

Ethics in Consumer Choice - An Empirical Analysis based on the Example of Coffee

Nina Langen

Institute for Food and Resource Economics, University of Bonn, Germany, nina.langen@ilr.uni-bonn.de



Relevance and Motivation

Individuals with a sense of responsibility towards ethical, ecological and sustainable concerns as well as society can give donations to charity and buy ethical products such as Fair Trade (FT) and organic goods. Both are niche products with increasing sales volumes. Besides, so called Cause-related Marketing (CrM) products are offered. A purchase of a CrM product leads to a target oriented donation to a project indicated on the product itself. Such products with ethical or sustainable additional value are increasingly offered in Germany while classical monetary donations to charity are stagnating on a comparatively high level. Budget constraint restrict consumers' financial resources to behave ethical → overall research question:

Do consumers differentiate between different types of ethical behaviour?

Objectives

To give an answer to this question the importance of ethical and sustainable product and process attributes for consumers' product choice has to be assessed in the context of other products attributes such as price (paper 1; 2). Then, the question is whether consumer groups with preferences for the one or the other certification, marketing activity or donation can be differentiated (paper 2). Potential success factors for CrM products have to be investigated (paper 3) as well as whether consumers regard CrM as green-washing activity (paper 4). The importance of transparent communication (paper 5) and spending efficiency (paper 2; 5) are assessed. Three consumer surveys (stratified samples) were conducted in Bonn, Germany. The study object was coffee. All respondents were coffee drinking adult consumers.

Paper 1

Relevance of Fair Trade, organic production and CrM for product choice: An Analysis based on the Information Display Matrix

Methods: two rounds of the Information Display Matrix (IDM) providing information on CrM and FT. Participants choose one coffee for daily use out of a choice set of three.

Sample: n=214. **Year:** 2009.

Data: purchase behavior, attitudes towards Fair Trade, organic, CrM, search strategy, socio-demographics.

Analysis: logit models regarding first attribute considered, to identify main determinants for information search.

Main Results

Price, brand, taste of central importance for choice.
2nd Round: Information influences search towards ethical attributes.
Stated and revealed preferences deviate.

Paper 2

Are ethical consumption and charitable giving substitutes or not? Insights into consumers coffee choice

Methods: hypothetical choice experiments and face to face interviews. Participants had to choose six times 1 of 4 coffees.

Sample: n=484. **Year:** 2008.

Data: WTP, purchase behavior, donation habits, attitudes towards Fair Trade, organic, CrM, socio-demographics.

Analysis: choice data analyzed using latent class analysis.

Main Results

5 classes with statistically well defined preferences and different WTP for organic, FT and CrM donations.
Product price, attitudes towards FT, organic production and donations to charity organizations determine class membership. Socio-demographics, except age, not relevant.
Consumers liking FT and organic do not choose CrM products.
Consumers preferring CrM dislike FT & organic but donate.
Consumers supporting FT clearly differentiate between FT and donations → cannibalism between CrM and FT/organic products unlikely.
Donors regard FT to be comparable to charity, so it could be that those replace FT products by donations to charity or the purchase of CrM products.

Paper 3

Acceptance and critical success factors of CrM in Germany – Evidence from a consumer survey

Methods: written questionnaires.

Sample: n=217. **Year:** 2009.

Data: purchase behavior, attitudes towards CrM.

Analysis: factor and cluster analysis, logit models.

Main Results

Great potential for CrM: consumers hold a positive attitude towards CrM.
52% willing to switch brands due to CrM → determined by consumption behavior, attitudes, product fit.
Low share of consumers actually have switched brands due to CrM campaigns. → possibly attributed to little information respondents obtain about CrM.
Skepticism exists → marketing strategies should address doubt regarding firms' underlying motives for applying CrM.

Paper 4

Is CrM Green-Washing?

Methods: written questionnaires.

Sample: n=112. **Year:** 2009.

Data: purchase behavior, attitudes towards CrM.

Analysis: cluster analysis, ordered logit models.

Main Results

1/3 of consumers perceive CrM as form of corporate green-washing; 2/3 unsure.
Young and urban consumers are more critical towards CrM and perceive this marketing strategy as green-washing.
Participants distinguish CrM from FT and donations in general.
Purchase of a CrM product is able to replace a donation to the NGO involved in the CrM campaign.

Paper 5

Is there need for more transparency and efficiency in CrM?

Methods: written questionnaires.

Sample: n=112. **Year:** 2009.

Data: purchase behavior, attitudes towards CrM.

Analysis: ordered logit models.

Main Results

Consumers have a great interest in being informed about the amount of money spent to the cause by the firm running the campaign.
Gap between expected and requested efficiency of CrM donations → donation amount should be labeled, in order to create a successful CrM campaign and meet consumers' transparency needs.

Results

The studies reveal that even if ethical and sustainable issues are of minor importance for consumers' product choice in general most **consumers differentiate between the researched forms of ethical behavior**. Besides, five consumer groups with well **distinguished preferences and willingness to pay measures** are identified.

It succeeded to differentiate consumers buying Fair Trade products and giving to charity at the same time and others considering the purchase of CrM products as a substitute for charitable giving. The influencing characteristics were identified.

Furthermore it becomes obvious that consumers **want to be informed about spending efficiency** and that a low donation amount (in relation to the sales price of the product) is disliked. Information about ethical labels given just before the choice for a good is made changes significantly consumers interest towards such product attributes. The studies with a focus on CrM reveal that consumers in general appreciate this kind of ethical purchase possibility. Nevertheless a large share of consumers is skeptic and suspect CrM products to be green-washing of firms.