

Report on Open Seminar

## **Ethical Consumer Movement in Global Era**

Seeking for Constructive Dialogues  
between Business Entities  
and Civil Society

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The Institute of Developing Economies  
Japan External Trade Organization (IDE-JETRO)

**March 2015**



## Introduction

The Institute of Developing Economies, Japan External Trade Organization (IDE-JETRO) held a seminar, titled "Ethical Consumer Movement in Global Era: Seeking for Constructive Dialogues between Business Entities and Civil Society", on 20 March, 2015.

As global businesses have become more active in the developing countries for material procurement, processing, and sales, they are drawing more attention by civil societies from the ethical point of view. The aim of this seminar was to clarify how the Japanese stakeholders should act according to today's ethical standards.

The keynote speaker was Rob Harrison from Ethical Consumer Research Association, the publisher of *Ethical Consumer* magazine in the UK. The panel discussion was joined by academia and business sector followed the keynote speech, which triggered active and informative discussions. This article is a summary of the seminar.

## **The History of Ethical Consumer Movement in the West**

### **The Consumer Movement in UK: Consumers Make Companies Ethical**

Consumer movement in the UK is one of the most active in the world. It has become active, because along with globalization, companies have acted beyond borders and supply chains have been extended. This globalized business environment made people in the UK worried that the globalised business activities may put a negative influence on environment and human rights. However, the UK government did not take any action to mitigate this concern in the 1980's, insisting that the market should not be officially controlled and that business should find solution by themselves. Therefore, civil societies started to develop ethical consumption movements, which are later have a strong influence on companies' activities.



**Supply Chain Management is the Key: No More Excuse Like “It is the Fault by Subcontractors” or “Economic Activities Are Independent from Politics”**

What kind of ethical problems can be a target of criticism by ethical consumers? Environmental issues would be the first among all. Pollution by mining, disposal of toxic wastes, and rapid loss of biodiversity would also be argued as major ethical problems. In addition, consumers in developed countries may boycott the products, which were manufactured under a bad working condition or by unethical ways, such as child labor.

International companies used to make an excuse, such as “this is the fault by subcontractors”, but this excuse is not valid anymore. Similarly, as seen in blood diamond cases, business sector used to say “economic activities are independent from politics”, but this is also not welcome in these days. Many ethical problems, which are almost vanished in developed countries, can still be found in developing countries; therefore, controlling supply chains to deal with these problems is significantly important for global companies.

**The Role of 'Ethical Consumers' Magazine: It Tells Us How Ethical the Companies Are**

It is not easy for us to know which company is free from labor exploitation. *Ethical Consumers* magazine in the UK provides readers with information about how ethical the companies are by ranking companies in each industry. For example, rankings include whether the electric manufacturers do not procure minerals from war spot, or whether UK super markets have an appropriate policy for using pesticide. This means that *Ethical Consumers* helps people to decide which products they should buy from the ethical perspective.

Pesticide policy criterion	ALDI	ASDA	OP	LIDL	M&S	MORRISONS	Sainsbury's	Somerfield	TESCO	Waitrose
Publish its residue testing results?	☹️	☹️	😊	☹️	😊	☹️	😊	☹️	☹️	☹️
Action plans to tackle residue problems beyond legal compliance?	☹️	☹️	☹️	☹️	😊	☹️	😊	☹️	☹️	☹️
Commit to phase out specific hazardous pesticides?	☹️	☹️	😊	☹️	😊	☹️	😊	☹️	☹️	☹️
Stated aim and actions to reduce use of pesticides?	☹️	😊	😊	☹️	😊	☹️	😊	😊	😊	😊
Pest management strategy promotes alternatives to pesticides?	😞	😊	😊	😞	😊	😞	😊	😊	😊	😊
Technical support for growers to reduce reliance on pesticides?	😞	😊	😊	😞	😊	😞	😊	😞	😊	😊
Information for consumers on pesticide use issues?	☹️	☹️	😊	☹️	😊	☹️	😊	☹️	☹️	☹️
Engage with consumers on use of pesticides for cosmetic appearance?	☹️	☹️	☹️	☹️	☹️	☹️	☹️	☹️	☹️	☹️

*Ethical Consumer*: 'rating tables' of UK supermarkets' ethicality for using pesticide

(Source: seminar handout by Rob Harrison)

**How Does  
Business Sector  
Respond to  
Movements of  
Ethical  
Consumption?**

**Stand against the Movements of Ethical  
Consumption Cannot Be Companies' Benefits**

Ethical consumers sometimes tackle to change companies' unethical behavior by boycotting or other direct means. How do companies respond to the consumer's movements?

At the beginning stage, companies often 'fight' against the activists. The famous example is the case that McDonald's sued activists for libel, because they distributed pamphlets critical of McDonald's. McDonald's has partially won the case, but a documentary film of the case was produced; as a result, this case was widely known in the public. Finally, the company's image was seriously damaged.

**Some Companies Try to Be Ethical for Their  
Advantage**

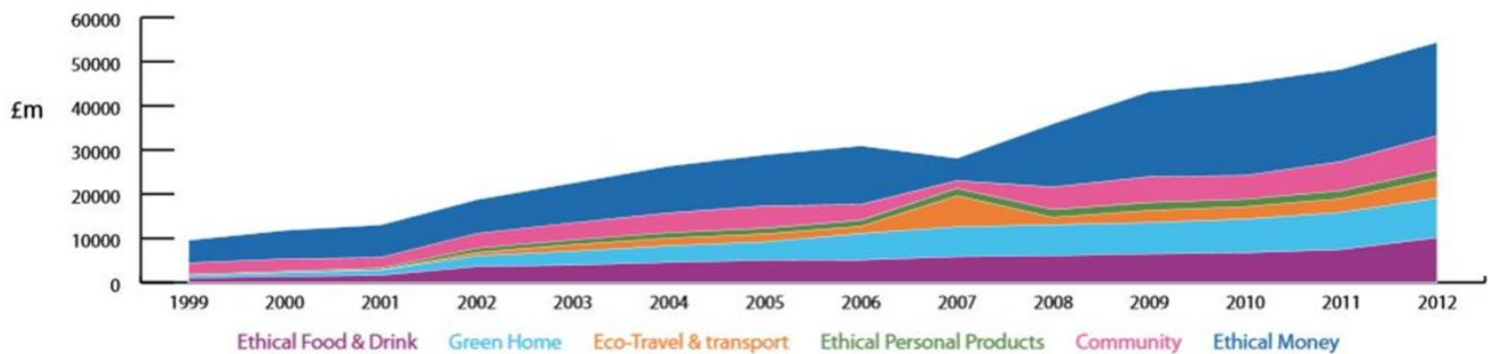
Then, some companies started to 'ignore' the ethical consumers. But others take different response to the movements. They started to 'survey' consumers to figure out the percentage of ethical oriented-consumers as well as in what ethical issues they are most interested. Consumers make their decision to purchase products not only by the ethical point of view but also by the price, design, and brand name. Some companies investigated how much the company's ethicality would affect their consumers' choice. If the ethicality has a strong influence on consumers' behavior, they 'collaborate' with civil societies, such as fair trade organizations, in order to appeal its ethicality to consumers.



Recently, some companies 'market' ethical products. They pay attention to their ranks at *Ethical Consumer*, as well as compare sales with ethically promoted and sales without ethically promoted; so that they could learn whether it would be better to take an ethical action for boosting competitiveness against their rival companies.

To sum, companies' response to the movements of ethical consumption has changed from negative behavior, such as 'fight' and 'ignore', to 'survey' consumers and 'collaborate' with civil societies. Now that ethically oriented markets seem to be growing rapidly, companies have started 'market' ethical products.

Ethical spending in the UK, 1999-2012



Total £	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	9,600	11,900	13,500	18,400	22,100	26,600	29,700	32,300	35,499	36,001	43,223	45,228	48,294	54,400

Source: seminar handout by Rob Harrison



## How Does Japan Deal with the Ethical Issues?

### **Movements by Ethical Consumers in Japan Is Unique**

What is going on in Japan, while the active movements of ethical consumption took place in Europe and the US? Many movements of consumers in Japan have been conducted by House Wives Association (Shufuren), which was evolved from the long-lasting grass-roots activities by regional house wives societies. Therefore, movements of consumers in Japan have been developed from the house wives' point of view, and that is why the major concerns to consumers in Japan have been about food safety issues.

In addition, boycott strategy has not been taken in Japan. The consumers have tended to advocate policy makers for food safety, rather than to put a pressure on business entities to change their behavior and market systems. As a result, pressure groups or lobbying activists were hardly developed in Japan.

### **Japanese Companies should Comprehend Characteristics of Movements of Ethical Consumers in the West and How Western Companies Respond to Them**

Apart from the tendency of Japanese consumer's movements, however, Japanese companies acting their businesses globally should understand characteristics of the movements of ethical consumption in the West. Otherwise, they might encounter criticism by civil societies, which would end up with ethical risks for companies, such as being a target of boycotts.

### **Can Japan Expand the Role of Civil Society?: Businesses, Consumers, and Government Should Take a Proper Action**

When considering ethical consumption, we need not only a perspective of how companies react to the movements of ethical consumption, but also a perspective of how consumers take actions. In Europe, civil societies have kept a watch on business activities. However, such mechanism as a watchdog has not been developed in Japan. What we need to consider is how to expand the role of Japanese civil societies. Another argument is that business sectors should properly disclose information to the public, so that consumers can behave based on the accurate information. In this regard, the Japanese government is responsible to let the companies disclose appropriate information. In short, business entities, consumers, and the government should fulfill their own responsibility to increase in the capability of Japanese civil society.

## Movements of Ethical Consumers in the Future

### 'Civil Regulation' Would Be More Typical

Civil societies are expected to take more substantial roles in the future. Of course, there is a role that government should take, such as setting regulations to prohibit business activities, which may lead an increase in child labor forces. However, globalized economy forces authorities to deregulate, rather than enhancing regulations. Under the circumstances, the role of civil societies is worth to be focused upon. We expect that civil societies become more active to regulate unethical business activities, which could be called as a 'civil regulation'. This has a potential to be more typical as a mechanism to correct companies' unethical activities. The civil regulations seem to work effectively especially in the developing counties, since they are struggling to impose, for example, environmental regulations on business entities.



### **Dialogues between Businesses and Civil Societies are Necessary**

In this seminar, we shared the latest situation about the movements of ethical consumption and response to the movements by business sectors in the Western countries; then, we discussed with experts, civil societies, and business sectors how Japan should act. What is clear is that global companies, which operate in Europe and the US, have to take a careful eye on consumer's consciousness against unethical businesses activities. Although, Japanese consumers, as discussed above, have not chosen the direct way to regulate business activities, such as boycotting, the 'civil regulations' would become more popular in the near future. Japanese companies have to keep this in mind for their future business activities.

Author: Masaki Kataoka

## Appendix 1 : Session Information

### Ethical Consumer Movement in Global Era: Seeking for Constructive Dialogues between Business Entities and Civil Society

**Date:** 20 March, 2015

**Location:** JICA Ichigaya Building, International Conference Hall, Japan

14:00-14:10	Opening Remarks	Shigeki Nomura, Director-General, Research Promotion Department, IDE-JETRO
14:10-14:55	Keynote Speech 1	"Ethical Consumer Movement and Business Response in Europe", Rob Harrison, Ethical Consumer Research Association
14:55-15:15	Keynote Speech 2	"Ethical Trade and Japan: Aren't the Consumers and the Business Entities off their Guard?", Hiroshi Sato, Chief Senior Researcher, IDE-JETRO
15:15-15:35	Break	
15:35-16:25	Panel Discussion	Moderator: Miwa Yamada, Director, Law and Institution Studies Group, IDE-JETRO Panelists: Rob Harrison, Ethical Consumer Research Association Koichi Ikegami, Professor, Kinki Univ. Mitsutaka Hirano, Senior Planning Director , Dentsu Innovation Institute, Dentsu INC., Ohno Atsushi, Associate Professor, Ritsumeikan Univ. Setsu Mori, CEO, Editor-in-Chief, Alterna
16:25-16:55	Q&A	
16:55-17:00	Closing Remarks	Hiroshi Sato, Chief Senior Researcher, IDE-JETRO

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