Measuring Ethical Market Size: Challenges and Dilemmas

Eleanor Boyce and Rob Harrison

1 University of Manchester Department of Geography, School of Environment, Education and Development; 2 Co-founder and Director, Ethical Consumer Research Association, Manchester.

Abstract

The Ethical Consumer Markets Report (ECMR) is a measurement of the size of the UK market for ‘ethical’ products which has been published annually for 17 years. However, the researchers making choices about what to include and what not to include in the report have commonly faced some challenges and dilemmas.

This article explores just four of the many ‘datasets’ which make up the report to illustrate some of the problems faced: energy-saving light bulbs, organic food, ethical money and vegetarian food. According to researchers, one common problem which ran though many of the datasets was deciding whether there was a need to understand motivation to define a purchase as ethical? The ECMR records annual sales of, for example, all organic food, all meat substitutes and all energy efficient light bulbs as ethical sales, despite the fact that some individuals may be choosing these items primarily for health or economic reasons rather than ethical ones.

One core challenge identified in this paper is that widening the boundaries of what constitutes an ethical purchase could make spotting smaller trends more difficult for researchers of the ECMR’s. Adding building societies to the definition of ethical money, for example, would lead to the size of the UK ‘ethical market’ nearly tripling overnight.

The authors hope that exploring these problems can help shed some light on the phenomenon of ethical consumption itself and how its complexity does not always lend itself to the kind of simple measurement often found in annual indices.

Keywords: Ethical consumer markets report, ethical consumer, organic food, ethical money, vegetarian products

Introduction

In 1999 the Co-operative Bank began working with the New Economics Foundation to produce a measurement of the UK’s ‘ethical market’ size. It calculated a total market figure by combining sales of ‘obviously’ ethical products like Fairtrade coffee with others such as low energy light bulbs and ethical investment funds (Doane 2001). Despite some management changes, a report has been produced annually since then, providing a unique picture of the sector’s growth over a 17-year period.

Figures from the Ethical Consumer Markets Report (ECMR) show that it has grown from just over £13 billion in 1999 to £83
billion in 2016. This is a growth rate of around 540% compared to a growth rate of around 65% for total UK GDP in the same period.

The report’s use of actual sales data has also proved to be a useful reference point for researchers, activists, charities, and businesses trying to understand the phenomenon of ethical buying. This is important because quantitative opinion survey data in this field has been challenged as particularly unreliable, not least because of the possibility of ‘social desirability bias’ or people claiming to be more ethical than they really are in practice (see e.g., Carrington M et al, 2016).

Nevertheless, according to researchers at Ethical Consumer, choices around what to include in the ethical market measurement have not always been easy. It is a phenomenon, as we will show below, where boundaries are contested and one where consumer motivations are complex and multi-faceted. The purpose of this article is to share some of these difficulties and dilemmas more widely. This is partly because these difficulties are illuminating of some of the complexities of the phenomenon itself. It is also because Ethical Consumer, the current ECMR researchers, are seeking feedback, comment and criticism on some of its boundaries. External reflection could lead to a better understanding of the nature of any growth identified in future reports.

The market measurement is made up by combining datasets from around 40 ‘ethical markets’. As well as those mentioned above, for example, it also records sales of ethical investments, home solar panels and bicycles. Each annual report provides a breakdown of the totals and various historical reports are available on the websites of Ethical Consumer and the UK Universities Consumer Data Research Centre. Web links appear at the end of this article.

Whilst no market is without some problems and complexities, we focus on just four here to illustrate some of the key difficulties and dilemmas faced: energy efficient light bulbs, organic food, ethical money and vegetarian food. We chose them because they were illustrative of four core problems often experienced in some of the other datasets too. At the end, a conclusions section looks at some of the common issues raised and explores some possible solutions.

**Energy Efficient Light bulbs and choice editing by governments**

When the ECMR began in 1999 the vast majority of light bulbs sold were ‘incandescent’ or ‘filament’ types which were commonly rated as using between 60 and 100 watts of power each. Also available were ‘compact fluorescents’ (CFLs) which consumed around one fifth of the power. While these lasted up to ten times longer they commonly cost around ten times more per bulb. Sales were therefore quite limited and, it is not unreasonable to assume, mostly bought by those committed to environmental interests.

The EU had an energy labelling scheme for light bulbs where incandescents were rated E or F (the worst) and CFLs rated A or B (the best). The original ECMRs therefore measured sales of A-rated light bulbs and included this figure in the totals.

Since that time, European regulations have gradually phased out the sale of incandescent bulbs, leading to an outright ban from 2012 onwards. In addition, a newer, even more efficient, technology – LED lighting - is beginning to replace CFLs, so that in 2016, the majority of domestic lightbulb sales in the UK were of A rated products.

Unlike environmentalists in 1999, most consumers in 2018 are unlikely to be consciously making an ethical choice when picking up A-rated bulb. So, should the ECMR be recording these sales as ethical purchases - which it currently does? If it
were not to include these sales, the actual ethical market size might appear to be reducing. But if it does, does this mean that all consumers are now ethical in respect to their lightbulb purchasing?

The concept of ‘choice editing’ by governments became much discussed in sustainable consumption circles around the turn of the century. (see e.g. Sustainable Development Commission 2006) Since individual consumers were often time poor and without the specific knowledge needed to make complex choices over environmental impacts, it was argued that it made no sense for governments to allow them to choose clearly damaging products, and that poor choices should be ‘edited out’. The EU’s use of this approach around lightbulb choices provides a classic example of how successful it can be – especially where the cheapest choices are not always the most ethical ones.

**Organic Food and problems around motivation**

Organic food makes up the second largest sector within the broader category of ‘Ethical Food and Drink’ in the ECMR. In the 2016 Report it recorded UK sales of organic food as £1.8 billion. The 2017 Report showed a 3.8% growth rate over the previous year, evidencing a resurgence in its popularity since the apparent slowdown in sales after the 2008 financial crash. The Soil Association confirms that this is the highest recorded level of actual sales of organic products and it represents the sixth year of solid growth within the organic food market in the UK.

To understand the sustained growth of the organic market, a plethora of academics from across disciplines have tried to understand the motivations of consumers when choosing to purchase organic food (Azjen, 1991; Baker et al., 2002; Moser, 2016; Padel and Foster, 2005; Seyfang, 2008; Zanoli and Naspetti, 2002). They pose questions like: *Why has organic food shown so much resilience in a competitive and budget driven food and drink market? Is it solely an ethical choice to purchase organic or are people buying it because it is perceived as healthy? How can we gain a greater understanding through research of why consumers buy organic?*

The existing body of literature focussed on researching organic food and consumer motivations more specifically is large. We summarise crudely here that academics have concerned themselves with drawing together an accurate profile of an organic food consumer by segmenting consumers based on their attitudes, purchase intentions, values, demographics, food-related lifestyles and purchase behaviours (Azjen, 1991; Baker et al, 2002; Moser, 2016; Padel and Foster, 2005; Seyfang, 2008; Zanoli and Naspetti, 2002).

It has proved extremely difficult to draw any overarching or meaningful insights from such a disparate array of conclusions however. The research we reviewed frequently sought to make the distinction between individual and altruistic consumer motivations. Most papers argued that the extent to which consumers are motivated by individualised concerns such as personal safety or enjoyment, rather than ecological or altruistic concerns such as the environment, would impact (positively and negatively) the growth of the market itself.

Identifying an ethical purchase must surely involve asking questions about the motivation of an individual consumer. If a consumer is buying organic solely for reasons of health or taste, then is this an ethical purchase? Barnett and Land (2007) for example discuss how “motivation of virtuous actions such as caring cannot be solely self-referential”. Is the ECMR overstating the size of the ethical market because it is not taking account of these variations in motivation? Should it be reduced after
some kind of product-specific quantitative survey of motivation?

However, despite the research explaining the variations in motivation, none were claiming that ‘health or taste’ purchasers of organic were completely unaware of the environmental or animal welfare benefits. It is difficult to therefore argue that this had no effect on their choices. All papers noted above agreed that the picture is extremely complex with real life purchases always resulting from a highly varied mix of factors – including health, taste, price, environment and animals. The great philosopher Immanuel Kant was of the view that no matter how much an individual might ponder on her or his motivations they would never discern them accurately. There appears to be little practical option then for the ECMR to record all these sales as examples of ethical purchases.

**Ethical Banking and Building Societies – problems of scale**

The latest Ethical Consumer Market report published in 2017 values the ‘Ethical Money’ sector at £21.4 billion. This ranks it as the highest value sector in the report beating ethical favourites like Fairtrade products by a considerable margin. The significance of its monetary size has resulted in the need for some careful reflection regarding what can and should be included as ‘Ethical Money’.

It is difficult to record annual sales of ‘banking’ products in quite the same way as bars of chocolate or bicycles. Because of this the ECMR has always measured the size of this market by totalling up retail deposits at ethical banks and building societies. If a bank is attracting more customers, the size of is retail deposits should rise – and therefore the ECMR can track growth in this way.

As might have been predicted, the aftermath of the 2008 global financial crash saw a boom in alternative ways to look after and invest money during hard financial times (Co-operative Bank 2010). The Ethical Consumer Market report saw the ‘Ethical Money’ sector more than double between 2010 and 2015 (an increase of £12,169 million). Trouble at the Co-operative Bank in 2013 though, the ethical money sector’s biggest player, saw an outflow of savers in subsequent years and a brief drop in market size was recorded in the 2016 Report.

It is against this backdrop that some of the key difficulties faced in categorising and tracking the ‘Ethical Money’ sector have emerged. Firstly, what counts as an ‘ethical’ alternative? ‘Ethical Money’ has been subject to an array of definitions, the content of which is often dependent on standpoint, be it industry, policy or academic (see; Government Inclusive Economy Unit 2017; Triodos 2018; Ethical Consumer 2016).

Building societies provide an obvious alternative for consumers seeking something slightly different to the big four high-street banks. They often rank highly in Ethical Consumer product guides and have been advocated by campaign groups, such as ‘Move Your Money UK’. A different business model means that they will not be lending to controversial business sectors like armaments, tobacco or oil. Building societies are also marketed to customers as an antithesis to the greedy bankers which brought about the 2008 banking crash. Nationwide Building Society describe themselves as a ‘mutual, owned by and run for the benefit of our members’ in their promotional literature. They highlight how they are ‘free to reinvest more of their profits into improving products and services for their customers’, ideas that undeniably sit comfortably when we imagine ways to bank more ethically.
The Nationwide Building Society has, according to its 2017 Annual Report, retail deposits of around £144bn. This is nearly double the size of the all the other ethical market sectors put together (£83bn). Combined with totals of deposits at other UK building societies the amount would grow to something near £300bn. This could be included in future Ethical Market Reports, and indeed previous years figures could be re-stated to prevent historical distortion, but it would dwarf the size of the other datasets meaning it would be harder to spot trends in other sectors. At present the ECMR only includes in its calculations deposits at one – avowedly ethical – building society, the Ecology.

Vegetarian Products and defining boundaries

‘Vegetarian products’ are another central component of the ‘Ethical Food and Drink’ category within the Ethical Consumer Market reports. Reflecting the category more generally, ‘Vegetarian products’ have seen a sustained growth since 2010 (5.1% in the year 2015-2016) with the UK market now valued at £630 million. The uptrend visible in ECMR data has been mirrored by a diverse range of products including vegetarian sausages, burgers, pies and ready meals (to name a few) taking up entire sections of local supermarkets in the UK. Television advertising campaigns by market leaders such as Quorn have sought the backing of Olympic gold medallists, professional athletes and celebrities to reinforce the now familiar adage that Vegetarian meat substitutes are a ‘healthy source of protein’ (Quorn, 2018). The ‘Vegetarian product’ category in the ECMR has worked with headline figures from within commercial market research reports from both Mintel and Keynote over the years which record sales of items such as “meat substitutes, or dishes made using meat substitutes, including ready meals, sausages, burgers, shaped products, deli, ingredients (e.g. vegetarian mince), pastry products and snacks. (Mintel 2017).”

This approach however fails to capture the majority of food spending by vegetarians which will be on less processed foods like bread, pasta and indeed the staple of all vegetarian diets, vegetables. It may be possible to establish through innovative research methods such as accompanied shopping trips, club card data exploration and ethnography, an accurate ‘weekly average spend’ analysis between vegetarians and meat eaters (Consumer Data Research Centre). This in turn, may help to shed more light on the suggestion that not all vegetarians are prepared to consume pre-prepared ‘vegetarian products’. To further complicate the picture, products such as Tofu and Soya milk, often staples of a vegetarian diet, could be included in the ECMR but are currently not. It would also be technically possible to add all sales of (say) pasta and vegetables to the Vegetarian product category in the ECMR, but this would be picking up purchasers by meat eaters as well and would mean the sector grew, as with the building societies discussion above, far larger than the other sectors the ECMR looks at.

There are also complex issues of motivation around vegetarian foods in the same way as there are around organic foods. Discourses of health and fitness have come to the fore recently in both social and mainstream media outlets (Mintel, 2017). Instagram famous, fitness bloggers now regularly push a ‘plant-based’ lifestyle as an essential pre-cursor to ‘6-pack abs’. As vegetarianism/veganism becomes heavily associated with a fashionable lifestyle, research needs to revisit the primary reasons consumers cite as their motivation for choosing vegetarian or vegan lifestyles.

Flexitarianism (flexi-vegetarianism, being vegetarian one or more days a week) and abstaining from meat with varying frequency for health reasons have also exploded in popularity in recent years. Meat-free Mondays are another variant of
this phenomenon. According to the Guardian in 2015 ‘Flexitarians – also known as veggie-vores – eat mostly vegetarian meals but make time for a big, juicy steak or a smoked salmon bagel when they feel the urge.’ This approach to diet seems to abscend from the notion that deep-seated personal ethics inform our approach to meat eating. Instead, this pick and mix attitude to food, ethics and consumption could contribute to some of the increase in the sale of ‘vegetarian products’ recorded in the ECMR.

Conclusions

In this article we have looked at just four of the datasets used in the annual Ethical Consumer Markets Report to illustrate some of the challenges and dilemmas which researchers face when trying to reach a meaningful figure for the size of the ‘ethical market’ in the UK. We had also hoped that it would shed some light on the phenomenon of ethical consumption itself. There appear to be two common problems which run though many of the datasets.

Firstly, there is a core dilemma which asks whether we need to understand motivation to define a purchase as ethical? The ECMR records annual sales of, for example, all organic food, all meat substitutes and all energy efficient light bulbs despite the fact that some individuals may be choosing these items for health or economic reasons. It appears that the complexity of motivation in ethical consumption is such that, even if the report were to combine some kind of survey data (asking about motivation) with sales data, it may not be able to solve this problem. It may be a matter of accepting that it is not possible to measure something as complex as morality in the market in a simple numeric way.

Secondly, there is a core challenge in that widening the boundaries of what constitutes an ethical purchase may make spotting smaller trends more difficult. For example, building societies in the UK are seen by some to be a more ethical choice than banks for savers. However, if the definition of ethical money were widened to include this whole sector, the size of the UK ‘ethical market’ would nearly triple overnight. There would be a similar if less dramatic problem if the definition of ‘vegetarian products’ were extended to cover mainstream non-meat items such as bread and pasta.

Another key learning in this article comes in particular from the review of the energy efficient light bulbs dataset. ‘Choice editing’ around energy efficient light bulbs is just one area where government intervention has had a dramatic impact on the take up of ethical choices by consumers. Others recorded by the ECMR include energy efficient appliances such as fridges, and sales of solar panels for the home. By including them in the ECMR it is possible to explain that getting to 540% growth is not a phenomenon of consumers becoming more ‘ethical,’ but of what can be achieved when governments, companies and consumers each play a role.

There is, finally, some consolation in the fact that a key use of the ECMR is as an annual comparison. In their chapter on ‘Surveying Ethical and Environmental Attitudes’ (Harrison et al. 2005), Bob Worcester and Jenny Dawkins from pollsters MORI had to concede that their attitudinal measure was of more use in ongoing comparison than in establishing statistical accuracy. In the same way, whatever the methodological problems are in the ECMR they are, for the purposes of comparison, at least the same from year to year.
Webslinks to Ethical Consumer Market Reports

www.ethicalconsumer.org/researchhub/ukethicalmarket.aspx
https://data.cdrc.ac.uk/dataset/ethical-consumer-markets-temporal-spending-data

References


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