

The Ethical Consumerism Report 2003



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Contents

- 4 Foreword
- 5 Summary
- 7 Defining the Ethical Marketplace
- 9 Fairtrade
 - Vegetarian/Meat Alternatives
 - Free Range Eggs
- 10 Organic Foods
 - Green Household Goods
- 11 Personal Items
 - Responsible Tourism
- 12 Green Housing Spend
 - Re-use and Recycling
- 13 Ethical Boycotts
 - Local Shopping
- 14 Public Transport
 - Ethical Banking and Investment
- 15 Further Information
 - Feedback form



Foreword

It is a fact that, when asked, a significant number of people tend not to label themselves as ethical consumers. Yet our Report, this year, shows that for the majority of consumers ethics do indeed play a role in their purchasing choices. It's just that their behaviours do not conform to traditional definitions of ethical consumption. Rather, they are engaged in what we have termed 'ethical invisibles' (such as shopping locally in support of their communities). Furthermore, research carried out for this year's Report has shown that these 'invisibles' make up £5.6 billion of the £19.9 billion ethical consumer marketplace in 2002.

Simon Williams

The Co-operative Bank

What choices do we have as consumers to be more 'ethical?' Quite a lot, if this year's Report is any indication. In particular sectors it's now quite difficult to make an 'unethical' choice, whereas in others changes in consumer behaviour would have a substantial impact on sustainable development. But it's not just about consumers: in the areas where growth has been strongest, both government and business have played a powerful role in providing the information and incentives necessary to enable consumers to behave differently. And as this research shows, there is still much more to be done.

Deborah Doane

nef (New Economics Foundation)

The new ethical shopping panel demonstrates that the public consider a wide range of issues when deciding where to shop and what to buy, influencing billions of pounds of expenditure each year. The use of boycotting, recycling and second hand purchasing, as a way to express personal values, is also in line with trends towards greater consumer engagement. This application of 'ethical' behaviour when shopping, highlights the need to assess the wider economic impact of this activity to the UK.

Melanie Howard

The Future Foundation

Summary

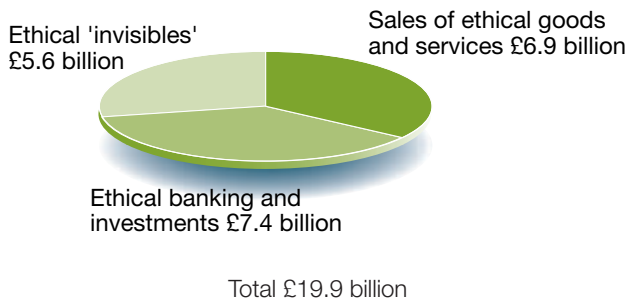
In 2002, the total value of ethical consumption in the UK was £19.9 billion.

As part of this total, the Ethical Purchasing Index (EPI) recorded sales of ethically marketed goods and services of £6.9 billion, representing a 13 per cent increase on 2001.

The total value of ethical banking increased to £3.9 billion, a rise of 16 per cent. The value of ethical investments fell back to £3.5 billion, a contraction of 8 per cent against a market decline of 17 per cent.

In 2002, the EPI has been supplemented by a range of measures aimed at capturing the value of other ethical consumer behaviours including: spend on public transport for environmental reasons; shopping to support the local community; avoidance of 'unethical' brands and buying for re-use. Taken together, the economic value of these activities totalled £5.6 billion in 2002.

Ethical Consumerism 2002



There are some ethical products that are now close to being the product of consumer choice in their respective sectors. In particular, 'A' rated energy efficient household appliances now account for 41 per cent of market share and free range eggs account for 40 per cent of retail egg sales.

However, in contrast, the total market share for ethical goods and services, as measured by the EPI, is still less than 2 per cent. Whilst ethical consumers can act as innovators in getting new products to the market, for real progress to be made supply side influences or government intervention may be required for some products and services to achieve mass market adoption.

Ethical Consumerism in the UK (2002)

Description	Spending	Sub-total
Food (including Fairtrade & organics)	£1,770m	
Green Household Goods	£1,473m	
Personal Items (including cosmetics not tested on animals)	£187m	
Responsible Tourism	£107m	
Green Housing Spend (including green mortgage repayments)	£33m	
Green Transport Spend (including grants for purchase of clean fuel vehicles)	£21m	
Charitable Donations	£3,309m	£6,900m
Buying for Re-use	£1,255m	
Ethical Boycotts	£2,582m	
Local Shopping	£1,568m	
Public Transport	£162m	£5,567m
Ethical Banking	£3,886m	
Ethical Investment	£3,510m	£7,396m
Total for 2002		£19,863m

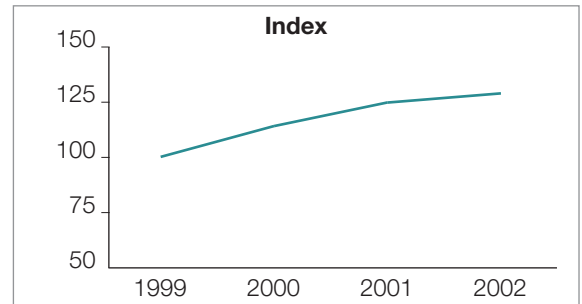
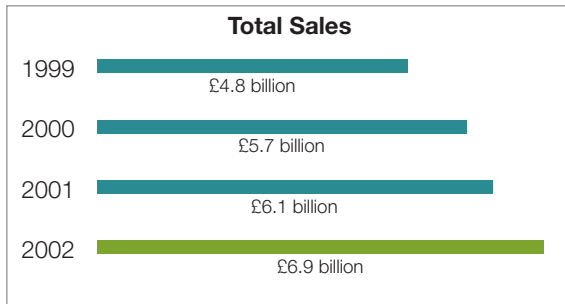
On the following pages we report, in more detail, on a range of the indicators highlighted here.

Defining the Ethical Marketplace

Since 1999 the bank and **nef** have produced the Ethical Purchasing Index (EPI) to record and report on UK sales of goods and services marketed as 'ethical'. 'Ethical', in this context, is defined as personal consumption where a choice of product or service exists which supports a particular ethical issue – be it human rights, the environment or animal welfare.

In defining ethics in this way, it has been understood that it may have resulted in an under-reporting of the total contribution that ethical consumption makes to the UK economy. In response to this, the Ethical Consumer Research Association (ECRA) has been commissioned to provide advice on what should be measured and reported upon. For 2002, this is based on ECRA's 'Ten Shopping Tips for the Ethical Consumer'¹ (see table overleaf).

Ethical Purchasing Index



The EPI measures the growth in market share for ethical products. From a base line of 100 in 1999 the Index stands up 30 points at 130 in 2002.

¹ www.ethicalconsumer.org

In a further effort to more accurately reflect ethical consumer behaviour, The Future Foundation has constructed an Ethical Consumer Panel as a vehicle to analyse a range of additional ethical consumer behaviours, not captured within the EPI. In 2002, these behaviours included; spend on public transport for environmental reasons, shopping to support the local community, avoidance of 'unethical' brands and buying for re-use.

A panel of 400 individuals were invited to provide a detailed analysis of their spending over the course of a year. Using this methodology, it is possible to identify and report on consumption where the prime motivation is ethical issues. From this it has been calculated that up to a further £5.6 billion of annual consumer expenditure is influenced primarily by ethical considerations.

Ethical Consumer's 'Ten Shopping Tips for the Ethical Consumer'

1. Local Shops	✓	Page 13
2. Health Food Shops	✗	No data available
3. Fairtrade	✓	Page 9
4. Products not tested on animals	◐	Page 11
5. Vegan and Vegetarian products	◐	Page 9
6. Organic Produce	✓	Page 10
7. Non-genetically altered food	◐	Page 13
8. Ethical Money	✓	Page 14
9. Recycling and second hand	✓	Page 12
10. Wood products and FSC logo	✓	Page 10

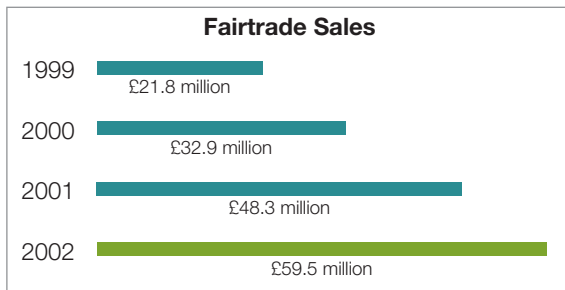
Key:

✓ Data available ✗ No data available ◐ Partial data available

Fairtrade

The Fairtrade sector continued its strong growth in 2002. Sales of produce bearing the Fairtrade mark have been measured through The Fairtrade Foundation².

- Fairtrade tea and coffee purchases grew from £24.5 million in 2001 to £30.3 million in 2002. Market share increased from 2.3 per cent to 2.4 per cent.
- However, Fairtrade ground coffee now has more than 14 per cent of the UK ground coffee market.
- Fairtrade honey, chocolate and bananas purchases grew from £23.8 million in 2001 to £29.2 million in 2002, growth of 23 per cent.



Vegetarian/Meat Alternatives

5 per cent of the population are vegetarian and 51 per cent cite ethical or moral reasons as their prime motivation³.

- In 2002, total sales of vegetarian/meat alternatives increased by 6 per cent to £582 million. However, this was against an increase in sales of meat products of 13 per cent.
- No data is available on sales of vegan produce.

Free Range Eggs

86 per cent of people oppose the use of caged egg production⁴. Increasingly, this is influencing the supply side, as much as the demand for free range eggs.

- Against a backdrop of falling eggs sales, the sales of free range eggs, in 2002, increased to £209 million.
- Free range eggs now account for 40 per cent of total retail egg sales.

³ www.vegsoc.org

⁴ www.rspca.org.uk

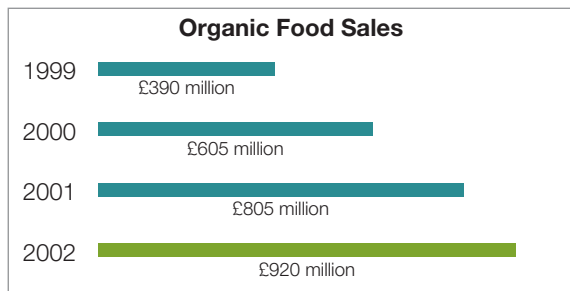


² www.fairtrade.org.uk

Organic Foods

Continued impressive growth in the sale of organic produce has seen total sales increase from £390 million in 1999 to reach £920 million in 2002.

- When asked, buying organic is the number one activity that people claim to do for ethical reasons.
- Total purchases increased 14 per cent from £805 million in 2001 to £920 million in 2002.
- Market share increased from 1.3 per cent in 2001 to 1.5 per cent in 2002, representing growth of 13 per cent in market share.



⁵ www.soilassociation.org

Green Household Goods

In 2002, sales of 'ethical' household goods included:

2002	
Forestry Stewardship Council ⁶ wood and timber products	£636 million
Energy efficient household appliances	£829 million
Eco-cleaning products	£8 million

- For the first time we have only included sales of Grade 'A' energy efficient appliances which now account for 41 per cent of total sales of appliances.
- Sales of wood and timber products carrying the FSC logo reached £636 million. Sales have increased 80 per cent from an estimated £351 million sales in 1999.



⁶ www.fsc-uk.info

Personal Items

More than 8 out of 10 consumers are opposed to the testing of cosmetic products or ingredients on animals.

Furthermore, no licences have been granted for cosmetic testing in the UK since 1998.

- In this report, only sales of cosmetics and toiletries not tested on animals and approved under the Humane Cosmetics Standard⁷ (HCS) are included.
- In 2002, this totalled £187 million, 4 per cent growth on 2001.
- However, sales of HCS products accounted for just 2 per cent of total cosmetics and toiletries sales in 2002.

Responsible Tourism

The number of international tourists is reportedly set to double by 2020 to 1.6 billion.

For the first time total sales for tour operators promoting responsible tourism are included in the index.

In addition, for the second year, total receipts from UK environmental tourist attractions are included.

- £81 million was spent with responsible tour operators in 2002. This represented growth of 3 per cent in a market that fell back by 7 per cent.
- £25 million (up 31 per cent) was spent on visits to UK environmental tourist attractions in 2002.



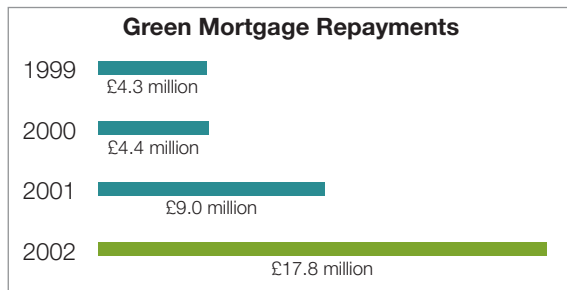
⁷ www.buav.org

Green Housing Spend

Green Housing Spend is made up of:

	2002
Green Mortgage Repayments	£17.8 million
Green Energy Sales	£14.6 million

- Green mortgage repayments is a rising star of ethical consumption with total repayments doubling between 2001 to 2002.
- Amongst other features, green mortgages often include an element of carbon offset, whereby the mortgage provider will agree to offset a certain amount of the carbon dioxide produced by the property during the life of the mortgage.



Re-use and Recycling

Reducing consumption through re-use and recycling is vital to the advancement of sustainable consumption.

In this year's report we set about measuring the economic contribution from second hand markets, including charity shops, second hand furniture shops, jumble sales and car boot sales.

- 24 per cent of people shop at charity shops or second hand clothes shops primarily to support a good cause.
- 17 per cent of people buy second hand goods, where their main motivation is that they believe that it is better for the environment to re-use.
- In 2002, this represents a total spend on second hand goods for 'ethical' reasons of £1,255 million.

Ethical Boycotts

52 per cent of consumers claim to have boycotted at least one product in the last 12 months.

Furthermore, two thirds of consumers claim not to return to a brand once they have boycotted it.

- The value attached to consumers switching brands for ethical reasons was an estimated £2.6 billion in 2002.
- Boycotts of clothing manufacturers and outlets totalled £232 million.
- £787 million of grocery spend was switched between brands for ethical reasons.
- The value of boycotts linked to transport expenditure totalled £454 million: primarily petrol retailers.
- Consumers have switched a further £167 million of spend where labels have not been sufficiently explicit on certain issues, such as whether a product is GM free.

Local Shopping

Over 80 per cent of consumers regularly shop at independent, local stores and, on average, this accounts for 11 per cent of their total, weekly, grocery spend.

- For 19 per cent of consumers supporting their community is the most important reason why they shop at independent, local stores.
- On this basis, it is estimated that consumers spent £1,568 million in support of independent, local shops in 2002.



Public Transport

The Ethical Consumer Panel was used to evaluate the proportion of people who use public transport to reduce their environmental impact.

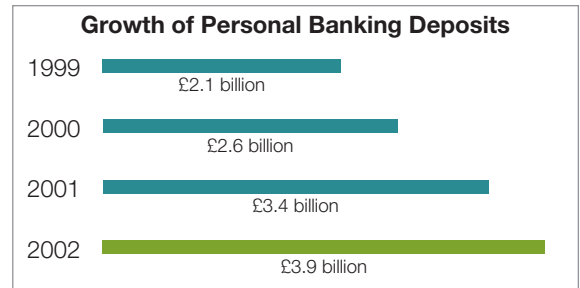
- Whilst almost 1 in 5 commuters are conscious of reducing their environmental impact through using public transport, for 4 per cent it is their prime motivation.
- The value of public transport attributable to those whose prime motivation is “to do my bit for the environment” is estimated to be £162 million for 2002.



Ethical Banking and Investment

In 2002, the total value of personal deposits in ethical banks has overtaken the total value invested in ethical and green funds.

- Total value of personal deposits placed with banks that have ethical investment criteria increased by 16 per cent to £3.9 billion.
- The total value invested in UK ethical funds and ISAs fell back by 8 per cent to £3.5 billion. However, the total value of investment funds under management declined by 17 per cent to £195 billion.



Further Information

Previous EPI Reports are available at www.co-operativebank.co.uk/epi

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Feedback form



Feedback is vital to the further development of the Ethical Consumerism Report. We'd like to know what you think about:

How useful is the report as a measure of ethical consumption?

Very useful	<input type="checkbox"/>	Quite useful	<input type="checkbox"/>
Not very useful	<input type="checkbox"/>	Not at all useful	<input type="checkbox"/>

Do you think the content of the report is:

Too detailed	<input type="checkbox"/>	About right	<input type="checkbox"/>
Lacking detail	<input type="checkbox"/>		

Do you refer to the Report in your own work?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
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Any other comments

Name: _____

Organisation: _____

Please tick the box if you would like to receive further information on Ethical Consumerism from The Co-operative Bank. Your details will not be passed on to any third parties.

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