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Policy Series 12

***ETHICAL CONSUMERS AND
ETHICAL TRADE:
A REVIEW OF CURRENT
LITERATURE***

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(Social and Economic Development Department, NRI)

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PREFACE

This series is principally concerned with current policy issues of importance to developing countries but also covers those relevant to countries in transition. The focus is upon policies which affect the management of natural resources in support of sustainable livelihoods. Much of the series will be devoted to concerns affecting the livelihoods of poor people in rural areas, recognizing the linkages with non-natural resource-based livelihoods. It will also include the interests of the urban poor, where these are linked to the use of natural resources as part of livelihood strategies.

The series will take a holistic view and cover both the economic and social components affecting livelihoods, and associated factors notably with respect to health and education. The aim is to provide topical analyses which are based upon field research where appropriate, and which will inform development practitioners concerned with issues of poverty in development.

The series is timely, given the increasing focus upon poverty and poverty elimination in the agenda of the development community. It is also timely with respect to the growing body of recent work which seeks to replace earlier, simplistic structural adjustment programmes, with more flexible approaches to livelihoods, institutions and partnerships.

Policy analysis is often assumed to be the remit of social scientists alone. Whilst it is recognized that social science may play a pivotal role, interactions with other disciplines may also be critical in understanding and analysing policy issues of importance to the poor. The series therefore draws upon a wide range of social and natural scientific disciplines reflecting the resource base at the Natural Resources Institute.

EXECUTIVE SUMMARY

Ethical consumerism is a growing phenomenon. It is a major driver of a diverse range of ethical approaches to trade. Alternative approaches such as fair-trade, conservation-driven trade and the trade in organic produce began as market niches but are making their presence felt in the commercial mainstream. Social, environmental and animal welfare issues are also being addressed by the mainstream itself with the adoption of a plethora of standards by major retailers and producers of fresh produce, timber, apparel, beverages, fish and other every-day consumer items.

Who is the ethical consumer, and what do they mean by ethical consumption? These questions are important for companies wishing to project an ethical dimension to their business operations. They are also important to international development practitioners who want to see trade have more positive outcomes for developing countries, especially with respect to targeting the poor.

This publication reviews the large number of consumer surveys of ethical consumerism, and describes the different types of ethical consumer, their motivation and concerns, their willingness to pay an ethical premium, and the ways they learn about ethical products. It shows how different survey methodologies affect what we know and do not know about ethical consumerism, and highlights how methodological shortcomings are starting to be addressed.

Current knowledge on the ethical consumer is patchy and largely dependent on commercial opinion polls. Trends over time suggest an increased awareness on the part of consumers to ethical issues in trade and consumption, but awareness and concern are not directly translated into ethical purchase behaviour. Some steps have been made to

understand the complexity of consumer decision-making and the contexts in which these decisions are made.

The publication reveals that ethical consumerism is a complex phenomenon, something that those calling for greater consumer awareness of ethical issues need to understand when promoting different forms of ethical trade. The fair-trade and organic movements have been at the forefront of understanding this phenomenon, and their experiences offer lessons for the commercial mainstream, particularly the importance of information and awareness as a prerequisite for action. These lessons are also crucial for international development agencies that need to understand the operation of Northern markets if their investment in ethical approaches to trade in developing countries is to pay dividends.

The paper is one of a series of publications which form part of the output of work by the Natural Resources and Ethical Trade Programme (NRET) managed by the Natural Resources Institute (NRI). NRET works with mainstream and alternative business, government and civil society organizations to develop and promote approaches to trade that benefit poor people in developing countries. This publication draws on surveys and questionnaires by a variety of organizations, and on NRET's own experience funded through the UK Department for International Development (DFID) Forest and Crop Post-Harvest Research Programmes.

1

INTRODUCTION

An increasing number of people make their consumption decisions on the basis of ethical values, such as environmentally friendly products and production methods, labour standards (wage rates and working conditions), and human rights. Ethical consumerism is a growing phenomenon that underpins ethical trade activities.

There are many motivations for ethical business practice (for instance, the values of the people involved, the belief that ethical business practices, particularly environmental responsibility, will produce more effective and efficient results), but the apparent demand from 'ethical consumers' is key. Many businesses adopt ethical practices because this is what they believe the consumer wants. Indeed there is growing evidence that consumers are becoming more discerning as a result of changing tastes and expectations. The globalization of food sourcing and foreign travel have resulted in more adventurous consumers, and also consumers who ask more questions about the source of their food. Other trends include healthy eating and vegetarianism.

Much of the recent trend towards consuming 'ethical' foods is linked to a loss of consumer confidence in the integrity of the conventional food system (Nicholson-Lord, 1999). This is particularly evident for genetically modified (GM) products. Thus many ethical consumer concerns are as closely related to food safety issues as to the impacts on the producer or the environment. "Moral correctness, it seems, can't be underestimated but takes second place, in an age of food controversies, to self-preservation" (Nicholson-Lord, 1999).

Theories of ethical consumption have been proposed, often with a view to promoting ethical consumer behaviour, which in turn could prompt change

in business practice. However, relatively little is known empirically about the ethical consumer. Surveys suggest that people apply certain values when they are shopping, but there appears to be some disparity between what people say to the person conducting the questionnaire and their actual purchases. Moreover, there is little information about what makes ethical consumers behave as they do. What makes them aware of ethical issues and what motivates them to alter their consumption patterns to reflect their values? This publication discusses current knowledge on ethical consumers and identifies research that may be useful in understanding ethical behaviour in consumption. Greater understanding of how consumers become aware of ethical issues in trade and the way in which they translate this into ethical purchase behaviour is critical for developing strategies for raising the awareness of consumers in general.

The publication begins by exploring theories of ethical consumption. Available data on ethical consumers are then summarized, focusing particularly on typologies of consumers that have been developed. Much data tends to be quantitative and based on quantitative market research questionnaires. The limitations of such data collection are discussed and the merit of qualitative research is then explored.¹ The role that responsible business can play in achieving public policy objectives and the potential opportunities for developing country producers are increasingly recognized. The implications of ethical consumption patterns for developing country producers and government support to responsible business are considered at the end of the publication.

Definitions used in studies of ethical consumerism vary from the very vague ('ethical' is defined by the consumer) to the specific (the questioner is only concerned about certain categories of good, for example, fair-trade goods or organic foods). Some earlier studies concentrate on environmental values, the 'green consumer', and thus omit ethical issues that have come to the fore in recent years such as child labour or wider social issues. 'Out of This World'² identifies five areas of concern: healthy eating (with an emphasis on organic produce); community development (supporting local suppliers); fair-trade (a better deal for developing country

¹ Material for this review originates from a variety of sources, including correspondence through e-mail and letter with key individuals and organizations with an interest in ethical consumption, internet searches and the examination of grey and commercial literature (i.e. opinion polls and surveys undertaken by/for companies with a view to development of ethical product lines or brands).

² A nascent chain of ethical grocery shops.

suppliers); animal welfare; and environmental sustainability. The company notes that there are areas of potential conflict: locally produced goods with low transport impact compared to vegetables produced organically or according to a code of conduct in a developing country.

This publication uses a wide definition of 'ethical consumer' based on the Natural Resources and Ethical Trade Programme (NRET) definition of the scope of ethical trade. NRET defines ethical trade as any form of trade that consciously seeks to be socially and environmentally, as well as economically, responsible. Ethical consumers would, therefore, seek to purchase or use goods and services that can demonstrate social and/or environmental responsibility. In the natural resources sector, ethical trade includes fair-trade, trade in organic products, trade in products from sustainably managed resources such as forests, and ethical sourcing of fresh and processed produce following ethical codes of conduct.³

³ The paper is concerned primarily with consumption of renewable natural resources, so there is little reference to electrical products, vehicles, clothing, toiletries, etc., which may be purchased according to ethical principles.

2

ETHICAL CONSUMPTION

DEFINITIONS OF ETHICAL CONSUMPTION

Consumerism is being used by some stakeholders as a force for social change, based on the theory that companies make decisions on the basis of consumer demand. This logic is evidently constrained by the huge power of large companies which influence, if not create, consumer demand through advertising and branding. However, consumer power may be used to ensure that companies are accountable to society: ordinary citizens in their role as consumers can make companies accountable.

For some authors, consumerism is a tool for social change (e.g. Adams, 1989; Ekins 1989). However, as Smith (1990) notes, corporate accountability may be considered too abstract a concept to capture the attention of the majority of the public. In contrast, it can be relatively easy to articulate dissatisfaction with the goods one purchases. Smith talks about “ethical purchase behaviour” mostly in the negative sense of boycotting certain products. However, there is increasing opportunity for positive ethical purchase behaviour, i.e. purchase of goods with ethical attributes (see below). Some authors discuss ethical consumerism in a wider sense of “consumer action”, i.e. activities other than purchasing, such as dialogue with retailers and manufacturers or lobbying of government.⁴ For example, Bendell (1998) suggests that ethical consumerism has a “citizen” as well as consumerist element. Figure 1 illustrates these distinctions.

⁴ These latter activities may be considered conventional campaigning activities, but here are part of (ethical) consumerism because the campaigners may emphasize their role as consumers.



Figure 1 Three types of ethical consumerism

Ethical consumerism may be seen as an evolution from earlier consumerism movements. Lang and Hines (1993) identify three waves of consumerism. The first wave of the consumer movement focuses on value for money, basic product information and labelling (what the product does and how) and consumer choice. The second wave was heralded by investigations into product safety and has been associated with broader questions of corporate accountability.⁵ The third wave is described as “a marriage of environmentalism and citizenship.” Lang and Hines (1993: 111) suggest that it has two distinct forms: environmental and ethical, Smith (1990: 286), however, suggests that environmental and ethical consumption are essentially the same and that environmental consumerism is just one form of ethical consumerism where the link between “what is consumed and the social problem is more direct.” Similarly, Murphy and Bendell’s (1997) investigation into third wave environmentalism brings together environmental and social values. Ethical consumerism in its most radical formulations seriously looks at how consumption may be reduced.⁶

The third wave of consumerism – ethical consumerism – has three main components: (a) animal welfare; (b) the environment; and (c) human rights/working conditions and fair-trade. Each of the three headings has positive and negative aspects: those products and practices which are upheld and promoted and those which are deplored and avoided/boycotted.

⁵ Organizations associated with the second wave include Charles Medawar’s Social Audit Ltd, the Consumers Association, the government-funded National Consumers Council and the international umbrella organization, International Organization of Consumer Unions.

⁶ See *New Economics* and *Ethical Consumer’s* discussions of ‘downshifting’, both June 1997, and Nicholson-Lord (1994).

There has been a further development from ethical consumerism – sustainable consumption. Initiatives to explore the potential for sustainable consumption practices, i.e. going further than the consumption of certain niche products to “understanding and then managing demand so that social, economic and environmental goals are achieved” recognizing that “many policies continue to subsidize unsustainable practices and neither consumers or producers face the full environmental costs of consumption” (Robins and Roberts, 1998). The challenge of developing sustainable consumption policies is critical to sustainable development, but the focus here is to understand the ethical consumer in niche and mainstream markets.

THE INCIDENCE OF ETHICAL CONSUMPTION

The emergence of the ethical consumer has been much discussed, but evidence suggests that ethical consumption is more celebrated than practised. Indeed, there appears to be a divergence between opinion polls on green and ethical consumer values, and the volume of sales of ‘ethical’ products.

Much of the data on ethical consumption is in the form of quantitative market research and opinion polls. Some surveys have been undertaken to understand the ethical market in general and issues that consumers may relate to their purchasing habits (e.g. Mintel, 1997). Others are commissioned by particular companies to explore the values of their customers or potential customers (e.g. the Co-operative Bank) or to identify the level of consumer awareness penetration of particular products (e.g. regular surveys conducted for Cafédirect). Whilst these quantitative surveys may guide marketing strategies for companies selling products with ethical attributes, they are less effective than more qualitative methods at exploring the motivation of consumers. (See Table 1 for a selection of recent surveys.)

Different sets of data are available. First are surveys on specific kinds of ethical consumption, for example, fair-trade or organic products or ‘green’ products. Second is data on less specific ethical values where ‘ethical’ may be social responsibility or labour standards or, at other times, environmental issues. It is important when using this kind of data to be clear on the definitions used by those undertaking the survey and the respondents, but this is not always possible.

Table 1 Surveys of ethical consumption

Author/date	Client/source	Title/key questions
Fair-trade		
Ayglon (1999)	Oxfam Fair-trade Co.	Aimed to understand what influences purchase behaviour in Oxfam shops: what is bought and how often and why.
MORI (January 1999)	Fairtrade Foundation	Consumer support for fair-trade.
NOP (1994)	Christian Aid	Awareness of fair-trade products and their availability.
Organic		
Consumers Association (1998)	Cited in Nicholson-Lord (1999)	Reasons for buying organic products.
Mintel (October 1995)		<i>Vegetarian and Organic Food</i> , market intelligence.
Mintel (November 1997)		<i>Organic and Ethical Foods</i> – the first 'ethical foods' Mintel market intelligence study.
General ethical issues		
Co-operative Bank (1992)		Issues Co-operative Bank customers were concerned about (that may link with Bank policies).
Gallup (1995)	Co-operative Wholesale Society (CWS) in MacGowen (1998: 18); also cited by Mintel (1997)	Reasons for boycotting products.
Harris International Marketing (December 1995)	As reproduced in Oxfam Campaigns (1996)	Why people don't buy. Reasons cited for not buying a product.
Mintel (1990)	Cited in the <i>Guardian</i> (2 May 1991) and reproduced in <i>Ethical Consumer</i> (June 1991)	What makes people stop buying?
MORI (1997)	CAFOD	Ethical shopping; to ascertain the extent to which people take into account ethical issues when shopping, with focus on labour standards.
Ogilvy and Mather	Cited in Christian Aid (1996)	Consideration of a company's ethical stance when buying a product.

NEGATIVE ETHICAL PURCHASE BEHAVIOUR

With the exception of certain fair-trade products marketed on the basis of solidarity, for many years the main form of ethical consumerism was 'negative ethical purchase behaviour', or the boycott. Some boycotts are organized by campaign groups; the *Ethical Consumer* gives examples of boycotts that are reported to have been relatively successful, such as Baby Milk Action's boycott of Nestlé (issue 50, December/January 1997/98). However, many consumers choose to avoid the purchase of certain products or try to avoid goods and services associated with certain issues, such as animal testing, factory farming or the arms industry, on an individual basis. In some surveys such issues generate high response rates. For example, in the Mintel special report (1990), 50% stated that they would not buy a product if it was tested on animals, and 21% stated that they would not buy a product if it was from a factory farm (as cited by the *Guardian*, 2 May 1991).

However, in surveys where such issues are not prompted, factors such as the sell-by date are cited by more people when asked for reasons why they do not buy goods, excluding price and quality. For example, a Harris International survey in December 1995 found that 17% cited sell-by date but 4% stated battery farming and only 1% stated child labour (as reproduced in Oxfam Campaigns, 1996).⁷ Higher responses for ethical issues were elicited in this survey when prompts were given (e.g. for clothing, the response for child labour reached 26% and for groceries, environment issues increased from 1% to 14%). The large difference between the prompted and unprompted responses illustrates the main weakness of this kind of survey: ethical issues are not always the main concern of consumers until prompted and when certain issues are raised many are keen to demonstrate support for issues in which they believe the researcher is interested.

More recent surveys have sought to identify concerns of consumers rather than issues that would lead to boycott. The Co-operative Bank has commissioned a number of surveys of this kind to help it devise its ethical strategy. Early surveys identified a number of generic issues of concern amongst the Bank's customers, such as human rights, armaments exports to oppressive regimes and environmental damage (Co-operative Bank,

⁷ Child labour was a more important factor for clothing, but then it only counted for 4% of responses.

1992). The Bank began a policy of denying services to companies associated with these issues. Over the 1990s, its ethical policy has evolved to complement the negative investment criteria with positive investment criteria, for example, it will “seek to support and encourage the business of organizations which promote the concept of fair-trade”; 95% of customers surveyed supported this policy (Co-operative Bank, 1999).

Similarly high levels of support were elicited in the 1997 MORI survey for CAFOD on purchasing products from developing countries. There was particularly high support for a minimum agreed standard of labour conditions for workers in developing countries; 92% of the sample thought that this should apply to UK companies. The survey’s results on factors taken into consideration when buying a product from developing countries are shown below in Table 2.

Table 2 Issues taken into account when buying a product from developing countries

	% when prompted
Appearance/fashion/style or trend	31
Availability	16
Brand name	16
Quality	60
That people who had produced the product were paid enough to live on	44
That it causes as little damage as possible to the environment and its production processes are environmentally friendly	36
That the people who produced the product worked in an environment that did not affect their health	42
That the product had not been tested on animals (or had not used new ingredients tested on animals)	40
The human rights record of the country of origin	28
Your need (for buying the product)	40
All/none/don't know	7

Source: CAFOD (1997).

A Gallup Poll for the Co-operative Wholesale Society (CWS) in 1995 indicated that 60% of respondents were more concerned about consumer ethics than they were in 1990. A further trend over this period is the increased incidence of positive ethical purchase behaviour.

POSITIVE ETHICAL PURCHASE BEHAVIOUR

In addition to the negative ethical purchase behaviour, there appears to be a positive trend towards attempts to purchase goods with positive ethical attributes. However, there is some difficulty in defining 'ethical products', a fact noted by Mintel (1997). Mintel's market intelligence study on ethical foods relies on data on organic markets and to a lesser extent on statistics on fair-trade marked goods. However, there are many more products with an ethical dimension, but this is not always so clear cut (e.g. ethical tourism, certified timber).

This section briefly discusses the market for specific ethical products that many consumers have attempted to include in their positive purchasing strategies.

Fair-trade

There is little accurate data available on total fair-trade sales, the most accurate being the sales of fair-trade marked goods. For example, sales of Fairtrade Mark coffee were worth £6.6 million in 1996, with volume sales increasing by 39% (Mintel, 1997).

A recent survey of awareness of the Cafédirect brand yielded fairly high consumer awareness, especially relative to its advertising expenditure. When prompted, awareness of Cafédirect was similar to that of Taylors of Harrogate (pers. comm., 1996). In contrast the survey suggests that there is a low level of awareness of fair-trade as a concept. Over 60% of women aged 18–55 who were aware of the brand did not know how Cafédirect differed from other brands, but of those who had purchased it in the last year, 35% knew it as a fair-trade brand and 48% thought that it helped people in developing countries make a living.

Awareness of fair-trade differs across Europe. The Eurobarometer (EC, 1997) study concluded that in general there is greater awareness and experience of fair-trade products in northern and central EU countries compared to Mediterranean countries of the EU where the concept is less well known. Highest fair-trade purchases in the EU were recorded in the Netherlands (49% of the sample) where the availability of fair-trade goods in supermarkets is quite high (57% of those buying fair-trade products had done so in a supermarket). Throughout the EU, 29% knew of the

existence of fair-trade products and 11% claimed to have bought at least one fair-trade product (EC, 1997). Nevertheless the market for the fair-trade coffee with the highest profile in the UK – Cafédirect – is only 3.5%.

Despite these relatively low levels of awareness of fair-trade, when re-launching their Ridgeway tea product with the Fairtrade Mark, Premier Brands estimated that up to 42% of the UK market would potentially be interested in the new tea. This included a wide range of consumers with ethical consumption habits from the 'concerned/green consumer' to 'cost-conscious sympathizers' to those undertaking boycott activities (Yolanda Jaques, Premier Beverages, pers. comm., 12 October 1999).

Whilst there has been a small but positive consumer response to fair-trade products and an increasing awareness of fair-trade labels, fair-trade organizations do not understand what motivates consumers to choose their products or the underlying meaning of fair-trade for consumers. The need to understand the link between ethical consumer activities and individuals' other roles as citizens has been highlighted (Fairtrade Foundation Director Phil Wells, pers. comm., 15 October 1999).

Organic products

The organic market is dominated in the UK by fruit and vegetables, with 44% of the value of organic sales in 1996. Organic meat and dairy foods have become more significant in the wake of recent food scares (Mintel, 1997). Mintel reports that the organic sector was worth £250 million in 1996, which accounted for only 0.55% of food sold, but was 1.6% for fresh fruit and vegetables. The Soil Association (1999) reports that consumer demand for organic produce increased by 40% in 1998, and the current flood of UK farmers applying for organic conversion grants suggests that the market for organic fresh produce is growing.

According to the Leatherhead Food Research Association there is a hard core of consumers, typically vegetarians, that regularly buy free range eggs or organic produce. This is supplemented by a second group of less committed organic consumers whose purchase behaviour is swayed by the latest scare and the cost, and a third group which is sympathetic but apathetic (Mintel, 1999).

Consumers' reasons for purchasing organic produce are many and varied. A survey by the Consumers Association in 1998 suggests 83% buy organic food to avoid pesticides, 75% because they believe it to be kinder to the environment, 70% are concerned about intensive rearing of animals, 68% because it tastes better, 40% because they want to support local farmers and 36% because they are worried about BSE (cited in Nicholson-Lord, 1999). The question now is whether organic foods will expand out of their niche, albeit a large niche, especially if organic foods continue to command high price premiums.⁸

⁸ Mintel (1997) notes that whilst young consumers are keen to buy organic foods, this tends to diminish when they have a family and associated financial pressures.

3

ETHICAL CONSUMERS

CATEGORIES OF ETHICAL CONSUMER

Whilst the figures cited by surveys may not be accurate, they are useful in terms of classifying the different types of ethical consumer. Box 1 indicates some classifications of green and ethical consumers.

Box 1 Categories of green consumer**Roper/S.C. Johnson Segmentation of Green Consumers^a**

True-Blue Greens	11%	most active green consumers, leaders of the green movement
Greenback Greens	11%	willing to pay higher prices for green goods
Sprouts	26%	middling levels of concern about the environment, green tendencies, but not completely translated to behaviour
Grousers	24%	poor environmental behaviour, lots of excuses and blame others
Basic Browns	28%	do not believe action can make a difference, may be less educated than other groups

UK Green Consumers, National Consumer Council^b

Affluent Greens	19%	committed, buy unleaded petrol and recycled products, (more likely to buy) organic products;
Young Greens	17%	similar to above; mainly students and unemployed, mostly with incomes below £10 000 ⁹
Recyclers and Careful Spenders	38%	act in an environmentally friendly way, but do not buy green
Sceptics	26%	not convinced

Source:

^a Cited by Coddington (1993: 80).

^b Cited by Cooper (1996b); *Ethical Consumer*, June 1997.

⁹ Interpreted by the *Ethical Consumer* to mean that you do not have to be wealthy to shop ethically (June 1997).

The more abundant US research on green consumers indicates that there is only a small group of people who are willing to make considerable changes to their consumer habits. Moreover, some of those with 'green' ethics have low spending power, for example, 'young greens'. There is a significant minority who show concern but have not been sufficiently motivated to take action, do not feel that their action would make any difference, or do not see how they can channel their concern into action. Such groups (the 'sprouts' in Roper/S.C. Johnson's environmental schema – Box 1) are akin to the 'semi-ethicals' identified by fair-trade organizations. Fair-trade organizations identify three types of consumer audience:

- activists core supporters, regular consumers who also act as 'persuaders'; they wish to know the actions, in addition to consumption of the products, that they can undertake¹⁰;
- ethicals regular consumers; they wish to know more about the producers;
- semi-ethicals infrequent purchasers of ethical goods who may be persuaded to buy more if the goods were made more attractive or more easily available to them.

SOCIO-ECONOMIC PROFILE

Notwithstanding differing levels of awareness and motivation for ethical purchasing, evidence suggests that there are similarities in the characteristics of consumers of ethical products. Evidence from the Co-operative Bank (1992) suggests that a wide range of people were concerned about 'big issues' (human rights, the environment and animal welfare), not just those that the Bank described as the 'right-ons', but also "anyone who is relatively altruistic or concerned about moral issues." Nevertheless, most people voicing these values were relatively high income earners, which led some commentators to note that it was fortunate for the Bank. This profile of the ethical consumer may act as a spur for business to meet the demands of this segment of the population in order to capture the ethical pound (Halsall, 1995).

¹⁰ May also include NGO campaigners, for example, those signed up for Christian Aid's Trade for Change and Change the Rules campaigns, Oxfam Campaigns supporters, Traidcraft voluntary representatives (now known as Fair-traders).

Similarly, regular fair-trade buyers are untypical of the population as a whole: they are better educated, wealthier, mostly female, over 30 years of age and tend to work in the public sector or 'caring professions'. Research into Oxfam fair-trade buyers reveals that they are generally: under 50 years of age, a *Guardian* newspaper reader, white/British, married, Labour supporting, undertaken further education (Oxfam Campaigns, 1995). Traidcraft research provides a similar profile: customers are also mainly female, 72% are over 35, working professionals (mostly teachers and lecturers), 51% of which have household incomes in excess of £20 000 (Traidcraft, 1996). A CAFOD survey revealed that women are more likely to say that they take ethical issues into account (CAFOD, 1997). Similarly the typical organic consumer is affluent, professional, typically AB social class, aged between 25 and 34 and shopping at the upper end of supermarkets (e.g. Waitrose or Sainsbury) (Nicholson-Lord, 1999).

The Eurobarometer survey found that as educational level increases so does the proportion of consumers who act on awareness and actually purchase fair-trade products, resulting in people with higher education being three times as likely to have bought fair-trade products as those who left school at an early age. However, the link between life experience and purchase seems to be less strong than educational attainment and purchase. The income factor seems to be partly related to educational level.

As awareness of environmental issues, if not social factors related to trade, has risen, links between the socio-economic profile and ethical purchase behaviour have become more indistinct (Shaw and Clarke, 1999: 4). Another approach is to link personality variables, such as dogmatism or conservatism, to ethical purchasing. However, Shaw and Clarke (1999: 5) note that these factors tend not to explain behaviour very well. They argue that it would perhaps be "more fruitful to explore the formation of their ethical beliefs, as a fundamental first stage in obtaining a richer understanding of consumer choice." This qualitative research is discussed in more detail below.

THE DIFFERENCE BETWEEN AWARENESS AND ACTION

Awareness of environmental and social, and more recently food, issues does appear to be rising. However, there is a disparity between increased awareness and ethical purchase behaviour. Sales of ethically traded

products (e.g. fair-trade labelled goods) would be a lot higher if the percentage of people who told pollsters that they see human rights as important in their shopping habits bought fair-trade products rather than competing brands.

Problems with such polls include a lack of workable definitions of ethical or environmental products or consumers,¹¹ and the common methodological flaw of all surveys – they do not allow for the difference between what people do and what they say they do. Ethical surveys are particularly susceptible to people responding according to acceptable norms or aspirations rather than actual behaviour – the ‘halo effect’ (Coddington, 1993: 38). Other reasons for the difference between stated concerns and actual ethical consumption practice suggested by Hurtado (1998) include (with specific reference to environmentally preferable goods):

- environmentally preferable products may not meet consumer criteria of price, performance, quality and easy access;
- the information about environmental benefits of products is insufficient;
- on-pack information lacks credibility with consumers;
- there are not enough environmentally good products on the market;
- the depth of knowledge about environmental issues is limited;
- people do not have the time to look for products that are kinder to the environment;
- people feel they cannot make much difference;
- many people have little inclination to pay a premium.

Those promoting the consumption of ethical products recognize the limitations of quantitative surveys, however, because of relatively low levels of awareness of concepts such as fair-trade, they have been the only feasible option. When fair-trade was less well known, it was not realistic to get consumers together in focus groups to talk about their views of what fair-trade is about, but it may be more feasible now (Fairtrade Foundation Director Phil Wells, pers. comm., 15 October 1999). One advantage of quantitative surveys, however, is that they manage to grab the press headlines. Nevertheless, companies such as Cafédirect have done more qualitative work in order to better understand their target markets. Indeed, following on from recent focus groups, Cafédirect has been re-launched, with a new message ‘Fresh’.

¹¹ Is a consumer ‘ethical’ or ‘green’ because they once bought recycled toilet paper, as a 1989 MORI poll suggested (Eden, 1990)?

Ethical decision-making

Much of the consumerist literature seems to rest on a linear understanding of motivation, i.e. awareness leads to concern which leads to action. Similarly work on consumer ethical awareness has tried to explain awareness and action in relation to socio-demographic indicators or has tended to concentrate on single issues. However, argue Shaw and Clarke (1999), the link between awareness and action is much more complex. They particularly highlight the limitations of research focusing on single issues, such as acid rain or global warming, and their relationship to consumer behaviour.

Examining the complexity of the linkage between awareness and action may contribute to understanding the apparent dissonance between the concern about ethical issues and consumer action in the form of ethical purchase behaviour demonstrated in the sales figures for fair-trade and other ethical goods.

Newholm (1999) divides the behaviour of ethical consumers into three groups: distancers, integrators and rationalizers (see Box 2). Most ethical consumers tend to favour one of these strategies, although an individual's behaviour may show examples of all three. Newholm analyses his cases in terms of 'coping strategies' whereby his cases attempt to maintain their self-image as ethical consumers in the context of their daily lives.

Box 2 Categories of ethical consumer

- **Distancers** Aim to avoid consuming goods and services they consider unethical, sometimes to the extent of limiting their overall consumption. Involves life style change, separating them from the bulk of consumer society. Some require considerable information to enable them to implement their holistic philosophy whilst for others minimizing their consumption is sufficient.
- **Integrators** Attempt to implement their ethical views in all aspects of their life from work, to consumer goods to financial products. Because they spend much time working and campaigning on these ethical issues they may have to limit their engagement in ethical consumption.
- **Rationalizers** Tend to act on their ethical values in certain limited ways, for example, consuming particular products with ethical attributes. They accept consumer society and enjoy its pleasures and conveniences. However, they believe they should act in those (few) cases where consumerism creates real problems.

Source: Newholm (1999).

One of the implications of Newholm's analysis for the producers of ethical products is that not all ethical consumers are the same and that they respond differently to the messages that are sent out by those marketing products with ethical attributes. Langland (1998) studied marketing and communication by Max Havelaar, a fair-trade organization, in Denmark. She suggests those more aware of fair-trade issues respond to messages highlighting the problems that the product and trading relationship seek to address ('sick baby messages'), whereas those who are less aware of fair-trade respond better to messages highlighting the positive impact of their purchase ('well-baby messages').

Recent studies address the need to understand ethical consumer decision-making (Shaw and Clarke, 1999; Shaw *et al.*, in press). Shaw and Clarke (1999) drew on focus groups to explore issues of major concern to a particular group of ethical consumers (those responding to a survey distributed via the magazine *Ethical Consumer*). They argued that there was a need to explore belief formation in more depth if consumers behaviour was to be better understood. To lend greater focus, the study focused on fair-trade as a principal issue. However, at a more general level the focus groups revealed that ethical consumers tend to identify a number of concerns that are central to their decision-making and effectively become a habit (e.g. vegetarianism, recycling). However, having taken action on one issue, ethical consumers tend to become aware of other issues and include them in their decision-making. The importance of reliable information to ethical consumers was highlighted, but so too was the need to avoid information overload. Information sources included: literature (inevitably *Ethical Consumer* magazine and other consumer guides), interaction with ethical organizations, labels (but these were not always satisfactory where in-depth information was sought), advertising (generally a secondary source), and retailers (some products were first seen on store shelves, but there was a general distrust of information from companies).¹²

The wider context in which ethical purchasing decisions are made was highlighted in the focus groups. Some participants indicated that they received little or no support from friends and family in pursuing their ethical values; they felt isolated. As a result they felt that it can be an effort to implement ethical choices, for example, because of the time and energy

¹² Newholm (pers comm., February 2000) notes that despite the call for information, it is not always used; there are many dusty copies of green consumer guides.

involved. Many participants, however, felt driven by a feeling of responsibility to purchase 'ethical' goods and that conscience was an important factor. Some participants adopted a strategic approach to ethical consumption, and used purchasing strategies to enact change, i.e. purchase of fair-trade goods from supermarkets to encourage them to stock the products rather than from preferred 'alternative' outlets.

This qualitative study underlines the constraints on making the ideal choice and the complexity of the decision-making process with regard to ethical consumption. In conjunction with Newholm's study, it also stresses the importance of looking at ethical purchase behaviour in a wider context.

WILLINGNESS TO PAY AN ETHICAL PREMIUM

Many products with ethical characteristics tend to be more expensive than competing products. An 'ethical premium' may be related to a price guarantee for producers or a percentage of the price set aside for development projects in the producer community (as is the case for fair-trade), or may be due to higher costs of production or costs of certification. There is an issue regarding the extent to which consumers are willing to pay an ethical premium, particularly in mainstream as opposed to niche markets. For example, there are doubts that the market will bear a premium for timber from certified forests.¹³ Even among the self-identified ethical consumers, the price of fair-trade goods could outweigh ethical concerns about producers (Shaw and Clarke, 1999: 20). However, some people on low incomes may have a higher percentage of 'ethical' purchases in relation to overall expenditure than better-off people (Terry Newholm, pers comm., February 2000).

Whilst income may play a part, there are two more factors that appear to be important in consumers' willingness to pay a premium: awareness of the ethical issue related to the product and market characteristics of the product. Taking market characteristics first, the extent to which a product is considered to be essential or a luxury is important. In the UK consumers have proved relatively willing to pay a premium for fair-trade coffee, particularly for roast and ground as opposed to instant. There was considerable debate within the European fair-trade movement on the

¹³ The UK home improvement company B&Q has not charged consumers an ethical premium for wood certified according to Forest Stewardship Council principles.

premium for tea. Initial suggestions were considered far too high for the UK where tea is considered essential and relatively low grade tea is drunk (interview at Fairtrade Foundation, 23 May 1996). The premium achieved on different organic products bears this out: in 1997, Mintel reports a 280% premium for grapes but only 12.5% for baking potatoes.

The Eurobarometer survey indicated that willingness to pay positively correlates with previous experience of fair-trade (EC, 1997: 7). Just over three-quarters of the respondents who already had considerable experience with fair-trade products said that they would pay 10% more and 19% would be prepared to pay a 30% premium. Of those who are unaware of the concept of fair-trade, 30% would pay 10% more and 3% would be prepared to pay 30%. From 1992 to 1997, as organic products have gained a higher profile, there has been a 3.4% increase in the percentage of people agreeing with the statement "it's worth paying more for organic fruit and vegetables" (Mintel, 1997).

There have been some developments in quantitative methodologies to ascertain market characteristics for goods with ethical attributes. Noting the weaknesses of 'stated preference', i.e. relying on what respondents say they do, Galarragga and Markandya (1999) have used actual demand for ethical attributes as demonstrated in price and sales data, the hedonic approach. This enables them to "estimate, *ceteris paribus*, a proxy of what the consumer pays for a single characteristic of the good." Their initial, innovative study of revealed preference for fair-trade and organic labelled coffee indicated that the "presence of the 'green' characteristic will increase the price of an average grade of coffee by 11.26%. For the UK market this average price is 0.025814 Euros per gram. Hence the increase due to the 'green' characteristic is 0.003 Euros per gram" (Galarragga and Markandya, 1999). In contrast, a study on wood products using a similar methodology, contingent valuation, indicated that there was a very low willingness to pay an ethical premium: the adjusted price differential was between 0 and 1%, depending on the model used, for wood products with a base price of £200 per unit (Veisten, 1999).¹⁴

Econometric methods that look at actual purchase decisions of consumers offer considerable potential for learning more about willingness to pay

¹⁴ Values from 'raw data were higher than 1, but Veisten adjusts these figures to account for levels of environmental awareness, and the extent to which respondents were sure about their initial response.

more for ethical products. This approach will be easier to apply if sales data for easily identifiable ethical products are more widely available. Some problems in obtaining accurate sales data for Oxfam's fair-trade sales were reported by Ayglon (1997) because of the limited distribution of electronic point-of-sale systems in Oxfam shops.

SOURCES OF INFORMATION

Ethical consumers rely on a variety of sources of information about the ethical characteristics of the goods that they consume. Sources cited include NGO campaigns, labels, fair-trade/alternative shops and mainstream retailers, the media or family and friends. However, knowledge of the relative importance of different sources is limited.

In Ayglon's (1997) survey, 70% of fair-trade food purchasers had discovered Oxfam Fair-trade foods by visiting Oxfam shops. Very few bought because of a recommendation from friends or advertisement (6% and 3%, respectively). Advertising is likely to be of limited importance, as very little is paid for advertising by fair-trade organizations, with the exception of Cafédirect and more recently Divine (exceptions in the fair-trade market as these products are explicitly aimed at the mainstream market). Even The Body Shop has relied on editorial coverage rather than conventional advertising. Similarly companies adopting corporate responsibility strategies such as B&Q and Premier Beverages do not frequently communicate this in advertising. However, this says nothing about the potential efficacy of the medium to raise awareness.

Some observers doubt the efficacy of product labels. For example, Childs and Whiting (1998: 7) regard eco-labels as "little more than symbols: they provide no details of the standards that the product has had to meet... so unless the consumer has been educated about their meaning, they remain a simple picture on the packaging and as such are likely to be ignored." Nevertheless it appears that more consumers are learning to look for labels and a Gallup Poll for the CWS indicated that 67% of consumers want more information and clearer labelling (cited by Halsall, 1995).

The communication role of a product on a shelf cannot be underestimated. The Eurobarometer survey indicates that consumers with limited experience of fair-trade tended to be introduced to the idea in supermarkets. This was important for consumers who are "positively

disposed towards fair-trade products, but not sufficiently dedicated to search them out in specialist shops” (EC, 1997: 6). Similarly, the 37% of women who knew Cafédirect, did so from seeing it in a supermarket (pers comm., 1996). However, in the most recent survey of its kind, all the efforts of government and companies to inform consumers about ethical products lag behind the recommendation of friends and colleagues as the source of information about a company’s behaviour that influences them most (Cowe and Williams, 2000). This may suggest that public perception of a company’s reputation can be very important, but it also suggests the importance of apparently neutral sources of information and a reluctance to believe what companies say themselves.

4

CONCLUSIONS**IMPLICATIONS FOR FUTURE WORK**

Current knowledge on ethical consumption is patchy and largely dependent on commercial surveys. Trends over time suggest an increased awareness of ethical issues in trade and consumption, but awareness and concern are not directly translated into ethical purchase behaviour. Some steps have been made to understanding the complexity of consumer decision-making and the contexts in which these decisions are made.

Research so far stresses the importance of information and awareness as a prerequisite for action. For example, 93% of those who had already bought fair-trade products said they would buy fair-trade bananas if they were the same quality and price as their usual bananas, whereas only 70% of those not aware of fair-trade would do so (EC, 1997: 6).

There is a considerable need for further, more detailed, research on ethical consumerism, particularly on levels of awareness of ethical issues, their meaning to consumers and the way in which this translates to action. This calls for exploratory research which probes the meanings of ethical consumption for consumers themselves. Current research does highlight a wide gap between the committed ethical consumer for whom ethical consumerism is part of a lifestyle – for whom it has become a habit – and ethical consumers who are newer to the concept and for whom the wider context of consumer decisions may be more important.

At a more practical level there is a lot to be learned about where and how consumers find out about ethical products. A related and similarly under-researched question is whether different types of consumer respond to different types of information, different media and which sorts of

information are most effective and credible for consumers. It was noted earlier that some of the more dedicated ethical consumers are wary of information provided by companies such as supermarkets, but people who do most of their weekly shop at the local supermarket may not share this hesitancy.

Recent NRET workshops with mainstream and alternative companies have all emphasized the need for greater consumer awareness, not only so consumers buy ethical products but so that consumers understand what companies mean when they say a product is ethically produced. Mainstream companies with thousands of product lines are understandably reluctant to badge their products as socially or environmentally responsible, not only because they do not have the management tools to guarantee this, but also because they realize that definitions of ethical production are always open to challenge. Fair-trade and, to an extent, organic producers have succeeded in projecting an image of ethical responsibility, but even their definitions are starting to be questioned. The challenge, therefore, is not simply to improve ethical standards, but to raise consumer awareness about why ethical intentions are not always fulfilled, and to make the case for consumer support for long-term goals rather than immediate achievements.

Action to combat child labour has illustrated the dangers of companies responding in a knee-jerk way to consumer concerns about children working in East Asian clothing factories. King and Marcus (2000) describe how many child workers lost their jobs in the factories only to end up in more dangerous occupations on the streets. A variety of agencies, including NGOs, companies and international organizations such as the International Labour Organizations, are now co-operating to ensure that measures to curb child labour are undertaken in a way to protect the child rather than to assuage consumers' consciences.

POLICY ACTION

This review of trends in ethical consumer activity and recent research on the phenomenon indicates scope for policy action in three main areas:

- raising consumer awareness;
- supporting increased ethical consumer activity;

- translating ethical consumer trends into opportunities for developing country producers.

There is potential for supporting efforts to increase consumer awareness. This can be linked to the development of a greater understanding of how ethical consumer beliefs and consequently habits are formed. Particular gaps in consumer awareness include an understanding of the complexity of supply chains, the context in which the goods they consume are produced, and the difficulties of establishing effective and reliable monitoring systems. There is also a need for greater awareness of cultural diversity and consequently, the likely differences in values between consumers who wish to be ethical and producers and workers they seek to support and the values the latter might hold. Underlying this is a need for more general development awareness.

The potential for growth in ethical consumerism appears to be in making ethical consumerism 'easy'. One way of doing this is to legislate for change in consumption patterns, as happened with unleaded petrol in the UK (Cowe and Williams, 2000). However, there are many more ways in which companies can be encouraged to offer more ethical consumption choices to the mainstream market. Targeting a niche may be a good way to establish a market for an ethical product, but further growth in sales of products that embody good practice are more likely to be in mainstreaming products with ethical characteristics. Cowe and Williams (2000) give the example of B&Q deciding to buy wood solely from sources certified by the Forest Stewardship Council. Whilst many consumers may be wary of the messages that companies themselves send out about their ethical performance, the power of a brand in conveying an image of a 'good company' should not be underestimated. There is, therefore, a strong argument for integrating ethical concerns into the broader operations of a company rather than targeting a particular niche. If company claims can be backed up by independently verified reporting, the potential for mainstreaming ethical concerns may be even greater.

There is considerable potential for government to support companies' efforts to be more responsible and thereby increase consumption of products with ethical characteristics. However, as noted by the UK government's Performance and Innovation Unit, all public support to business and ethical trade must not be discriminatory or be construed as a barrier to trade. Conversely, government also has a key role to play in

ensuring that unintended trade barriers erected by voluntary initiatives are minimized (PIU, 2000: 161). Some measures that could be undertaken by government to widen ethical consumer practices include:

- government funding for information sources that consumers find useful, reliable and convincing;
- guidelines to companies on how they can be more ethical and sensitive to different social conditions, especially when operating in developing countries;
- fiscal incentives for good practice;
- support for the standardization of social and environmental reporting – increasing the credibility of company claims to be ethical, specifically government support for initiatives such as the ISEA's AA1000 standard for social and environmental accounting practice and the Global Reporting Initiative's undertaking to develop and disseminate globally acceptable sustainability reporting guidelines for voluntary use by organizations.

The organic market is booming in Western Europe. Fair-trade sales, while still small, are growing on a product by product basis. Is this an opportunity for developing country suppliers? For many agencies working with small-scale producers in developing countries, the growth of ethical consumerism appears to be a huge opportunity to link the development of sustainable livelihoods to export opportunities. However, despite the success of some attempts to tap into the opportunities offered by ethical consumption (e.g. those described in Robins and Roberts, 1997), this is not an easy option.

Fair-trade and even organic markets are still very small. Even successful producers selling to the fair-trade market cannot sell all their produce on fair-trade terms, e.g. MCCH in Ecuador sells most of its cocoa to conventional traders (Collinson and Leon, 2000). This underlines the importance of getting the fundamentals right.

Available data on ethical consumption indicates that few ethical purchases are made solely because of a desire to support developing country producers: other ethical values may be included (in addition to consumption criteria such as quality and price). Many 'ethical consumers' are as motivated by concerns for their own health and safety as for better conditions for suppliers, as evidenced by reasons cited for buying organic

products. Those supporting marginalized producers and smallholders have to ensure that there really is a market for the product in question, as well as offering producers a good trading relationship with the potential for a premium price. More brutally, good intentions are no substitutes for sound business practices. Indeed, whatever the values of an organization that aims to generate revenue, there are a number of things that the organization cannot do without:

- an effective business development and management system;
- a product of the appropriate quality for the market targeted;
- a system of production that can deliver at minimum economic cost;
- an effective marketing strategy.

One cannot lose sight of the fact that a shoddy product, even in a fair-trade outlet, will not sell and multiple retailers will not tolerate late or short deliveries. Even ethical consumers want good quality at an affordable price – and even ethical consumers can be fickle.

Another recurring issue in relation to the market opportunities offered by ethical consumerism is the cost of certification. Many products have independently verified labels that proclaim the ethical attributes of the product, such as the Fairtrade Mark or the certificate awarded by the Forest Stewardship Council to wood sourced from sustainably managed forests. Whilst such environmental or social labels may facilitate market access or even a premium price, there is an associated cost.

For many years there have been convincing arguments that environmental improvements may yield cost reductions in the long term, i.e. the win-win argument (Welford and Starkey, 1996). However, such benefits may be more difficult for small producers to attain. The fact that certification costs are disproportionately higher for smaller producers has long been recognized in the forest sector and on a number of occasions the certification process, including the development of management systems has been paid for by donors. NRET is currently undertaking research to investigate the cost of social compliance, and to also consider potential efficiency gains and impacts on social development. The message to those considering pursuing the certification option, particularly if using trade as a development tool, is to consider carefully the long-term costs and benefits of producing and auditing a certified product. The challenge of balancing development and commerce is captured very well in a report

published by Traidcraft which identifies a number of 'creative tensions' in trading for developmental objectives (Humphrey, 2000).

There is a danger that the ethical concerns of consumers could lead to a concentration of supply such that only large well-resourced producers are capable of being 'ethical'. There is a clear need to ensure that ethical standards are developed in such a way to ensure that 'good' standards of production are upheld and trading practices are 'fair', but also so that smaller producers are not excluded from the market. Support from donors is called for to ensure that the development benefits of trading with the ethical consumer market are maximized and to ensure that smaller players are not excluded from the market. This could be through the support of particular initiatives to improve the marketing skills of certain producer groups and in the development of standards that take into account the needs, capabilities and values of developing country producers.

It is important to avoid a form of ethical consumerism where only the big companies can afford to either meet standards or convince consumers that they are doing the right thing. An ethical consumerism that leads to the greater marginalization of smaller producers in remote areas is hardly ethical.

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ABBREVIATIONS

CWS	Co-operative Wholesale Society
DFID	Department for International Development
GM	genetically modified
NGO	non-governmental organizations
NRET	Natural Resources and Ethical Trade Programme
NRI	Natural Resources Institute

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