Estimating Preference and Willingness-to-Pay for Fair Trade Products using Household Panel Data

Mahmoud Ahmed
University of Göttingen
Ossama Elshiewy
University of Goettingen
Yasemin Boztug
University of Goettingen

Paper presented at the 48th Annual EMAC Conference, Hamburg, May 24-27, 2019.

EMAC
EUROPEAN MARKETING ACADEMY

Estimating Preference and Willingness-to-Pay for Fair Trade Products using Household Panel Data

Abstract

Many food manufacturers sell fair trade (FT) products to provide improved trading conditions for producers. Current literature suggests higher willingness-to-pay (WTP) for FT products compared to conventional products. However, results from previous studies might be biased due to using stated-preference or cross-sectional data, which overestimates the results. Also, most of those studies do not capture consumer's heterogeneity. From this background, we use large-scale household panel data of coffee purchases in 2016 to estimate preference and WTP for FT products, employing random coefficients mixed logit model, i.e. BLP, to have more precise estimates and capture heterogeneity. We find that average consumers are willing to pay a fixed percentage of price 13.5% as a premium for FT coffee, the monetary premium changes with price, and consumers' heterogeneity.

Keywords: *Fair Trade; Willingness-To-Pay; Purchase Data*

Track: Social Responsibility & Ethics