1.4 *Fresh Perspectives – Ethical consumerism: development of a global trend and its impact on development*

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Key messages:

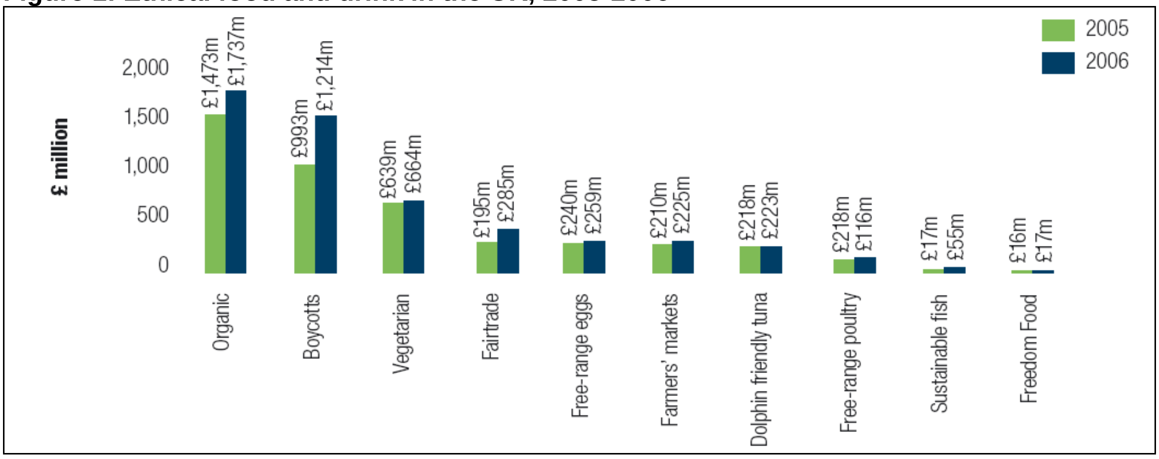
- **Consumers increasingly wish to shop ethically, but require clearer navigation of the ethical categories.**
- **Third-party accreditation systems are proving an effective mechanism to formulate and communicate ethical attributes to consumers.**
- **Ethical issues are entering the mainstream, offering increased opportunities for developing countries.**
- **Domestic and regional markets in developing countries for value-added and quality products are growing.**

Consumers are showing an increasing interest in ethical aspects of agrifood production and trade, including fair trade, safe working conditions for producers and employees, and sustainable and environmentally-friendly natural resources management. Ethical consumerism seeks to reaffirm the moral dimension of consumer choice by emphasising the links between production and consumption, locally and globally (Gabriel and Lang 1995). Ethical consumers have at the core of their agenda the desire to enhance their well-being through purchasing behaviour that avoids harming or exploiting humans, animals or the environment (*Ethical Consumer* 2003). "Consumption has become a means by which people's non-material views about the nature of society and the future of the environment can be manifested in a tangible and measurable way" (Howard 2005).

What is driving ethical consumerism?

Consumer pull (guilt and social pressure): increasing public awareness of ethical issues and increases in disposable income are giving consumers the opportunity to exercise an ethical conscience. The UK ethical food market was value at £4.8 billion in 2006 (+17 per cent over 2005) (Figure 1). This represents just 5.1 per cent of the total grocery market but is becoming increasingly important, growing at 7.5 per cent (or 50 per cent above the rate for the conventional grocery market). Consumer research shows that a significant proportion of UK shoppers already associate many ethically-sourced products as premium products, and that they are willing to pay a premium for ethical attributes (IGD Consumer Research 2008).

Figure 1: Ethical food and drink in the UK, 2005-2006



Source: *The Ethical Consumerism Report 2007*, The Cooperative Bank.

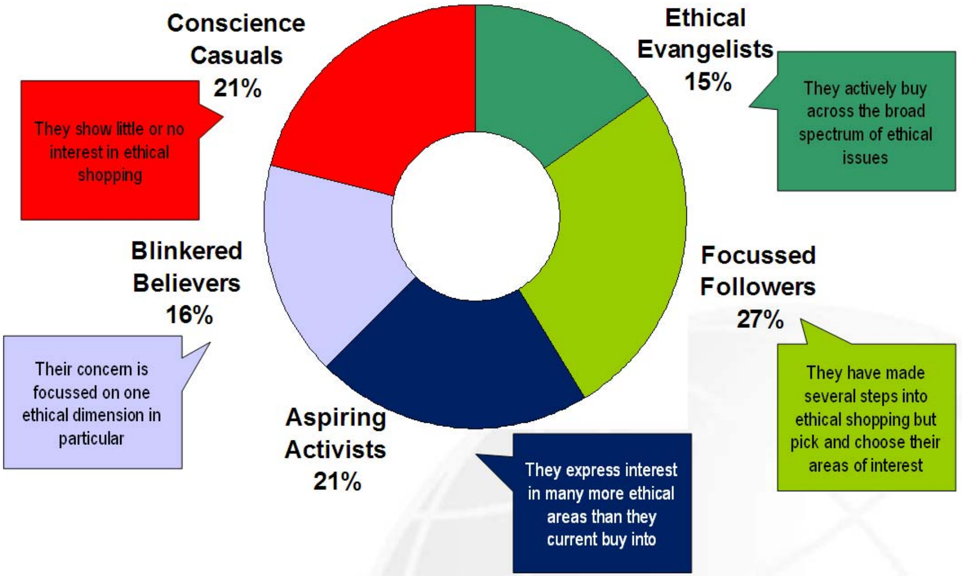
Retailer push on supply chains: there are higher retail margins on ethical lines; some retailers see a strong ethical stance as providing them with an advantage in a highly competitive business environment (e.g., Marks & Spencer's 'Eco Plan A': £288m to be spent on becoming carbon neutral by 2012; sourcing more clothing and food from Fairtrade suppliers); shareholders and others exert pressure to deliver on the 'triple-bottom line'; and an increasing ethical retailing stance may be compatible with a particular retailer's stated values (e.g., a commitment to 'fairness' in its treatment of staff, suppliers, etc.).

Government policy: the role of government is two-fold: first, through the development of policies/initiatives aimed at positively influencing consumer behaviour. This is pivotal in determining how the 'confused but willing' group of consumers will polarise. However, consumer education is often seen as a weak instrument and is unlikely to be effective compared with the impact on choice of commercial pricing policies. Second, by stimulating the creation of green goods: consumers would purchase more ethical products if they were available. For instance, there are potential synergies between public standards for healthy eating and private ethical consumption patterns.

The hierarchy of 'ethicalness'
Ethical shopping plays a differing role in consumers' experience, based on their attitude towards ethics and their behaviour in general. Consumer research shows that consumers appear to be polarised: one in seven consumers claim to be 'ethical evangelists' who translate their principles into actions and buy products that support their beliefs; one in five are 'conscience casual' consumers who do not consider ethics when shopping and simply purchase products that fulfil their needs (Figure 2).

However, research shows that consumers may overstate their propensity to purchase ethically. Reconciling claimed behaviour with actual behaviour is a pertinent subject – especially when it comes to moral issues, and ethical consumption is one of these. Even 'ethical evangelist' consumers may not buy all ethical products, but simply state that they will purchase some based on individual beliefs. The organic dairy mission is yet to be realised, with only 5 per cent of shoppers buying across organic cheese, fats and milk (compared to 21 per cent buying organic cheese only). Interestingly, shoppers are far more likely to be 'eco warriors' when purchasing household cleaning products (dunnhumby data).

Figure 2: Ethical segmentation of the food market



Source: IGD Consumer Research, 2008.

Consumers' ethical conscience: what are the implications for development?
Ethical consumerism is moving deeper into our behaviours and value systems. Taste and price still dominate the evaluation criteria but ethical considerations are becoming the driving brand choice. Propensity to buy ethical products is growing but poor in-store merchandising and lack of choice (rather than price) seem to be slowing further adoption. There is still an imbalance between positive attitudes and purchasing behaviour, to a large extent due to consumers being confused about the end benefit (e.g., which is more ethical, 'organic' or 'fair trade'?). There is little leadership taking the

message about organics forward – providing clarity in order that more consumers can make informed decisions, rather than taking blind decisions out of a sense of guilt or duty (Fearne 2008). Hence the challenge for all involved is to induce a positive predisposition prior to the point of purchase. Appropriate information about ethical attributes is part of the augmented product that ethical consumers are seeking. Suppliers must assume their responsibility to deliver quality products with added information attributes.

The consumer is paramount and understanding his/her needs and wants, actions and motives is a collective responsibility. Producers often fail to invest in understanding what consumers want, what they do, and why (Fearne 2008). This will inevitably result in their commercial destiny lying in the hands of others. Opportunities to increase penetration, purchasing frequency and repeat purchase rates amongst the under-performing segments will be lost. Suppliers must address the challenge to research deeply and target the preferences of their final consumers.

'Eco crunch'? Towards a more selective purchasing behaviour. Early evidence from analysis of the current downturn in UK retail spending and rising food, fuel and finance costs suggests that consumers are trading down to lower-value products. All consumer segments are unlikely to be affected in the same way and to the same extent. Sales of organic products, for instance, have not seen a dip in volume or value; in fact they grew 13.4 per cent in the past year across Europe, up from 9.3 per cent in 2007 (IGD Consumer Research 2008). However, there are early indicators of shifts within purchasing behaviour: demand for Sainsbury's 'Basic' range is growing while 'upmarket' shoppers are now to be found in discount grocery retailers such as Lidl, rather than just Waitrose. Even so, consumers are buying more selectively rather than cutting back on green goods (Paul Vallely, *The Independent* 2008). Consumers are finding alternative, less guilt-inducing ways to economise. While the pace of development may slow, the range and availability of ethical products will continue to expand as companies differentiate and build closer engagement with consumers, offering increasing trade opportunities for producers and workers in developing countries engaged in the production ethical products.

Increasing importance of credence attributes as a source of differentiation: in a highly competitive retail environment, private standards are very likely to increase in severity as firms attempt to 'out-compete' each other on social/credence attributes associated with their food lines. One outcome of this is that it becomes increasingly challenging for producers, and particularly low-resourced small-scale producers from emerging/developing countries, to be able to meet the increasingly exacting standards (Garcia Martinez and Poole 2004).

Organic and fairly traded produce has considerable potential for improving the welfare of communities (Browne et al. 2000). Nevertheless, it is an important empirical question whether, and to what extent, the price premiums paid by consumers are transmitted to primary producers and their communities. While improved prices are an important opportunity for smallholders, the costs of meeting accreditation standards are also considerable, such that the net benefits must be analysed. It may be that the primary benefit for smallholders is access to valuable export markets rather than better prices and that these benefits, according to a growing body of evidence, accrue mainly to better-off producers.

Conclusion

Knowledge of credence attributes is complex in itself and information generated by producers and public action is abundant and complex too. Consumers often find it difficult to understand the differences between various certifications or how to properly judge the reliability of a brand or a certification; no single label covers all 'green' areas. This complexity is to be regarded not only as a matter of education: consumers are confused because of bounded rationality and time constraints where there are lots of alternative products and a superabundance of information.

Ethical consumers want plausible guarantees about ethical attributes. Suppliers must address the quality challenges concerning certification and branding to promote their quality-assured products. Third-party accreditation and assurance systems may be a more efficient and effective mechanism to formulate and communicate ethical attributes to consumers than through retailer labelling.

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