies of Doran (2009). However, Bartels & Onwezen (2014) disagreed, saying older people are more inclined to support Fairtrade. Conversely, Taylor & Boasson (2014) claimed younger and female customers had a higher willingness to pay. Much-cited studies by De Pelsmacker et al. (2005) on WTP supported the view that demographics alone are not sufficient. Therefore, Doran (2009) suggested Fairtrade communication should be more specific to the customer's values rather than socio-economic factors. Undeniably, Europeans are better informed about Fairtrade and no social class in Germany is completely unaware of it (Wunden, 2022). Fairtrade is widely recognized and the most trusted social label. According to the data almost everyone heard of FT, but less than a quarter buys Fairtrade coffee frequently and sales are weaker compared to England. Varul's Anglo-German study (2009) identified differences in regional consumption and postcolonial reappraisal. There is a larger discourse in English society on colonization and this redemption may influence consumer awareness. In Germany, this connection is not widely discussed, and despite Fairtrade coffee sales of 541 million euros in 2021 (Statista Research Department, 2022), Fairtrade remains a niche.

The complexity of the issue causes abridged communication of FT goals. This in turn fosters FT myths and superficial knowledge. But how good is the actual FT knowledge in Germany? Almost half of the sample rated their overall Fairtrade knowledge as below average. This is in line with Wright & Heaton (2006), stating that customers are unaware of how the premium is used to support smallholder farmers in coffee countries. The information bias suggests that data are widely available, but time pressure prevents access to it (Wright & Heaton, 2006). Therefore, people’s knowledge of pricing, cultivation, and the supply chain is rather poor. Pedregal & Ozcaglar-Toulouse (2011) agreed and went beyond, linking this lack of awareness to “the low level of consumption of fair trade goods”. Fairtrade knowledge is essential for buying it and there might be a trade-off between Fairtrade consumption and other factors, like price

(Pavlovskaia & Kara, 2022). Contrary to the hypothesized association, Lange et al. (2015) found that more information about ethical products increased the willingness to pay for FT. The higher WTP is directly in line with this study's survey data, as the majority would pay 10-20% more for Fairtrade coffee. It is worth discussing the paradox that people are willing to pay more for products about which they have insufficient knowledge. Likewise, other studies showed that customers do not need substantial knowledge of a product's impact to consider paying more for it (De Pelsmacker et al., 2005; Yang et al., 2012). This observation suggests two assumptions. First, the social desirability bias possibly exists, whereby customers know little more than that it implies ethical consumption and therefore want to present themselves as superior (Doran, 2009). Second, values and attitudes are decisive for Fairtrade coffee consumption.

The majority of the sample stated they would pay more to support smallholder families and that they trust Fairtrade to achieve this. Consequently, they boycotted products that did not reflect their values. While this is consistent with other research (Zerbini et al., 2019), it contradicts the fact that only a minority stated in the survey that they pay attention to supply chain conditions. Despite their limited knowledge, only one-third researched the coffee supply chain. All information about the supply chain of FT coffee is available and accessible since transparency is a central claim of Fairtrade. However, the majority of the respondents doubted that transparency is improved by FT. This indicates that more transparency about unfair production conditions might not automatically translate into boycotting them (Robichaud & Yu, 2021). A possible explanation is provided by De Pelsmacker et al. (2005), classifying coffee as a low-involvement product. Accordingly, people avoid excessive background research and only superficial information is needed to buy familiar products. Similarly, the effect of trusted labels (Loos et al., 2012) is a heuristic facilitating Fairtrade consumption, as the customer's decision is simplified by quickly available information on ethical characteristics (Goodman et al., 2012).

This demonstrates that coffee drinkers recognize Fairtrade and find it favorable, yet do not know much about it. People believe that by buying Fairtrade coffee they can improve the living conditions of coffee farmers, without knowing how exactly, just because the label signals it. Within the survey, only 15 of 412 respondents were fully aware of the actual Fairtrade goals. And those participants demonstrated an even higher willingness to pay for FT and buy it more often. **Subsequently, hypothesis two is accepted: "Fairtrade is widely accepted with superficial knowledge and limited awareness of its implications for the supply chain".** The question arises whether more Fairtrade knowledge affects the demand positively or negatively.

6.3. Hypothesis 3

H_3: The lack of knowledge, especially about Fairtrade's weaknesses, is beneficial to Fairtrade and its consumption.

The analysis identified skeptical consumers who consider Fairtrade not worthy of unconditional support after the disclosure. The data suggested that consumers with this critical view were better informed about the weaknesses of the Fairtrade system. This is supported by Bartels & Onwezen (2014) and Nicholls & Opal, (2005) stating that some consumers are more skeptical about label claims. However, Newhouse & Buckles (2020) detected less skepticism and more purchasing among better-informed coffee drinkers.

Skeptics seemed to expect weaknesses even without knowing them, as more than a quarter of the sample was not at all or hardly surprised by the disclosure of the pitfalls. Conversely, highly surprised respondents exhibited less FT knowledge and, therefore, reduced trust. The reduced trust caused by learning about the pitfalls led to the majority finding FT no longer superior to conventional coffee. This could be due to the information that some of the fairly produced coffee ends up in regular coffee packs without the FT price. Consequently, Fairtrade coffee has lost its leap of faith, although 90% were willing to pay a premium before the infographic. In the perception of the customer, his/her willingness to pay depends on trust. Adverse information can reduce trust and thus WTP (Aksoy & Ozsonmez, 2019). Nevertheless, the overall opinion remained rather positive, which raises the question of whether the surprise effect distorted the impression or if a lack of awareness regarding the pitfalls is beneficial for Fairtrade.

In fact, more aware customers have better overall FT knowledge and are more inclined to trust FT (Loos et al., 2012). People want to support their values through the "power of their purse" and therefore commit to Fairtrade's concept of "trade not aid" (Andorfer & Liebe, 2012). This view is supported by Aksoy & Ozsonmez (2019) who found that a "lack of trust in a Fairtrade product may be caused by a lack of knowledge". The analysis showed that recognizing the label and, especially, better knowledge, translate into buying Fairtrade coffee more regularly. Thereby, the demand is increased, suggesting more, not less, awareness is beneficial for Fairtrade. Knowledge about the distinction between FT and conventional coffee has an even higher significant impact on purchase frequency. Logically, customers who understand Fairtrade's added value better can access their knowledge when buying coffee and choose FT more often. Economic laws determine that the expenditure share for food decreases with increasing income and that higher prices lead to less consumption of a good (Hira & Ferrie, 2006). However, frequent FT buyers are those with the highest WTP, as they have a better understanding of why FT prices are higher and how the premium is used. The difficulty of communicating this properly prevents it from reaching the mainstream, despite Fairtrade's transparency claim. On the other hand, Valkila et al. (2010) revealed that the majority of the FT price goes to coffee brands in the North. While 15% of respondents stated good or very good knowledge of price distribution, it is debatable whether they are actually aware that only one-seventh of the FT premium goes to the farmer (Naegele, 2020).

This analysis indicates that increased awareness positively affects attitudes towards FT and might even resolve the paradox of supply and demand. If consumers had sufficient Fairtrade knowledge, they would buy more Fairtrade coffee. FT would evolve into the mainstream and demand would balance supply. Consequently, farmers would not have to sell their fair-produced coffee to the normal market at a lower price. This would mitigate the discussed pitfalls and increased demand could facilitate its expansion. More Fairtrade knowledge of consumers would be beneficial (Nicholls & Lee, 2006). **Hypothesis three can be rejected, as a lack of awareness of pitfalls is not beneficial for Fairtrade and its consumption.** As the data analysis and literature, (Robichaud & Yu, 2021) suggest the opposite.

In fact, growing awareness and relevance of Fairtrade coffee could even lead to improvements in the conventional coffee market as brands come under pressure not to “lose market share to fair niche markets” (Macdonald, 2007). Yet, fair trade conditions are not achieved through ethical consumption alone, but rather through collaboration between politics and stakeholders. Thus, Fairtrade’s market power and the "trade not aid" principle are useful but limited.

7. Conclusion

7.1. Key takeaways

At first glance, Fairtrade appears to be the best response to the issues of the coffee supply chain, but a closer look reveals the complexity and weaknesses of its implementation. After critically reviewing, Fairtrade is not particularly effective at lifting coffee farmers out of poverty (Claar & Haight, 2015). Thus, research question one was not fully rejected because actors like farmers and migrant workers benefit little, whereas coffee roasters in the North earn the lion's share (Valkila et al., 2010). Expensive certification fees offset better prices for FT farmers. Only a fraction of the goods produced fairly by farmers can be sold with the Fairtrade label. The remaining quantity ends up in the supply chain for conventional coffee (Méndez, et al., 2010). Nevertheless, FT has positively influenced the coffee industry, albeit moderately. Fairtrade achieved improvements like banning exploitative child labor yet fails to help “the poorest of the world's poor" (Goff, 2018). Most of the system's weaknesses can be resolved through increased demand. Indeed, pitfalls are mainly caused by an unbalanced supply structure.

The label is widely recognized, however, the survey identified weak Fairtrade knowledge among consumers, therefore the second research question was not rejected. Insufficient awareness ultimately inhibits demand. More knowledge would increase fairtrade purchases and prevent its supply from outpacing demand. A more balanced market could improve coffee farmers' proportion sold at Fairtrade prices.

The evidence from this study suggests that lack of knowledge is not beneficial for Fairtrade, thus research question three was rejected. The complexity of the topic makes it difficult to communicate Fairtrade and creates myths. Consequently, it is important to facilitate programs that ensure FT principles are believed and understood, as this will stimulate demand (Strong, 1997).

7.2. Managerial implications

Fairtrade invests in educational and publicity work to mainstream the issue. Municipalities can become certified as Fairtrade towns and commit to supporting FT products in local retailers and institutions. Additionally, Fairtrade provides school materials and addresses universities to raise awareness on campuses (MacDonald, 2022). Education and marketing are the key to success and should be further developed. Fairtrade's marketing resources are limited, and synergies are needed as FT cannot resolve unfair supply chains alone.

Decision-makers of coffee brands must be made aware of their responsibility for the social supply chain and put fair trading at the core of their business practices. For instance, Fairtrade's successful partnership with Starbucks provides them with additional marketing support and reinforces FT's values and objectives (Macdonald, 2007).

Communication of complex, multidimensional issues must be transparent and understandable to increase trust, WTP, and purchase intent (Zerbini et al., 2019). Coffee as a low-involvement product (De Pelsmacker, 2005) arouses relatively little interest in production details. This hinders the mainstreaming of the fair alternative, as consumers remain loyal to the tastiest coffee they usually buy. Yet, the international comparison (Kunst, 2019) indicates that German consumers have lower brand loyalty, offering the potential for better-informed customers to switch to Fairtrade. Practical implications to educate customers about coffee cultivation include embedded information on packaging, QR codes with digital learning content, and in-store displays (Liu et al., 2019).

The governance of Fairtrade must be reformed to enhance cooperation with local authorities

and ministries (Smith, 2009). Concrete measures include more direct trade, e.g., by cutting the middleman, or five-year contracts for coffee farmers with stable prices (Wunden, 2022).
However, there is a common consensus that Fairtrade cannot solve complex supply chain problems alone. Politics and retail in the North must take greater responsibility. For instance, stricter regulations for a more transparent supply chain are necessary. A recently enacted German supply chain law was criticized for its business-friendly policies (Franke, 2021).

7.3. Limitations and future research opportunities

The generalizability of the results is limited by the scope. The research only addressed German coffee consumers and mainly explored some variables regarding their knowledge, perceptions, and purchase behavior. For this purpose, consumer behavior concerning the home consumption of coffee beans was investigated. Future research could therefore explore countries with different ethical norms. The reliability of the data is impacted by its nature of self-evaluation. The approach to inquire their FT knowledge relative to the average increased the comparability, however, the subjectivity of the respondents' perception remains a limitation. The methodological choices and anonymity of the survey reduced possible biases. Nevertheless, the intention-behavior bias towards more desirable purchasing behavior and better knowledge can never be completely eliminated.
Additional factors are essential to improve the livelihoods of Fairtrade-certified coffee farmers. Even perfect Fairtrade conditions in the supply chain may never ensure the risk of poverty. It is beyond the scope of this research to understand what dimensions play a role in lifting farmers out of poverty.
Future studies could investigate actual purchase behavior in a field experiment to exclude (desirability) biases. It would be interesting to see if and how supposedly more aware customers influence the demand for Fairtrade coffee in reality.
Our findings provide insights into FT's impact on social sustainability. Additionally, Fairtrade includes environmental standards like water or waste management and 70% of the FT farmers are also certified organic (Wunden, 2022). Further research might compare consumer knowledge and expectations with the real environmental sustainability of Fairtrade supply chains.

8. Bibliography

Aksoy, H., & Ozsonmez, C. (2019). How millennials' knowledge, trust, and product involvement affect the willingness to pay a premium price for fairtrade products. *Asian Journal of Business Research*, 95-112.

Andorfer, V. A., & Liebe, U. (2012). Research on fair trade consumption—A review. *Journal of business ethics*, 415-435.

Bartels, J., & Onwezen, M. C. (2014). Consumers' willingness to buy products with environmental and ethical claims: the roles of social representations and social identity. *International Journal of Consumer Studies*, 82-89.

Beuchelt, T. D., & Zeller, M. (2011). Profits and poverty: Certification's troubled link for Nicaragua's organic and fairtrade coffee producers. *Ecological Economics*, 1316-1324.

Brown, K. R. (2013). *Buying into fair trade: Culture, morality, and consumption.* New York: NYU Press.

Claar, V. V., & Haight, C. (2015). Is Fair Trade Worth Its Cost? *Faith & Economics*, 25-34.

Cramer, C., Johnston, D., Oya, C., & Sender, J. (2014). *Fairtrade, Employment and Poverty Reduction in Ethiopia and Uganda.* London: Fair Trade, Employment and Poverty Reduction Research.

De Gelder, E. (2022). Perspective: Fair Trade. In D. Szanto, A. Di Battista, & I. Knezevic, *Food Studies: Matter, Meaning, Movement.* Ottawa: Food Studies Press.

De Pelsmacker, P., & Janssens, W. (2007). A model for fair trade buying behaviour: The role of perceived quantity and quality of information and of product-specific attitudes. *Journal of business ethics*, 361-380.

De Pelsmacker, P., Driesen, L., & Rayp, G. (2003). Are fair trade labels good business? Ethics and coffee buying intentions. *Journal of consumer affairs*, 1-20.

De Pelsmacker, P., Driesen, L., & Rayp, G. (2005). Do consumers care about ethics? Willingness to pay for fair-trade coffee. *Journal of consumer affairs*, 363-385.

Doran, C. J. (2009). The role of personal values in fair trade consumption. *Journal of business ethics*, 549-563.

Dragusanu, R., Giovannucci, D., & Nunn, N. (2014). The economics of fair trade. *Journal of economic perspectives*, 217-236.

Fairtrade America. (2021, July 27). *New study reveals Fairtrade America is gaining awareness and trust in the U.S.* Retrieved from Fairtrade America: https://www.fairtradeamerica.org/news-insights/new-study-reveals-fairtrade-america-is-gaining-awareness-and-trust-in-the-u-s/

Fairtrade International. (2009). *Fairtrade Standard for Small-scale Producer Organizations.* Fairtrade Labelling Organizations International e.V. Retrieved from https://files.fairtrade.net/standards/SPO_EN.pdf

Fairtrade International. (2017). *Focus on Fairtrade products: coffee.* Bonn: Fairtrade International.

Fairtrade International. (2018). *Fairtrade Mark Guidelines.* Bonn: Fairtrade Internatinal. Retrieved from https://files.fairtrade.net/FAIRTRADE-Mark-Guidelines-full.pdf

Fairtrade International. (2018). *Tracking fairtrades impact: How farmers experience the benefits of fairtrade* . Fairtrade International.

Fairtrade International. (2020). *Coffee Products Dashboard*. Retrieved from fairtrade.net: https://www.fairtrade.net/impact/top-7-products-dashboard

Fairtrade International. (2020). *Fairtrade - Exploring Our Impact: A Review Of Research On Fairtrade.* Fairtrade International.

Fairtrade International. (2021). *Fairtrade Standard for Coffee.* Fairtrade Labelling Organizations International e.V. Retrieved from file:///C:/Users/admin/Desktop/Thesis/collect/Fairtrade%20Internation%20Inc/Fairtrade_Standard_Coffee_2021.pdf

Fairtrade International. (2021). *Fairtrade-Kaffee - So funktioniert der faire Handel mit Kaffee*. Retrieved from Fairtrade Deutschland: https://www.fairtrade-deutschland.de/produkte/kaffee/hintergrund-fairtrade-kaffee

Fairtrade International. (2021). *The Future is Fair - Annual Report 2020-2021.* Bonn: Fairtrade International.

Fairtrade International. (2022). *Fairtrade - Exploring Our Impact: A Review Of Research On Fairtrade.* Fairtrade International.

Fairtrade International. (2022, November 21). *SDG12: Responsible consumption and production*. Retrieved from Fairtrade.net: https://www.fairtrade.net/issue/sdg12

Fairtrade International. (n.d.). *Product Coffee*. Retrieved from Fairtrade International: https://www.fairtrade.net/product/coffee

FLOCERT. (2022). *Cost Calculator*. Retrieved from flocert.net: https://www.flocert.net/solutions/fairtrade/cost-calculator/

Franke, P. (2021). *Lieferkettengesetz–eine Herausforderung für die Wirtschaft.* Kiel: ZBW - Leibniz Information Centre for Economics.

Fridell, G. (2007). *Fair trade coffee: The prospects and pitfalls of market-driven social justice.* Toronto: University of Toronto Press.

Getz, C., & Shreck, A. (2006). What organic and Fair Trade labels do not tell us: towards a place-based understanding of certification. *International Journal of Consumer Studies*, 490-501.

Goff, S. C. (2018). Fair trade: global problems and individual responsibilities. *Critical Review of International Social and Political Philosophy*, 521-543.

Goodman, D., DuPuis, M. E., & Goodman, M. K. (2012). *Alternative food networks: Knowledge, practice, and politics.* London: Routledge.

Haight, C. (2011). The problem with fair trade coffee. *Stanford Social Innovation Review*, 74-79.

Hertel, S., Scruggs, L., & Heidkamp, P. C. (2009). Human rights and public opinion: From attitudes to action. *Political Science Quarterly*, 443-459.

Hira, A., & Ferrie, J. (2006). Fair trade: Three key challenges for reaching the mainstream. *Journal of business ethics*, 107-118.

Jaffee, D. (2014). *Brewing Justice: Fair Trade Coffee, Sustainability, and Survival.* Oakland: University of California Press.

Johannessen, S., & Wilhite, H. (2010). Who really benefits from fairtrade? An analysis of value distribution in fairtrade coffee. *Globalizations,*, 525-544.

Kilian, B., Jones, C., Pratt, L., & Villalobos, A. (2006). Is sustainable agriculture a viable strategy to improve farm income in Central America? A case study on coffee. *Journal of Business Research*, 322-330.

Lange, C., Combris, P., Issanchou, S. N., & Schlich, P. (2015). Impact of information and in-home sensory exposure on liking and willingness to pay: The beginning of Fairtrade labeled coffee in France. *Food Research International*, 317-324.

Le Mare, A. (2008). The Impact of Fair Trade on Social and Economic Development: A Review of the Literature. *Geography Compass*, 1922-1942.

Lee, E.-J. (2016). Empathy can increase customer equity related to pro-social brands. *Journal of Business Research*, 3748-3754.

Liu, C.-C., Chen, C.-W., & Chen, H.-S. (2019). Measuring consumer preferences and willingness to pay for coffee certification labels in Taiwan. *Sustainability*, 1297-1310.

Loos, J., Bertels, V., & Müller, S. (2012). Die Wirkung des vertrauens stiftenden Fair Trade-Siegels auf die Kaufentscheidung von Verbrauchern. In J. Vollmar, I. Hoffend, & R. Becker, *Macht des Vertrauens: Perspektiven und aktuelle Herausforderungen im unternehmerischen Kontext* (pp. 152-182). Wiesbaden: Springer-Verlag.

Loske, D. (2017). Hält Fairtrade was es verspricht? Eine wertschöpfungsorientierte Analyse der Fairtrade-Kaffee Supply Chain. In M. Klumpp, T. Marner, & H. Hanke, *Schriftenreihe Logistikforschung.* Essen: MA Akademie Verlags- und Druck-Gesellschaft mbH.

Macdonald, K. (2007). Globalising justice within coffee supply chains? Fair Trade, Starbucks and the transformation of supply chain governance. *Third World Quarterly,*, 793-812.

MacDonald, K. (2022, November 9). Fairtrade & Globalised Justice in coffee supply chains. (L. Erne, Interviewer)

Mauthofer, T., & Santos, M. (2022). *2nd Follow-Up Study - Assessing the Impact on Poverty Reduction and Economic Resilience through Rural Development.* Eschborn: Mainlevel Consulting AG.

Mauthofer, T., & Santos, M. (2022). *Assessing the Impact of Fairtrade on Poverty Reduction and Economic Resilience through Rural Development.* Eschborn: Mainlevel Consulting .

Mauthofer, T., Schneider, E., Väth, S. J., & Von Cölln, F. (2018). *Follow up Study – Assessing the Impact of Fairtrade on Poverty Reduction through Rural Development.* Saarbrücken: CEval GmbH.

Méndez, E. V., Bacon, C. M., Olson, M., Petchers, S., Herrador, D., Carranza, C., . . . Mendoza, A. (2010). Effects of Fair Trade and organic certifications on small-scale coffee farmer households in Central America and Mexico. *Renewable agriculture and food systems*, 236-251.

Minten, B., Dereje, M., Engida, E., & Tamru, S. (2018). Tracking the quality premium of certified coffee: Evidence from Ethiopia. *World Development*, 119-132.

Naegele, H. (2020). Where does the Fair Trade money go? How much consumers pay extra for Fair Trade coffee and how this value is split along the value chain. *World Development*, 1-12.

Nelson, V., & Pound, B. (2009). *A review of the impact of Fairtrade over the last ten years.* Greenwich: Natural Resources Institute University of Greenwich.

Newhouse, S. M., & Buckles, T. A. (2020). Some attitudinal predictors of fair-trade buying behavior in the United States. *Journal of Business and Retail Management Research*, 87-95.

Nicholls, A., & Lee, N. (2006). Purchase decision-making in fair trade and the ethical purchase 'gap': 'is there a fair trade twix?'. *Journal of Strategic Marketing*, 369-386.

Nicholls, A., & Opal, C. (2005). *Fair Trade: Market-Driven Ethical Consumption.* London: SAGE.

Panhuysen, S., & Pierrot, J. (2020). *Coffee Barometer 2020.*

Pavlovskaia, Z., & Kara, A. (2022). An investigation of Fair Trade product knowledge, beliefs, experiences and buying intentions of Generation Z in the US. *Journal of Fair Trade*, 34-52.

Pedregal, V. D., & Ozcaglar-Toulouse, N. (2011). Why does not everybody purchase fair trade products? The question of the fairness of fair trade products' consumption for consumers. *International journal of consumer studies*, 655-660.

Raynolds, L. T. (2000). Re-embedding global agriculture: The international organic and fair trade. *Agriculture and Human Values*, 297–309.

Robichaud, Z., & Yu, H. (2021). Do young consumers care about ethical consumption? Modelling Gen Z's purchase intention towards fair trade coffee. *British Food Journal*, 316-325.

Ruben, R., & Fort, R. (2012). The impact of fair trade certification for coffee farmers in Peru. *World development*, 570-582.

Sauerbier, R., & Rosskamp, R. (2018). *Kaffee-Irrtümer.* Bremen: Edition Temmen.

Scharfenberger, L. (2019, Oktober 26). Hauptsache, der Kaffee schmeckt. *Taz am Wochenende*, p. 63.

Schmidt, J. (2022, October 21). Fairtrade International. (L. Erne, Interviewer)

Smith, A. M. (2009). Evaluating the Criticisms of Fair Trade. *Economic Affairs*, 29-36.

Statista Research Department. (2021, November 11). *Trinken Sie regelmäßig Kaffee?* Retrieved from statista.com: https://de.statista.com/statistik/daten/studie/201369/umfrage/kaffeekonsum-in-deutschland-nach-alter/

Statista Research Department. (2022, November 15). *Durchschnittsalter der Bevölkerung in Deutschland bis 2020*. Retrieved from statista.com: https://de.statista.com/statistik/daten/studie/1084430/umfrage/durchschnittsalter-der-bevoelkerung-in-deutschland/#:~:text=Zum%20Ende%20des%20Jahres%202020,noch%2043%2C9%20Jahre%20alt.

Statista Research Department. (2022, May 25). *Umsatz mit Fairtrade-Kaffee in Deutschland bis 2021*. Retrieved from Statista.com: https://de.statista.com/statistik/daten/studie/299443/umfrage/umsatz-mit-fairtrade-kaffee-in-deutschland/

Strong, C. (1997). The problems of translating fair trade principles into consumer purchase behaviour. *Marketing intelligence & planning*, 32-37.

Sylla, N. (2014). *The fair trade scandal: Marketing poverty to benefit the rich.* Ohio: Ohio University Press.

Taylor, J. E., & Boasson, V. (2014). Who buys fair trade and why (or why not)? A random survey of households. . *Journal of Consumer Affairs*, 418-430.

UNICEF Office of Research. (2022). *Places and Spaces: Environments and children's.* Florence: United Nations Children's Fund Office of Research.

Valkila, J., Haaparanta, P., & Niemi, N. (2010). Empowering coffee traders? The coffee value chain from Nicaraguan fair trade farmers to Finnish consumers. *Journal of business ethics*, 257-270.

Varul, M. Z. (2009). Ethical selving in cultural contexts: Fairtrade consumption as an everyday ethical practice in the UK and Germany. *Journal of Consumer Studies*, 183-189.

Wright, L. T., & Heaton, S. (2006). Fair trade marketing: An exploration through qualitative research. *Journal of Strategic Marketing*, 411-426.

Wunden, W. (2022, November 2). MISEREOR - Fairer Handel. (L. Erne, Interviewer)

Yang, S.-H., Hu, W., Mupandawana, M., & Liu, Y. (2012). Consumer willingness to pay for fair trade coffee: a Chinese case study. *Journal of Agricultural and Applied Economics*, 21-31.

Young, W., Hwang, K. M., & Oates, C. J. (2010). Sustainable consumption: green consumer behaviour when purchasing products. *Sustainable development*, 20-31.

Zerbini, C., Vergura, D. T., & Latusi, S. (2019). A new model to predict consumers' willingness to buy fair-trade products. *Food research international*, 167-173.

Appendix A

Analysis of quantitative data based on respondents' answers to the survey

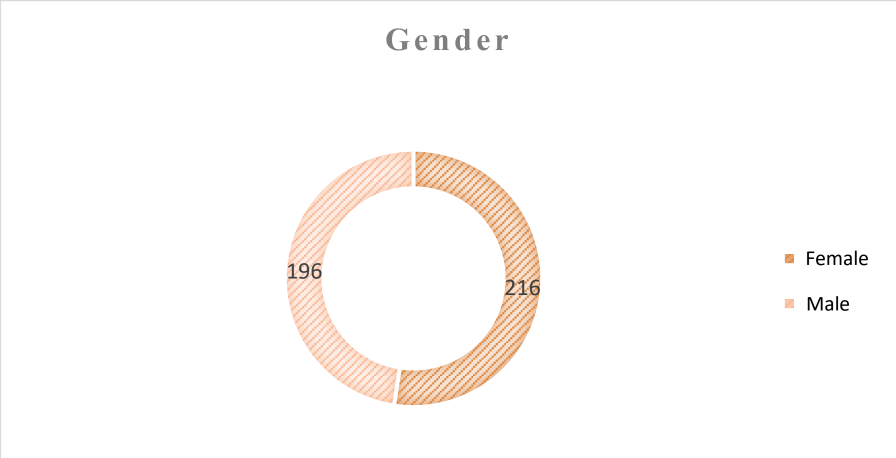

Figure A 1: Gender distribution of the sample

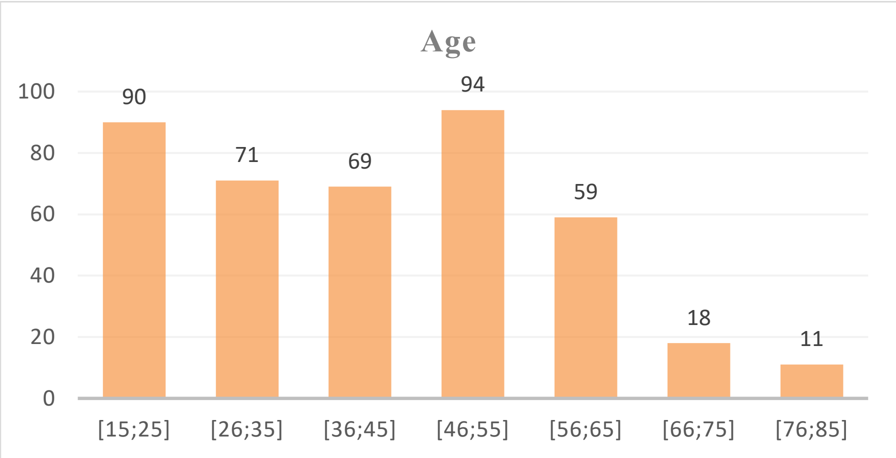

Figure A 2: Age distribution of the sample

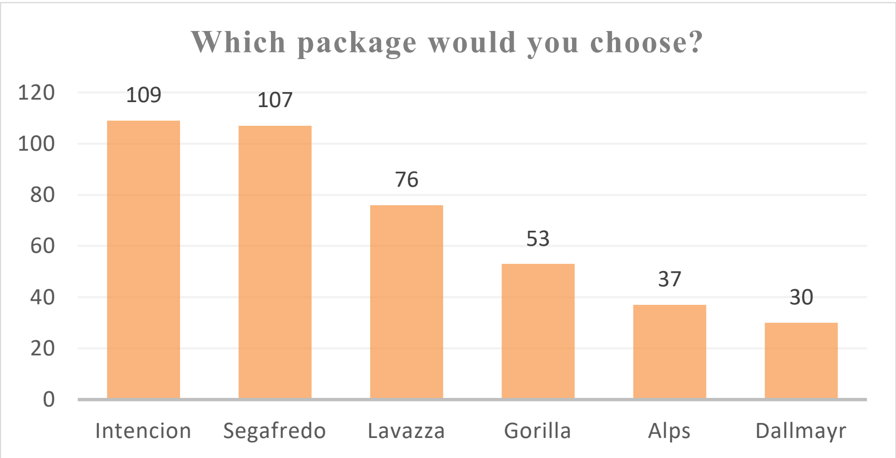

Figure A 3: Consumer's coffee preferences from six given brands

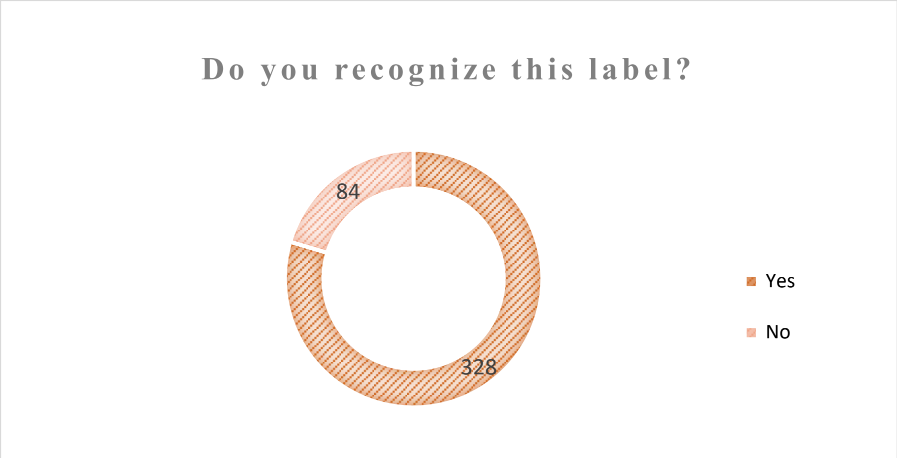

Figure A 4:People's recognition of the FT trademark

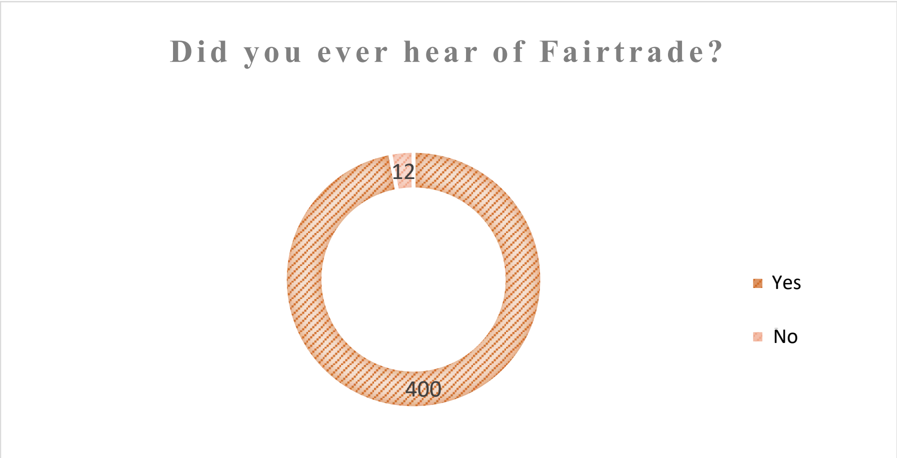

Figure A 5: People's familiarity with the concept

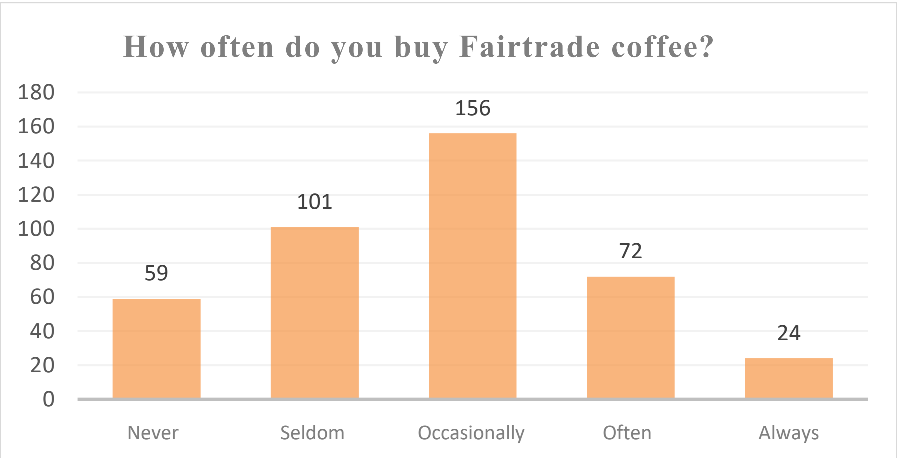

Figure A 6: Purchase frequency of the sample

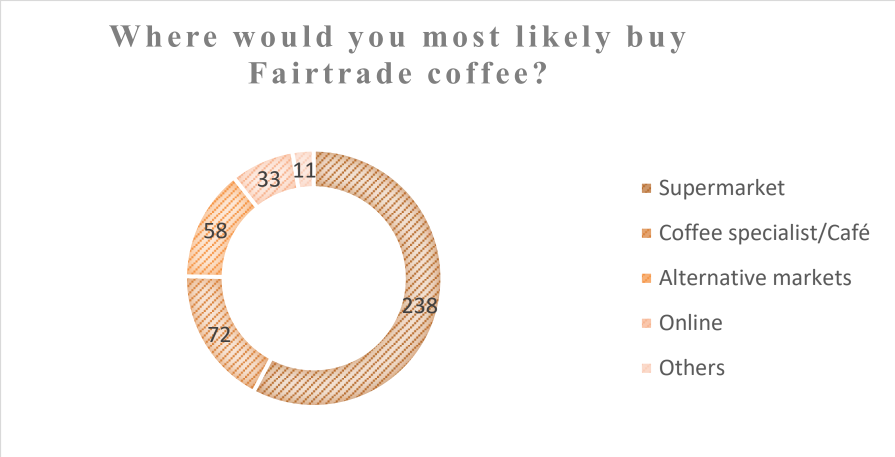

Figure A 7: Preferred places to buy Fairtrade coffee

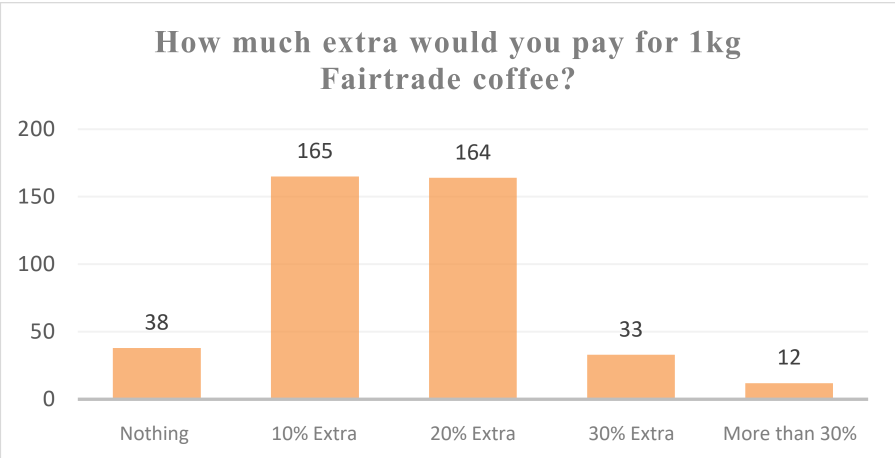

Figure A 8: Willingness to pay an extra for FT coffee

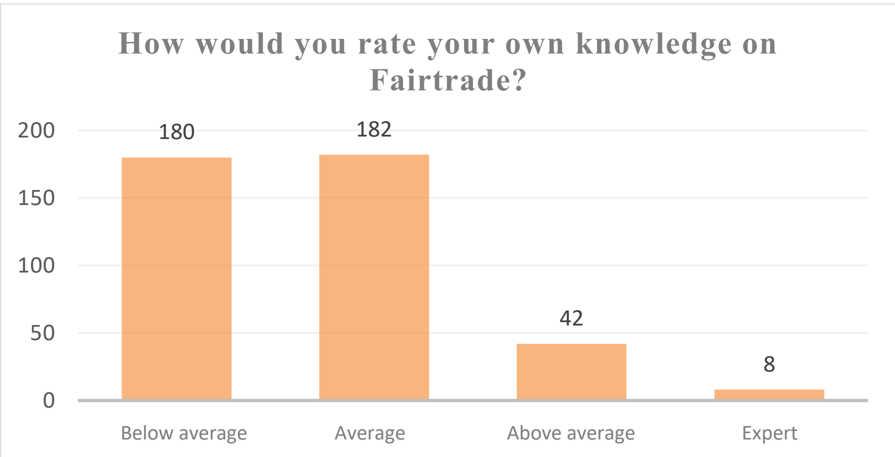

Figure A 9: Self-assessed overall FT knowledge

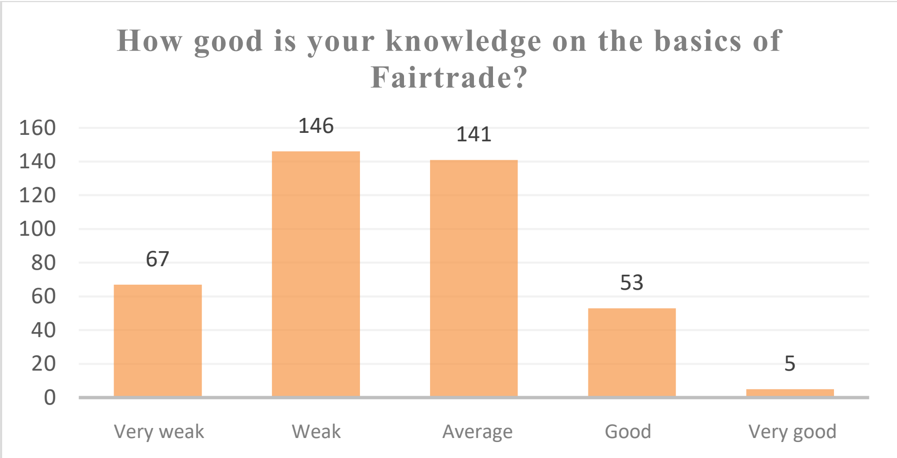

Figure A 10:Self-assessed knowledge of FT basics

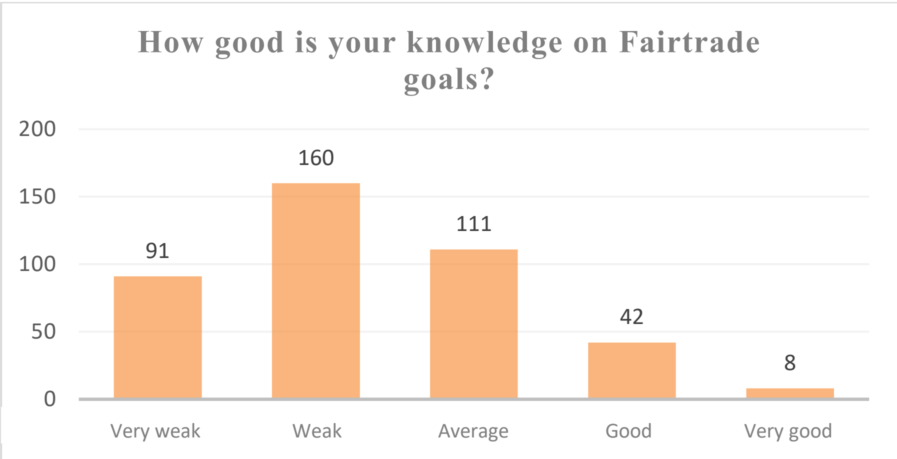

Figure A 11: Self-assessed knowledge of FT goals

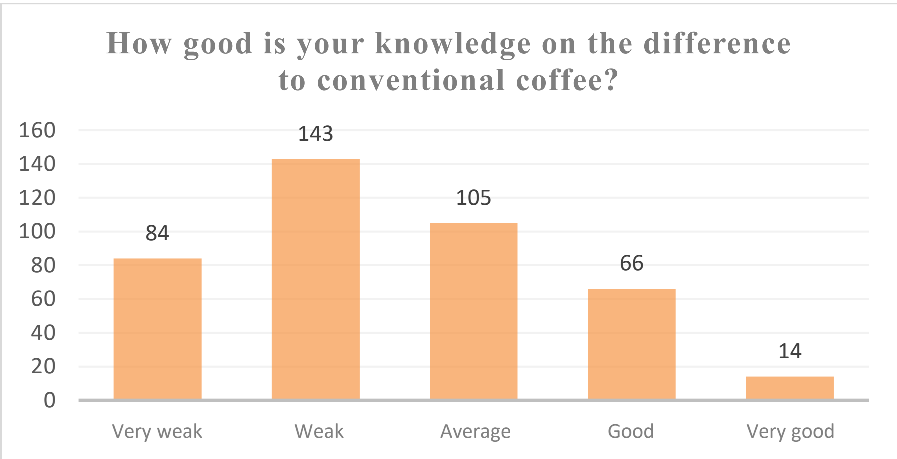

Figure A 12: Self-assessed knowledge of differentiation

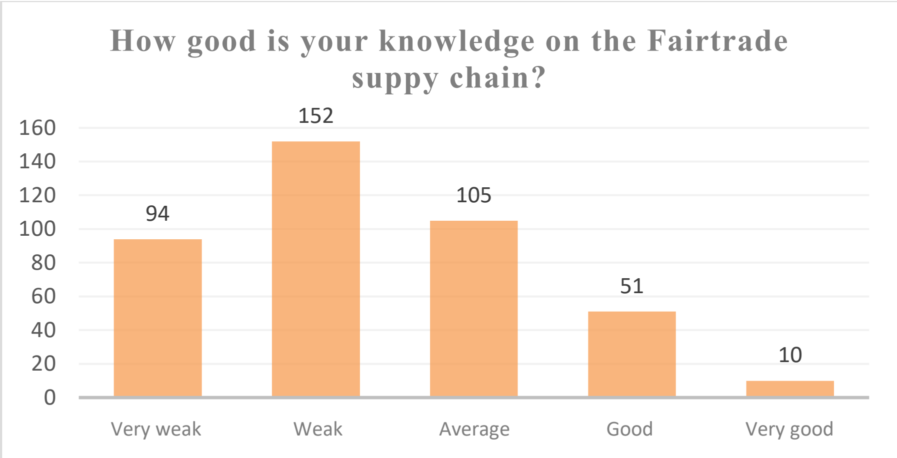

Figure A 13: Self-assessed knowledge of FT supply chain

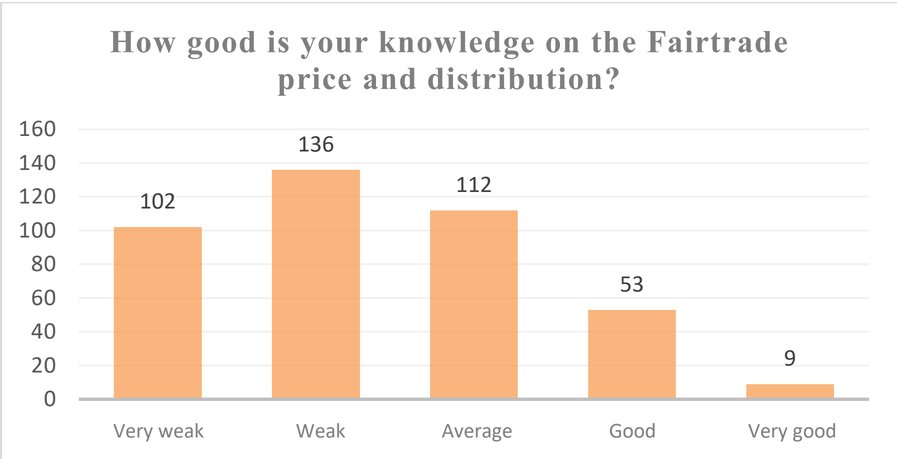

Figure A 14: Self-assessed knowledge of price and distribution

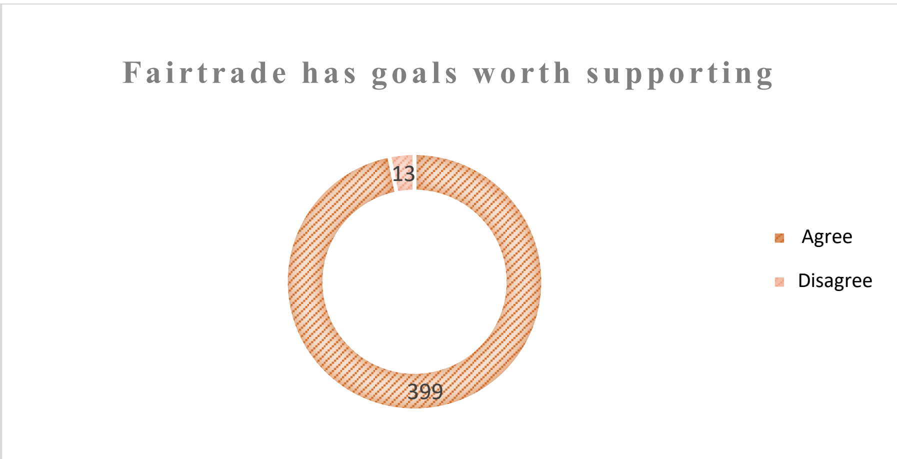

Figure A 15: Statement of FT goals

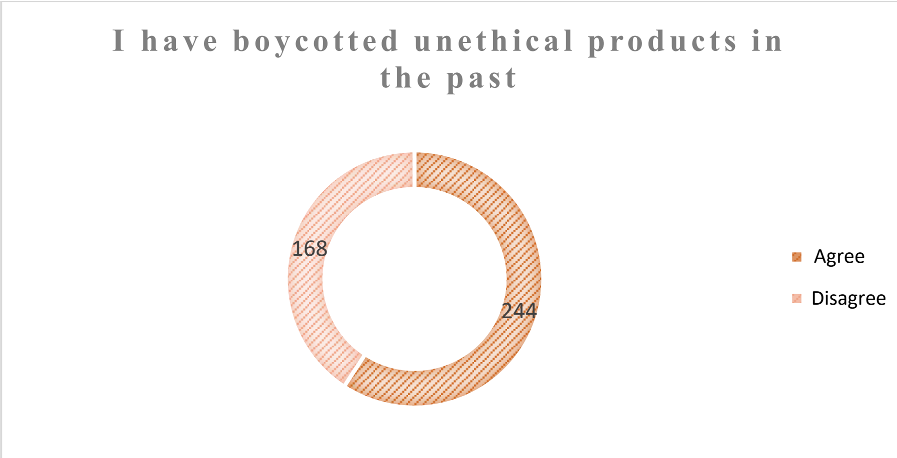

Figure A 16: Statement on boycotting unethical products

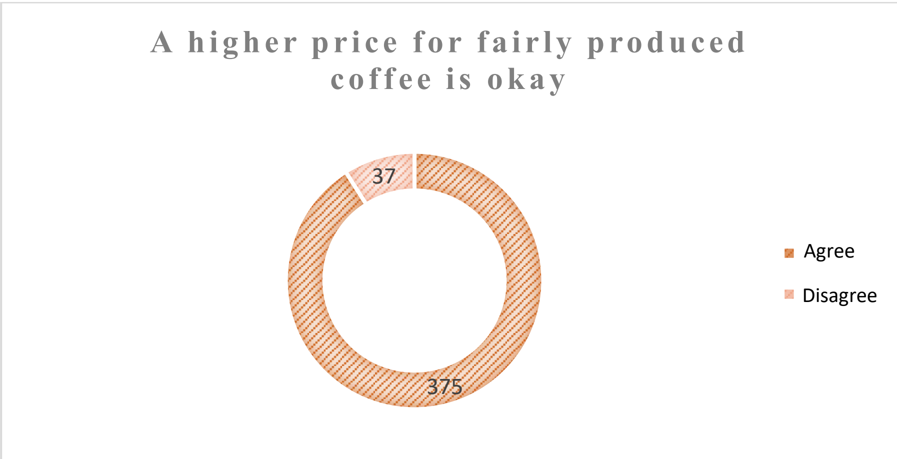

Figure A 17:Statement on acceptance of premium

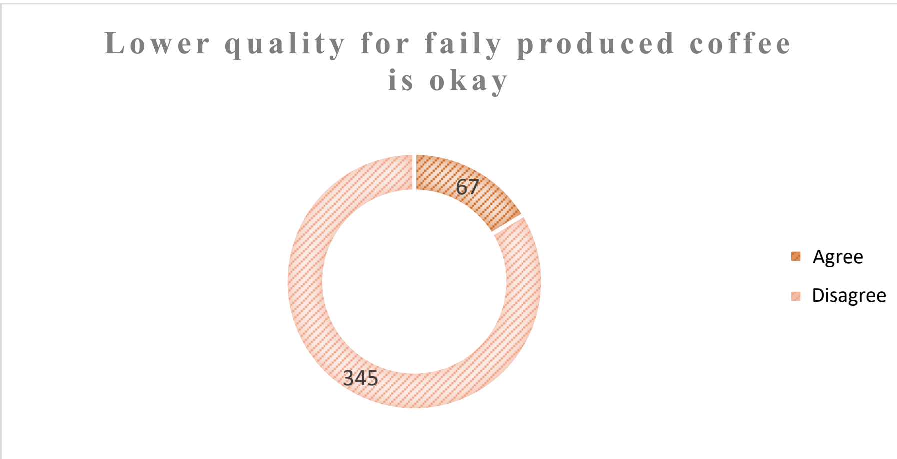

Figure A 18: Statement on acceptance of quality

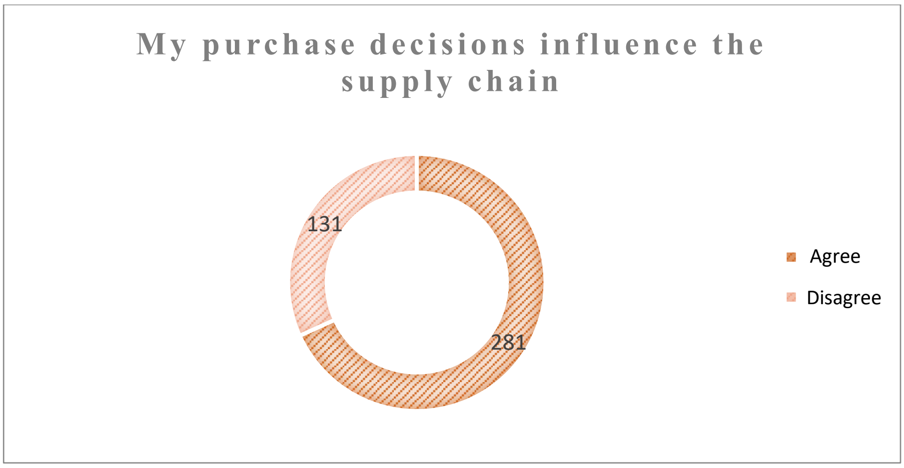

Figure A 19: Statement on the power of purchase decisions

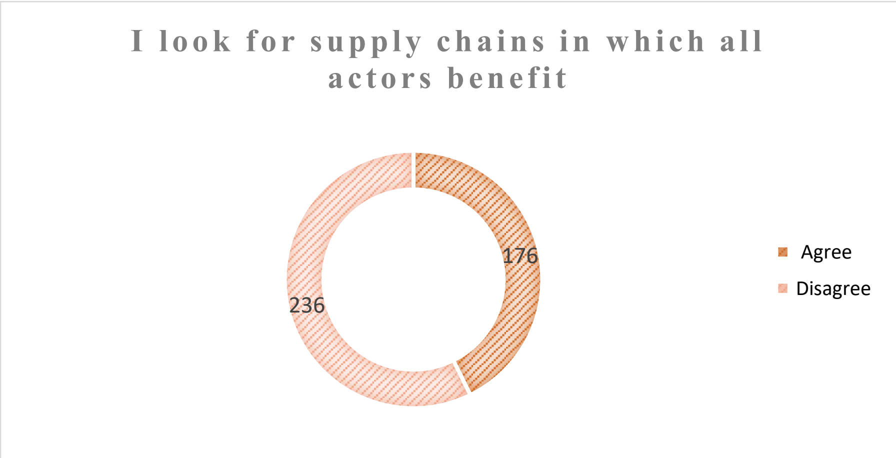

Figure A 20: Statement on attention to supply chains

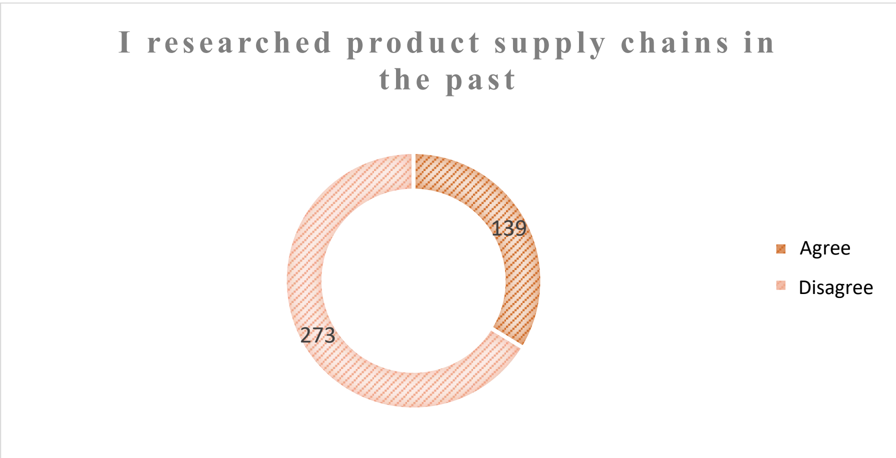

Figure A 21: Statement on consumer's research efforts

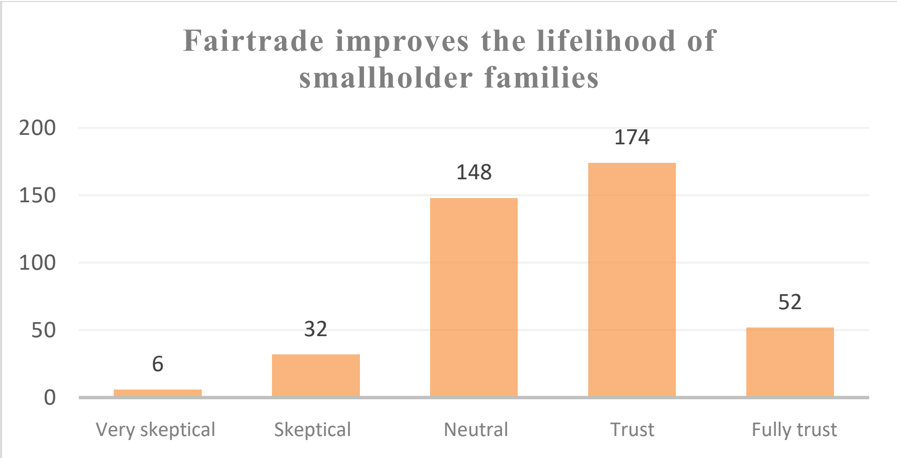

Figure A 22: People's trust in livelihood improvements through FT

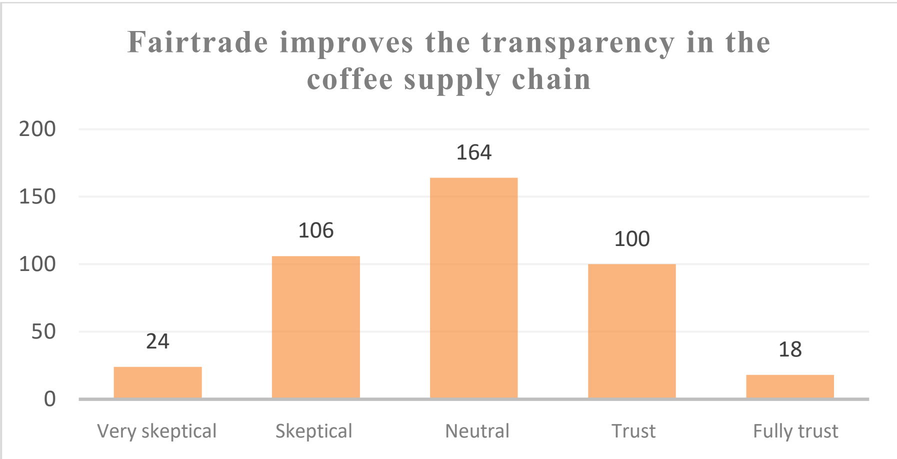

Figure A 23: People's trust in supply chain transparency through FT

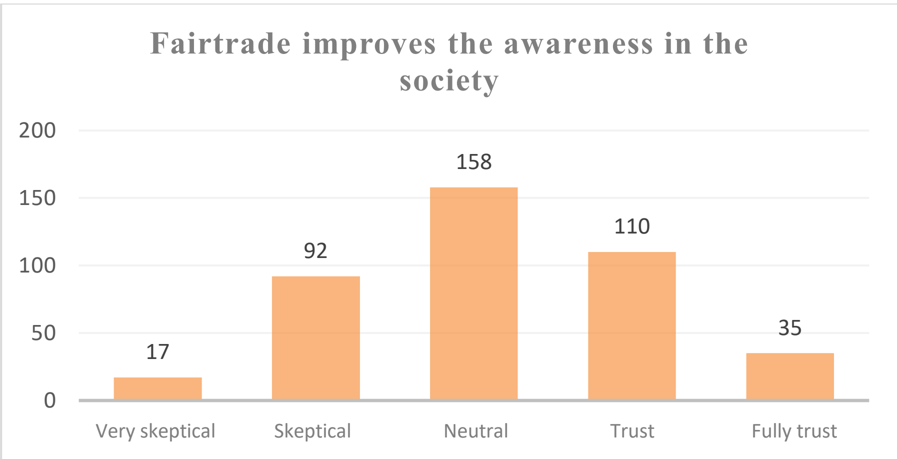

Figure A 24: People's trust in awareness improvements through FT

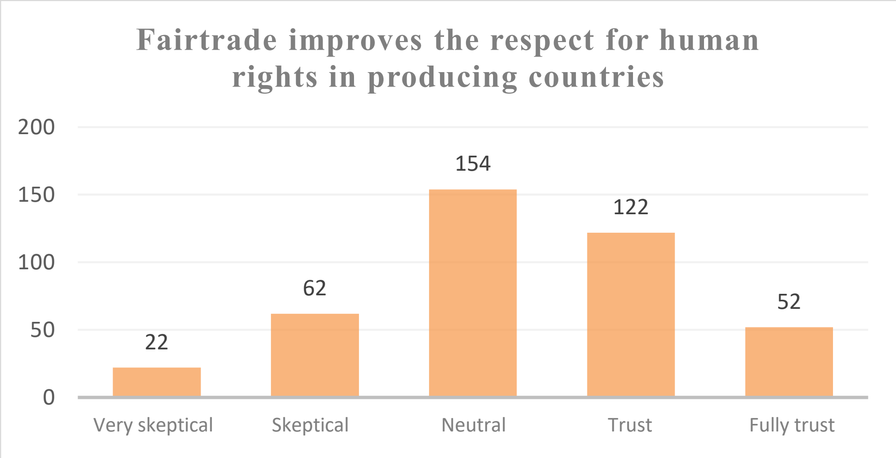

Figure A 25: People's trust in human rights improvements through FT

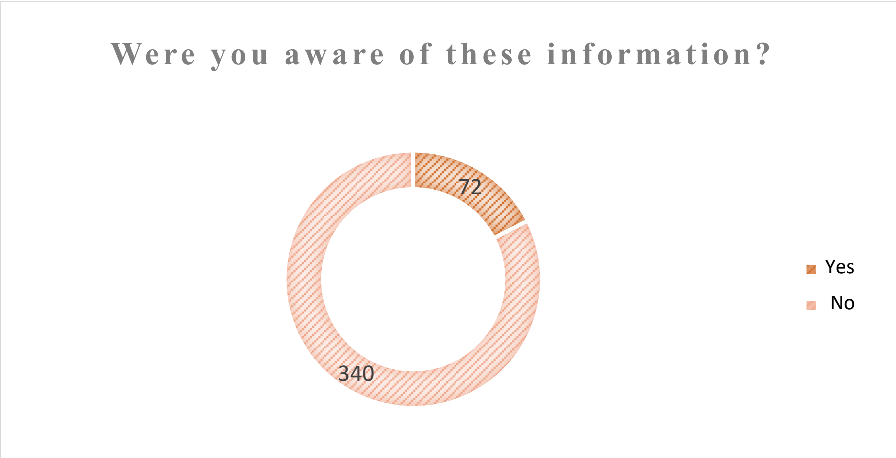

Figure A 26: Consumer's awareness of the big picture

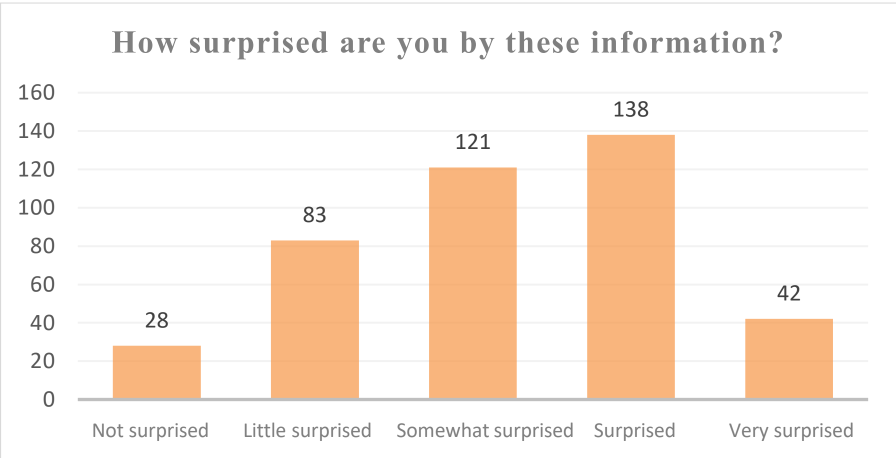

Figure A 27: Level of surprise by pitfall disclosure

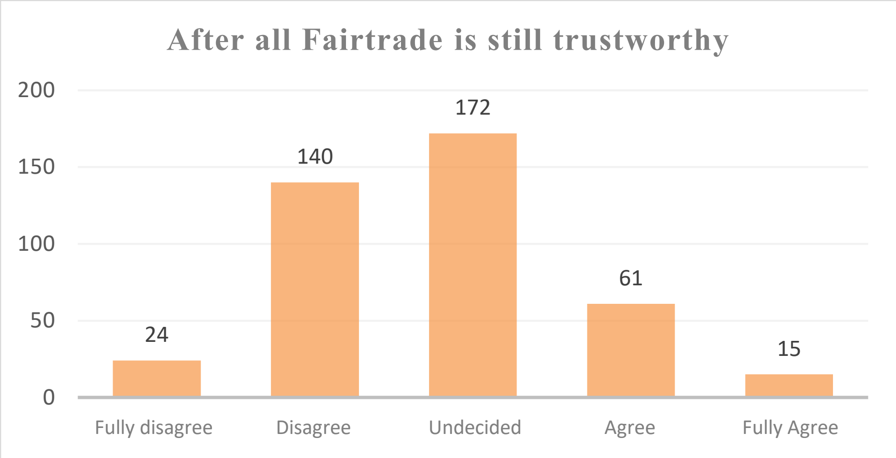

Figure A 28: People's opinion on FT's trustworthiness after the infographic

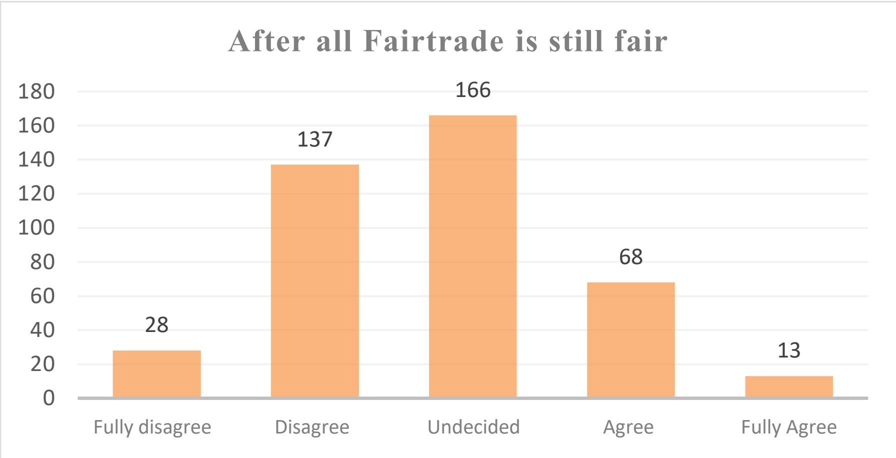

Figure A 29: People's opinion on FT's fairness after the infographic

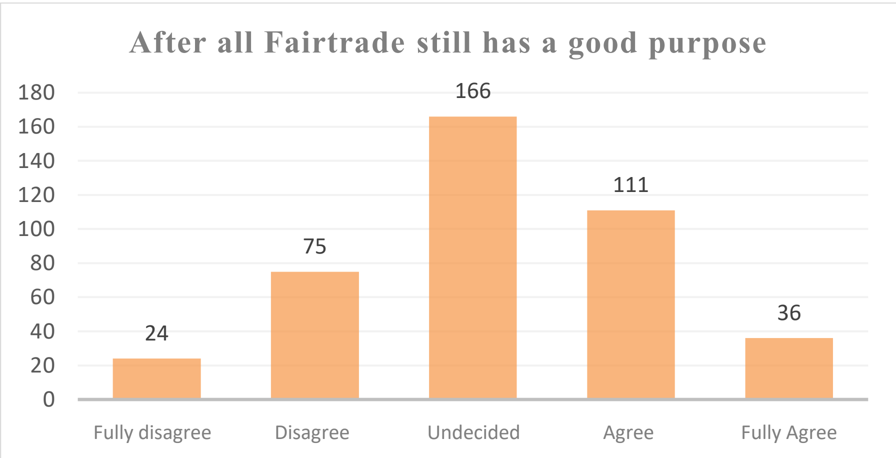

Figure A 30: People's opinion on FT's purpose after the infographic

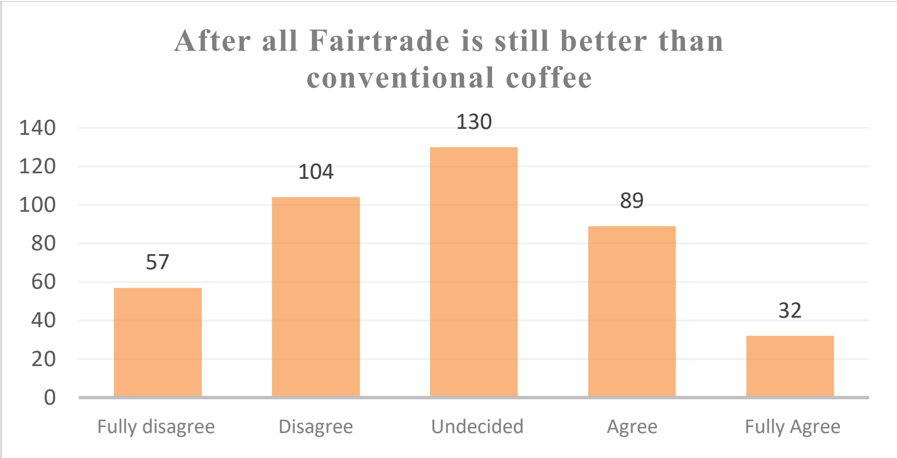

Figure A 31: People's opinion on differentiation after the infographic

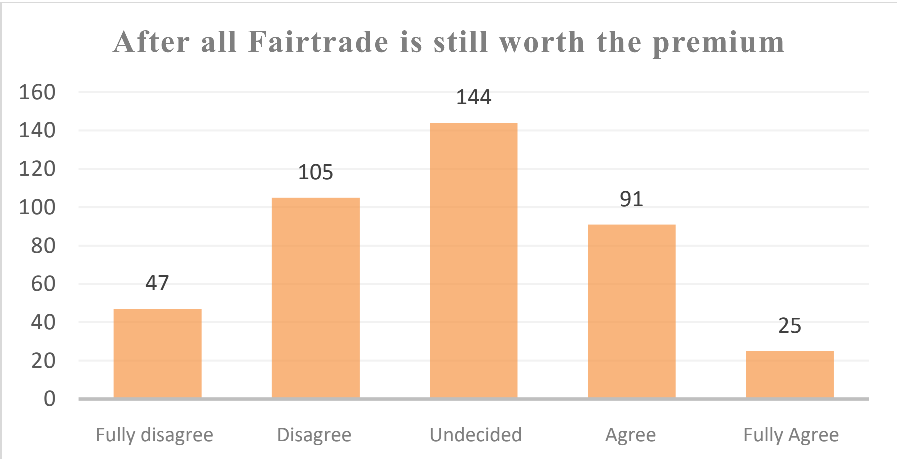

Figure A 32: People's opinion on FT's worth after the infographic

Appendix B

Raw data

The complete data table with all 412 valid survey participants and their data can be provided upon request.

Questionnaire

The full version of the questionnaire is available on request via Qualtrics.

R-Code

The entire code of the statistical computing tool R Studio and all statistical models, correlation tests, and plots used can be made available upon request.

Qualitative data

Further information on the interviews conducted and details of the interviewees can be provided on request.