

Consumers and ethical consumption

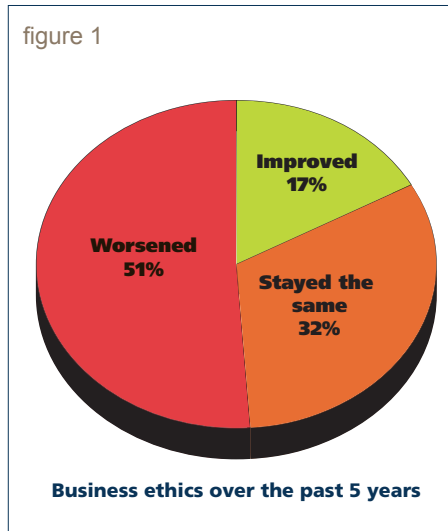
Ethical consumption is perhaps the biggest movement in branding today. Over the past couple of years, media exposure of this phenomenon has been substantial. Many major brands are using the ethical dimension as a key platform for advertising and marketing. In January 2007, Marks & Spencer ran a major press campaign, committing over £200m in a five-year plan to become perceived as a truly ethical business.

The surge in popularity of ethical brands has resulted from a general disillusionment with corporate business practices. In recent years, consumers have witnessed a number of corporate scandals – increasing their sensitivity to how businesses behave. At the same time, media interest has led to huge exposure of the issue, creating expectations in the marketplace, to which businesses need to respond. Whilst still relatively small, ethical brands are growing at twice the rate of their non-ethical counterparts and show no signs of letting up.

What does ‘Ethical Brand’ mean to the consumer?

What does a company have to do to be perceived as trading ‘ethically’? Despite the level of coverage seen in the media, it is rarely specified what makes a brand

figure 1



‘ethical’ in the view of consumers. We conducted a major 5-country study of consumers to get information and understanding of this issue, covering the major European markets as well as the US. The study covered issues such as:

- how do consumers decide which brands are ‘ethical’?
- what elements make a brand ethical?
- who are the most ethical consumers?
- how do ethical considerations affect consumers’ purchase of brands?

The study found that consumers do indeed feel that companies are performing poorly in the ethical stakes. Half of all consumers across the five countries claim that business ethics have declined in the past five years, with Germany and the US revealing the highest levels of disenchantment (64% and 55%

figure 2



respectively), followed by France, UK and Spain. Additionally, 63% of consumers across five countries believe that “companies are only out for themselves these days” and 59% feel that “companies lack accountability for their actions”. The study found that consumers are increasingly taking matters into their own hands and choosing to buy brands which they believe to be ethical. 39% of the 5,000 consumers surveyed say that buying ethical products “makes them feel good” - and over half (56%) think that companies should be promoting their ethical credentials more strongly. Companies’ ethical credentials have become defining brand attributes in themselves, with many customers willing to pay a premium for an ‘ethical guarantee’. Nearly one third (31%) claim they are willing to pay a 5-10% premium for an ethical product over a conventional one and 43% say that

they thought that ethical brands made businesses more accountable for their actions.

Which brands do consumers see as most ethical?

In the UK, The Co-Op tops the list, followed by a series of niche ethical brands, as well as some of the major grocery retailers. In the other countries, there is less evidence of the niche ethical brands and instead we see major national consumer brands: Adidas in Germany, Danone in France, Nestlé in Spain, and Coca-Cola in the US. This could be explained by these companies' higher-than-average efforts to promote their corporate social responsibility (CSR) policies and green initiatives, as well as by the less mature ethical markets prevalent in those countries.

The consumer definition of what makes an 'ethical' brand

The consumer definition of what makes a brand ethical is important, as illustrated by a majority of UK consumers who state that they have less interest in companies' claims of charitable donations, 'sustainability' and 'local community involvement', and are more concerned with companies showing that they:

- I. ensure fair treatment of employees - not just abroad but also at home,
- II. promote the environment, and
- III. ensure good working conditions and fair prices for local producers/suppliers.

figure 3



The study also found that consumers use a variety of sources to learn about companies' business practices, with independent consumer watchdogs, online consumer chat forums, and blogs being amongst the most trusted sources. This highlights that, in the end, the consumer is the arbiter of a brand's reputation, due to the value placed on consumer opinion websites as reliable sources of information.

Despite the rapid growth of ethical consumption, confusion is hindering some consumers from buying ethical brands. Nearly two thirds (60%) of consumers state that they would be more open to buying ethical brands if better information were available about what companies are doing, illustrating that how a company communicates its ethical activities is as important as the initiatives themselves.

What does this mean for businesses?

It is essential that businesses understand how the consumer perceives their brand(s) in the context of this new ethical agenda. Our consultancy service provides:

- a full debrief on our multi-country

study, including extensive information on relevant market sectors

- a review of existing intelligence from both within and outside the client company
- an 'ethical audit' of customers: to understand how they perceive the client's brand(s)
- recommendations for re-positioning brands

For further details on the study and our ethical branding consultancy service, please contact:

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