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Ethical Consumerism Isn't Dead, It Just Needs Better Marketing

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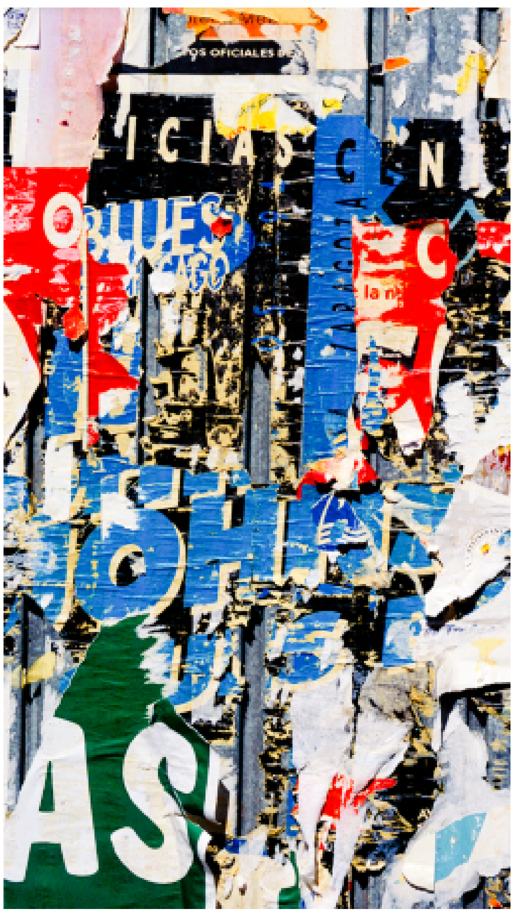

Ethical consumerism is the broad label for companies providing products that appeal to people's best selves (for example, fair trade coffee or a purchase that includes a donation to a charitable cause). Now that the general idea of combining ethics and shopping has become a mainstream concept, there is a developing a backlash against the idea that consumers might effect change through their purchasing habits. This pessimistic stance stems primarily from the lower sales of ethical brands. "If consumers cared about moral issues," the argument goes, "then companies and brands that did the right thing would have a larger market share. It is clear people must not care about these issues and so ethical consumerism is going to fail. We cannot shop our way to a better world."

I understand the attraction to markets and their efficiency; I am a marketing professor. I am also a psychologist, though, and a "behavioral economist," which in my case means someone who studies the psychology of market decisions with an eye to economic theory and when it does (and does not) explain what people do.

I worry that the pessimism about ethical consumerism gives companies the idea that they should not actively pursue the moral high ground because consumers will not reward them for it. I also worry that consumers will give up on trying to effect change through purchasing, because they believe that the aim is hopeless. On the flip side, it is pleasing to imagine the market fixing societies' ills, to provide a nice antidote to the common idea that the marketplace and consumers are amoral and solely profit-driven.

And yet the hopelessness of ethical consumerism is echoed everywhere, in the business press, in (some of) my students' resistance to studying moral issues in a business framework, and in conversations I have on airplanes, at parties, and with colleagues. An often-quoted 2010 *Wall Street Journal* article, "The Case Against Corporate Social Responsibility," laid out the argument clearly: "the fact is that while companies sometimes can do well by doing good, more often they can't. Because in most cases, doing what's best for society means sacrificing profits." Indeed, regulation would be a more immediate and effective solution to unethical consumerism than hoping for market change. But let's be honest– widespread sustainability regulation is not coming any time soon and would likely have some negative consequences even if it did.

So, for now we are stuck with hoping that consumers will drive change. I'm still optimistic about this, for one primary reason: Even though market share for sustainable brands is not always as high as for other brands, I do not think current sales are the best barometer of ethical sentiment. Until marketing practices do the best that they can to guide ethical consumerism, we can't really draw any conclusions about what current market share means.

My first piece of evidence may seem obvious, but it seems to get lost whenever people discuss market behavior. The truth is, most people will (at least sometimes) behave ethically even when they have to sacrifice something, usually cash, for their morals. Billions are given to charity every year ($335.15 billion in the US alone in 2013 according to Charity Navigator). This past year, thousands of people dumped ice water on their heads and then gave a total of $115 million (as of this writing) to help support research for ALS. So clearly there is some human willingness to part with one's money for an ethical cause.

And yet sometimes it is tempting to believe that shopping behavior is more indicative of people's "real" selves than behaviors such as giving to charity, because market tradeoffs are expected to be more accurate revelations of deep, actual sentiment that strip away any nonsense and get to the real, perhaps ugly, truth. As economist Paul Samuelson explains, market preferences are "revealed preferences" that make people put their money where their mouth is.

But people regularly buy hybrid cars, organic foods, environmentally-friendly detergents and Warby Parker glasses. Why? I would chalk a lot of it up to really effective marketing. Yes, there are other benefits to those products – saving money on gas, health benefits, style, and comfort – but isn't it a marketer's job to tout those and other benefits, too?

Pessimism about ethical consumerism rests firmly on the assumption that consumers have one, stable utility structure and they express that utility in their purchasing. The problem is, human psychology does not work like that—people do not have only one value for things and they do not have a stable and consistent utility structure. Modern treatments of economic behavior have rejected the simplistic one-preference idea of human values and decisions for quite some time.   As Daniel Kahneman's explains in his wonderful book, *Thinking Fast and Slow*, a survey of all of his (Nobel-prize winning) research over the last forty years or so: "it is self-evident that people are neither fully rational nor completely selfish, and that their tastes are anything but stable."

My primary research area has been how ethical decisions are especially squirrelly and inconsistent, flip-flopping all over the place, depending on the situation. To provide a personal example, I was just on vacation at Disney World and was offered the "green package," which would mean not washing the towels while I was there, and also not tidying up the room. Consider: I not only value being environmentally sensitive, but also was in the middle of writing this very article. Nevertheless, I rejected the green choice, because I wanted them to tidy the room and they had mentioned the room tidying last, so I weighted that information more highly in my decision.

One of my favorite quotes, by Mark Sagoff, expresses this type of inconsistency: "I love my car; I hate the bus. Yet I vote for candidates who promise to tax gasoline to pay for public transportation. I send my dues to the Sierra club to protect areas in Alaska I shall never visit...I have an "Ecology Now" sticker on a car that drips oil everywhere it is parked." Sagoff is focusing on inconsistencies between political and consumer behavior within a person, but the inconsistencies exist even across purchasing contexts.

For example, in a paper published in the *Journal of Marketing Research* with my colleague Rebecca Naylor, we showed that how much people cared about whether a shampoo company conducts animal testing depended on a simple shift in context. We asked participants to consider a set of actual shampoos that differed on many attributes including animal testing. There was a large set that, we told them, would need to be narrowed down before they picked one shampoo to keep (and we did actually give them the shampoo they chose). We instructed half of them to indicate which shampoos they wanted to consider further, and half to indicate which ones they did not want to consider further. Consistently, and surprisingly, the shampoos picked for further consideration (i.e., those that were included versus those that were not excluded) differed. In the including case, ethics played very little role in choice but in the excluding case it loomed significantly larger. In the end, being told to think in terms of excluding led to more ethical decisions.

In another paper, published with Kristine Ehrich in the same journal, we showed that people who care about ethical issues such as child labor will, strangely enough, avoid finding out whether their products are made using child labor. But then if you give them the information they will incorporate it into their purchasing. Ethical information is difficult to process and it is common for consumers to want to remain willfully ignorant of it. I myself behave in this manner at least once a week.

I could list a half dozen or more other examples, but suffice it to say that there is ample research to match the anecdotal evidence that ethical consumer values exist, but the context has to draw them out. This is the marketer's task. I think a useful analogy to ethical consumerism is the tradeoff between vices versus virtues. Decades of research in psychology and economics (nicely summarized in Richard Thaler and Cass Sunstein's book, *Nudge*) establishes that people often want something different in the short term (e.g., chocolate cake) versus the long term (e.g., being skinny). Likewise, people both want to be ethical and they want to ignore ethics. As Thaler and Sunstein explain in the context of virtues such as eating healthy, exercising and saving money, sometimes all that is needed is a contextual push toward better behavior — a nudge.

Marketers are all about nudging, so why not use it to promote more ethical consumer behavior? Consumers are likely to be especially brand loyal if their deeply-held values are engaged in their purchasing. Consumer engagement and commitment is priceless: ethical brands are more likely to encourage this engagement. Consumers walk around with Whole Foods branded merchandise all the time; it is difficult to find similar examples for less ethical retailers focused solely on price. If low price is all a company offers, it is easy enough for the consumer to walk away when a lower price comes calling.

Imagine if your competitors have all fallen prey to pessimism about ethical consumerism, but you know better. You know consumers have ethical motivations, and you know you can help them express those motivations. You realize that past market share doesn't have to mean consumers aren't hungry for the chance to do good while they spend money. By remaining optimistic, you have both made a difference in a larger sense, and you have found a sweet spot in the competitive landscape where you can grow profits and your brand.

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