

CSR and Consumers Growing Preferences for “Ethical Consumerism”

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Research on ethical consumerism, or socially conscious consumption, go back at least 38 years (e.g. Webster 1975), but it is a topic today of a growing interest in customer researches and marketing practices.

Ethical consumerism means that consumers are increasingly showing interest to know from where their goods are sourced and if they are sourced, made and distributed ethically.



The evolution of this behavior has led to a rise in responsible decision making in the global market for ethical products and services, which has been defined by the UK Co-operative Bank to include the following sectors: Ethical food and drink, green properties, eco-travel and transport, ethical personal products and green financing. The UK ethical market has been estimated to be worth \$22 billion in 1999 and has grown to reach \$60 billion in 2008.

In modern business, consumers have an important role in encouraging businesses to adopt and advance their responsible and ethical practices. Customers are more aware, alert and demanding of transparency and accountability across business practices. When consumers care about issues of a company and its products, corporations begin seriously taking notice, engaging them and invest to satisfy their needs.

CSR and Customer:

Top global research demonstrates that thoughtful and meaningful CSR efforts can promote customer loyalty (e.g. Rujirutana Mandhachitara, Yaowalak Poolthong, (2011) on "A model of customer loyalty and corporate social responsibility" or Murali Raman, Wayne Lim and Sumitra Nair (2012) on "The impact of corporate social responsibility on Consumer loyalty" etc.). Businesses see opportunities in CSR practices and are using them for their competitive advantage. They believe that CSR is critical to maintaining current market share and expanding their business operations in new markets.

Consumers have always cared about societal issues; those concerns are now more frequently turning into action as the more socially aware customer evaluates an enterprise's CSR profile before making purchasing decisions. Today, this consumer influence in support of CSR can be seen in marketplace trends, such as the

growing number of hybrid automobile models, the popularity of eco-tourism, and the increasing availability of organic and fair trade foods. “By aligning their values with their actions, companies can close the trust gap with conscious consumers and reap the rewards of deeper relationships, enduring loyalty and a growing triple bottom line”. Said Mitch Baranowski, Founding Partner at BBMG.

In an ideal case, ethical consumers should care about a broad range of CSR related issues including: health and safety, business accountability and transparency, global warming and climate change, environmentally friendly products and services, reuse, recycling and waste management, community involvement of businesses and ethical treatment of animals.

Consumer's motivation

In the time of increased visibility of ethical consumerism and growing interest in ethical consumer behavior research, we haven't really dedicated sufficient effort to understand what motivates consumers to buy ethical products; consumers patronize a specific brand because they see personal benefits from the CSR initiatives and because the initiatives resonate with their own values. But an indirect benefit can occur through consumers' perception of fairness of the company's pricing strategies. Consumers don't just respond to the price they paid, they also respond to how fair they think the proposed price is.

Unfortunately, to date all attempted research examining ethical and socially responsible shopping behavior in supermarkets has only sampled consumers who claim to be “socially responsible”. On the other side, more research is required to identify what proportion of consumers are willing to consume at lower prices and who are considered “socially responsible” shoppers.

According to a study on Socially Conscious Consumerism conducted by Dr. June Cotte and Dr. Remi Trudel and produced by Network For Business Sustainability, customers will be willing to pay a premium range of 10% extra for an ethical product. Some evidence suggests that consumers are more likely to demand a discount for ‘unsustainability’ than willing to pay the premium price for a sustainable product. Consumer willingness to change their behavior (towards the socially conscious choice) is more common than their willingness to pay a premium.

In order to accommodate this growing change in the market, companies have to consider reducing prices for non-sustainable products or investing in methods of triggering behavior modification of consumers to favor and pay more for sustainable products in a manner that better reflects the costs of producing and sustaining ethically sourced products. Purpose-driven-marketing is a perfect tool to modify consumers' behaviors.



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