

How Relevant are Ethical Retail Positionings in a Recession

Consumer spending is one of the key drivers of a country's economic path, and in the current economic downturn consumer spending both influences and is influenced by the direction of the economy. Those experiencing unemployment or a real fall in income necessarily purchase differently, and even those that remain prosperous have changed their shopping patterns in light of the resultant economic 'feel bad factor'. It cannot simply be said however that consumers are purchasing less: the picture is more complex with shoppers behaving in different ways, considering different attributes and demonstrating changed priorities. Recent research has, for example, found that grocery shoppers are more frequently using prewritten lists to avoid throwing food away due to over purchase (Martin 2009; Palmer 2009), and clothes shoppers, previously infamous for their purchase of clothes never worn, (Churchill 2008) are now purchasing fewer, but better quality items (Roberts 2008).

Growth in the role ethical aspects play in consumers' purchase decisions has been well documented over the last ten years with sales of Fairtrade and Organic products increasing tenfold over the last decade to generate annual sales in excess of £2 billion (Fairtrade Foundation 2009; Soil Association 2009). A number of retailers have joined what the Body Shop started by positioning themselves as 'ethical'. Such 'ethical' retailers and product brands require the consumer to pay a (sometimes slight) price premium; more importantly, research has found that most shoppers perceive 'ethically labelled' products to be significantly more expensive even before they have seen the price (Johnson 2003). In current times, some might assume that consumers would be less willing or able to pay this price premium, however, there is only limited evidence to suggest that this is the case.

Organically certified food is the only area that is witnessing significantly reduced sales falling from some £100 million a month at the beginning of 2008 to £81 million a month at the end of the year (TNS Worldpanel 2008). While the Soil Association has focused on marketing its certified products as tasty and even trendy, the key message to consumers about animal welfare has been lost, with the Organically branded products being perceived by consumers as 'premium quality' and 'luxury' rather than 'ethical'. Consequently 'Organic' has suddenly ceased to be a selling point and started to be a liability highlighting to consumers the 'high price'. One ice cream supplier who continues to use exclusively Organic ingredients has just removed the Organic branding from their packaging to avoid such assumptions (Johnson, 2009); that may be the start of a trend.

Despite this, consumers are still supporting products and brands marketed as 'Fairtrade', 'Local', or 'High Animal Welfare' with these issues clearly understood and still well valued. Fairtrade sales increased by some 43% in the UK during 2008 despite the recessionary pressures (Fairtrade Foundation 2009) clearly demonstrating that the consumer is still prepared to pay the premium for products if the benefits are clear and are not viewed as indulgent. Continued progress of such products demonstrates that the consumer trend towards more ethical consumption practices is for the long term rather than a passing fad. As we enter more prosperous economic times, growth in these areas is likely to accelerate, and in parallel, the damaging effect reports of poor ethical standards through a retailers supply chain will increase.

In a period of recession, retailers and suppliers should continue to improve and embed higher ethical standards throughout their operations. Ethical positioning will remain an opportunity to build loyalty with customers, chiming with the personal values and core beliefs of an ever increasing proportion of shoppers. Care should, however, be taken to ensure that messages such as 'Fairtrade' or 'Organic' are used to add value to products rather than to exploit consumer good will by seeking higher profit margins through significant price premiums.

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