



Ethical consumption

Solution or problem?

A report of the Business Forum
meeting on 20th January 2009

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Introduction

Even as recession bites, consumers are reportedly sticking to their principles: the demand for 'values for money' looks set to persist. But is ethical consumption really part of the solution to environmental and social problems or, as leading commentators like Jonathon Porritt suggest, is the challenge to break the habit of defining ourselves and our culture by what we consume?

As our consumption habits feel the squeeze from the economic slowdown on one hand and from resource scarcity on the other, this question will loom increasingly large. What evidence, assumptions and values should shape how we answer it? How are ethical consumption trends faring in the current economic climate? Will the fashion for frugal mean buying cheaper or buying less? How fundamentally do our economy and culture depend on growth in consumption, and will energy, water and other resource constraints threaten growth in any case?

The November meeting of the Food Ethics Council's Business Forum discussed these questions. We are very grateful to Professor Neil Ward, Dean of Social Sciences at the University of East Anglia, for speaking. The meeting was chaired by Julia Hailes, author of *The New Green Consumer Guide* and a member of the Food Ethics Council.

This report outlines points raised during the meeting. Contributions are not attributed. The report was prepared by Tom MacMillan. It does not represent the views of the Food Ethics Council, the Business Forum or their members.

Key points

- Ethical consumption is often delineated by types of product (e.g. organic) or issue (e.g. animal welfare) but the defining feature is that people are buying because of their **values**.
- Businesses do not simply respond to demands from ethical consumers: they also **create** new ethical markets.
- The **personal values** of people working within a business can be important in driving innovation to support sustainability and animal welfare.
- Will **recession** knock the wind out of ethical consumption? So far the messages seem mixed.
- Overall **organic sales** have dropped but consumer demand for '**values for money**' is reported to remain strong.
- More frugal consumption habits chime with efforts to **reduce waste**. However, planning is often key to reducing food waste and poorer households have fewer resources for this.
- So far, **business commitments** on environmental, social and animal welfare issues seem to be holding up. There is concern they may push additional costs onto their **suppliers** in order to achieve this.
- Ethical consumption is shifting emphasis away from '**buy more** ethical products' towards '**buy less** but better'.
- High **food prices** in 2008 gave a boost to business sustainability initiatives, but came at a high human cost and pushed production into marginal environments.
- Efforts to square sustainability and economic growth suggest businesses must **grow in value** instead of volume.
- The downturn may bring sympathy for struggling businesses, but also more **state intervention**.

Consumer cultures

We live in a consumer society. This is not simply to say that people on average consume more resources per head now than in previous generations. The point is that how and what we consume is more central than ever to how we see ourselves and our relationships with others.

Consumer culture is often portrayed as a wave of Western aspirations and behaviour sweeping the world – a tide of ‘Americanisation’ fuelled by corporate globalisation. Love that or hate it, research by initiatives such as the UK’s ‘Cultures of Consumption’ programme suggests the real story is more complicated. Hand-in-hand with the global brands and ‘clone town’ shopping malls has come an increasing divergence in how people spend their lives, linked to trends such as shrinking household sizes and the differentiation of roles within the workplace.

Food is at the heart of these trends and the debate that surrounds them. The sociologist George Ritzer famously talked of the ‘McDonaldization’ of society. But when a McDonald’s or KFC opens in Beijing or Paris, is it really the same as an outlet in LA? Instead of ‘consumer culture’, shouldn’t we be talking about ‘consumer cultures’? The common global trends are important, but so are the differences.

Ethical consumption

The growth in ethical consumption is symptomatic of a wider differentiation in consumption practices. Yet it also challenges both that trend and simplistic attempts to understand it.

Ethical consumption is often delineated by types of product and accreditation (e.g. organic, fair-trade, local) or by issue (e.g. environment, animal welfare, social justice). But the key feature is the motive behind purchasing – people buying on the basis of their values. Values are not the only factor – ethical consumption choices are wrapped up in practice with aesthetic preferences, health concerns and a host of other factors – but they are the defining one.

Research into ethical consumption has helped to unsettle simplistic understandings of consumer behaviour in economics, psychology and management. It has highlighted the give and take between businesses and consumers: businesses do not simply respond to demands from ‘ethical consumers’; they can drive ethical consumption, and create new markets and even new ethical consumers.

A previous Business Forum meeting cited Stuart Rose, the boss of Marks and Spencer (M&S). He reportedly quipped that a business cannot succeed just by keeping pace with its customers. Nor can it leave them behind. The key is to be half a step ahead.

Making an 'ethical' brand

Neil Ward was involved in a project that studied M&S's Oakham chicken as part of the Cultures of Consumption research programme. Oakham chicken is an ethical brand, marketed as slower growing, longer living and more natural. Its story illustrates what it might mean for a business to be 'half a step ahead'.

Until about 50 years ago, chicken was not mass-produced. M&S's consumer research found that their customers wanted chickens that were more like chickens used to be then. The retailer created Oakham chicken – a new brand – to tap into this seam of concern and interest. The brand combined exclusive rights to the Ross 508 chicken breed, lower stocking densities and a ten percent longer life. The bird could be cast as longer-living, slower growing and freer to exhibit natural behaviour.

The distinctiveness of Oakham chicken is thus not so much in the breed as in the process of how the bird is reared and, crucially, the stories that can be told about it. It has won awards and it has been mimicked by other retailers.

The Oakham chicken story shows the fine line businesses walk in marketing to ethical consumers. The Oakham brand is very much about 'authenticity', for example, yet is in effect a new invention: the name was chosen because it sounded right, more than for the bird's links with the place called Oakham. The company also needed to tread carefully between telling stories

about provenance and falling foul of the squeamishness many of its customers feel about meat.

Personal values in business

The research on Oakham chicken highlighted a driver of ethical business practice and ethical consumption that is often neglected: the personal values of individuals working within a business.

Oakham chicken was about slowing down production instead of speeding it up. The agricultural technologist involved had come to the company from the RSPCA and was motivated to pursue this aim by animal welfare concerns. The protein manager was interested in reconnecting consumers and farmers through stories about how the birds were produced. The category manager focused on trust, integrity and innovation – brand values for M&S. And the poultry buyer focused on the role of Oakham in distinguishing the company from its high street competitors.

Ethics in recession

Ethical consumption has been a major growth trend for the best part of a decade. We have seen frenetic activity in the forms of product innovation, rebranding, market trends and research. Will recession knock the wind out of this trend?

So far, the messages seem mixed. Some markets, including organic, were badly hit in the last quarter. TNS reports that

UK organic food sales are down. The meeting heard how sales of several organic brands had fared poorly, even where they were only marginally more expensive than non-organic equivalents or even clearly labelled as being the same price. Now was not seen to be good time to launch new organic products.

Research by the IGD, meanwhile, suggests that consumers' concerns about environmental issues and their aspiration to buy ethically is holding strong. While organic sales have dropped back to 2007 levels, Fairtrade products and foods with higher animal welfare standards are maintaining their growth trend. The message is that people still want 'values for money'.

Behind this overall trend, different groups of consumers will be reacting differently to the economic gloom. People who had recently traded up to organic were thought more likely to trade down than those for whom it was already a routine purchase.

One area where a fashion for frugality aligns with efforts to tackle environmental and social problems is in cutting back food waste. BOGOFs (buy-one-get-one-free) are more frowned upon than ever. A challenge here is that planning is key to cutting waste and saving money, and lower-income households often have fewer resources (time, flexibility, transport, access to information etc.) for such planning and so are less able to reap the benefits of such savings.

Home delivery and vegetable box schemes were considered a case in point. Even though the direct cost of the

purchases may be similar to those purchased in store, they may carry hidden savings because they reduce exposure to inducements to make unnecessary purchases. However, people need flexibility, the capacity to plan and access to information in order to be able to capitalise on such potential benefits.

TNS has also found that more people are preparing food from scratch and using more frozen foods, cutting back on pre-prepared meals. In some cases this may reduce environmental impacts, but not always. The marketing adage that people 'buy emotionally and justify rationally' suggests we should take the explanations people give of frugal and 'green' behaviour with a pinch of salt.

The ethical egg-o-meter

The egg market may offer something of a barometer for how ethical consumption practices are being affected by recession. Eggs are clearly demarcated on ethical grounds. Anecdotal evidence suggests that while the very top-end products are holding up, many consumers are moving down the cascade from organic to free-range, from free-range to barn and from barn to caged. Sales are not a simple indication of consumer preferences and priorities because, even for a relatively simple array of products such as eggs, factors such as shelf-positioning can have a strong influence on purchasing behaviour.

The egg market may also provide a window onto corporate ethics in a

downturn. Several major companies have made high-profile commitments to edit their customers choices of egg. McDonald's only serves free-range eggs. Sainsbury's recently committed to abolish all battery production. Another company had made a commitment to source only British protein. So far, the signs are that companies are sticking with such 'choice editing' decisions. This is to be welcomed, though it is important to monitor whether additional costs are being pushed down the supply chain and, if so, what effects this is having on the welfare of workers and producers, and on security of supply.

Business responses

Environmental groups are keen to make sure that corporate commitments to sustainability do not lose momentum during the recession. Equally, they have an interest in avoiding high profile failures of businesses that have championed sustainable development – that could itself severely dampen the corporate appetite for green initiatives.

M&S is seen as an important case study. In the shape of 'Plan A', the company has linked its brand to high-profile sustainability commitments. When it reported poor financial results in January 2009, it was scrutinised for signs of a U-turn. So far, the business appears to have reaffirmed its commitment to Plan A. Indeed, Plan A-related posts survived the loss of 450 jobs at head office.

Environmental groups are also watching carefully the rise of the discount retail chains. They have won market share in the downturn. This trend is seen as a cause for concern because they do not have the environmental standards and systems of stewardship that the major retailers can offer.

While the major supermarkets can demonstrate a more consistent commitment to improving their environmental performance and a tighter chain of custody than the discounters, suppliers at the meeting questioned whether the picture was so simple on social issues. They reported that some major supermarkets have ratcheted up the 'cost-price squeeze' on their suppliers whereas some discounters – in part because of their weaker power as purchasers – treat their suppliers better.

As concern grows over job losses in the UK, domestic labour issues may become an increasingly prominent issue for retailers and their suppliers. 'Buy British' may take ground from fair trade in the competition for consumers' support. The weak pound currently gives retailers an incentive to source from within the UK – they are buying British by necessity – and they may increasingly seek to celebrate this as a virtue.

Ethics of consumption

As consumers and businesses become more concerned about waste and less keen to buy products that carry an

'ethical' price premium, what it means to buy and sell ethically is changing. The emphasis is shifting from 'buy more ethical products' to 'buy less but better'.

Both these strands have always been present within the ethical consumption movement. They reflect a tension between efforts to catalyse changes in corporate and consumer behaviour by creating market incentives, and concern over resource scarcity and individualism in a consumer society.

The 'anti-consumption' side of the ethical consumption movement rarely features in the business literature. In part this is because it is difficult to measure, except where specific products or brands are boycotted. It is also less attractive for a business audience looking for new market opportunities.

The current economic gloom seems to have encouraged people to reduce their waste and consider their need for new goods more carefully. In this light, calls for the nation to spend its way out of recession prompt some concern. Just as the recession is being widely interpreted as a bout of economic restructuring to bring consumption more in line with our means, so it might also be seen as a corrective to a period in which we have incurred unsustainable ecological debts. Can we boost the economy without pumping wasteful consumerism?

Resource constraints

Food price rises in 2007-8 increased concern over resource constraints and

helped to drive the current focus on waste reduction.

The price rises have been attributed to a host of factors, including high oil prices and the competition for cereals for use as biofuel. Although it was costly for many businesses, now that prices for many commodities have dropped back, some have welcomed the episode as a salutary prompt to improve resource efficiency. Some food businesses reported that the high price of cereals and oil gave a direct boost to their corporate responsibility and sustainability programmes.

It is important to recall, however, that the price rises caused serious harm. They directly constrained humanitarian relief efforts and pushed 100 million more people into hunger. Furthermore, resource pressures only drive environmental benefits where environmental impacts carry a cost. So high prices have put pressure on energy use and waste, but have also seen commodity production expand into marginal environments at a heavy toll in terms of deforestation, biodiversity loss and land degradation.

Resource use can be reduced by attaching a cost or applying regulatory restrictions. Often, however, these are limited to one country or jurisdiction. As we have found in the UK, such an approach can lead to domestic cuts in resource use while our overall environmental footprint goes up; in effect, we offshore our environmental problems.

Volume or value?

So is it possible to have an economy that thrives, safeguarding people from poverty and hunger, yet also uses fewer resources?

Efforts to square this circle argue for a shift away from a focus on the quantity of economic growth, to focus instead on its quality: value instead of volume. This has arguably already been happening, and it will be given force by the downturn.

But what would that actually mean in the food sector? Food is different from, say, consumer electronics, because we all need to eat.

Portion size has an important influence on how much people consume. Reducing portion sizes might be one way of selling less for more, potentially also benefiting public health. However, does that mislead consumers? Experience suggests people strongly oppose companies changing the size of products that they buy habitually.

Another possibility is that innovations in satiety could make smaller and less resource-intensive meals feel more filling. Again, though, this rather Orwellian approach raises concerns about consumers' freedom of choice.

The key issue in environmental terms is not simply how much we eat, but what it is and how it is produced. Eating less cereal-fed meat and dairy could significantly reduce our environmental footprint. As always, the devil is in the detail. The actual impact this has on the

planet, on our health, on animal welfare and on people's livelihoods would depend on what kinds of meat and dairy we cut back, how many people did so, and the regulatory environment in which we did it.

The state and the market

Our discussion focused on the relationships between businesses and the consumers. Yet the most profound implications of the downturn are likely to be in the relationship between business and the state. As governments bail out banks and other businesses, they are likely to become bolder in intervening in the market.

Take Defra's framework for promoting 'sustainable behaviour change'. Its four strands – 'enable, encourage, exemplify and engage' – seem rather sheepish now. It is easy to imagine these four 'E's being upgraded to four bolder 'I's: 'intervene, induce, instruct and insist'.

So while the downturn may see sympathy for struggling businesses and support to prevent job losses, it is also likely to bring more government intervention. Regulators will be more confident they are needed. Businesses that want to keep ahead of the game will need to keep showing leadership, including on sustainability and other ethical issues. That will mean committing to ethical principles, not offering them as choice. That is how a businesses make their claims to care believable.

Speaker biographies



Julia Hailes MBE is a leading opinion former, consultant and speaker on social, environmental and ethical issues. She has worked with a number of blue chip companies, including British Airways, Procter & Gamble and Marks & Spencer. In 1987 she co-founded SustainAbility Ltd, a think tank and consultancy company, where she was a director until 1994, when she started working freelance from her home in Somerset. Julia is co-author of eight books, including the number one best-selling *Green consumer guide*, which sold over a million copies worldwide and *The new foods guide* published in 1999. *The new green consumer guide* was published in May 2007. She is a member of the Food Ethics Council. (www.juliahales.com).



Professor Neil Ward is Dean of the Faculty of Social Sciences at the University of East Anglia. He began his academic career in human geography at University College London and has held chairs at the Universities of Leeds and Newcastle. His research and teaching have focused on food, farming, environment and rural development issues. He is an authority on British and European rural policy and is regularly invited to appear before parliamentary select committees, most recently on the reform of the Common Agricultural Policy and the potential of England's rural economy. From 2004 to 2008, Neil was Director of the Centre for Rural Economy at Newcastle University.

About the Business Forum

Ethical questions around climate change, obesity and new technologies are becoming core concerns for food businesses. We have launched the Business Forum to help senior executives gain expert insights into the big issues of the day. Membership is by invitation only and is strictly limited.

The Business Forum meets six times a year for in-depth discussion over an early dinner at a celebrated London restaurant. The forum members shape the meeting agenda.

For further information contact:

Dr Tom MacMillan
Executive Director
Food Ethics Council
39-41 Surrey Street
Brighton BN1 3PB

Direct line: +44 1273 766651
tom@foodethicscouncil.org
www.foodethicscouncil.org



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39-41 Surrey Street

Brighton BN1 3PB

+44 1273 766651

info@foodethicscouncil.org

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