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Ethical Consumerism: Are Unethical Labour Practices Important to Consumers?

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ABSTRACT

This study investigates whether negative information about the labour practices of a company affects consumers' opinions of the company, and ultimately, their product purchasing decisions. Specifically, this study uses the case of Oxfam's 'NikeWatch' campaign to examine whether negative publicity can change consumers' attitudes and behaviours. Two groups of first-year university students were asked about their opinions in relation to unethical labour practices and what action they would take to address the issue, with one group given negative information about *Nike* before undertaking the survey. This study finds that negative information can elicit some emotional responses, but this may not be enough to change consumers' behaviours.

ARTICLE

Advertisers versus Activists

Global clothing and footwear companies spend millions of dollars sponsoring athletes to endorse their products and to promote particular lifestyles through advertising. According to human-rights group Global Exchange, *Nike* paid former professional basketball player Michael Jordan US$20 million a year in the late 1990s to endorse their brand, which was twice as much as the combined wages of the Indonesian factory workers producing *Nike*-branded products during the same period (Klein 2001). Henard (2002) argues that the motivation levels of consumers to purchase a particular brand can be increased over time by positive information, such as advertising, which acts as a buffer against future negative publicity. Furthermore, the more personally relevant an individual perceives a company to be, the less receptive that individual is to negative publicity (Henard 2002). Again, perceptions of personal relevance can be reinforced through positive information, such as advertising.

Competing with millions of dollars of positive advertising and famous sportspeople are activist organisations, with considerably less money and less glamorous spokespeople, campaigning against what they perceive as unethical corporate practices. With such a power imbalance, can these relatively small, less-resourced groups of activists ever win the public relations battle?

Whilst high-profile activism does not appear to have a significant effect on a company's share price, firms nevertheless often choose to respond to such activism

as negative publicity can cause losses in revenue and market share (Spar and La Mure 2003). Spar and La Mure (2003) use *Nike* as an example of a firm that places great value on its brand as it is the central distinguishing feature of its products. *Nike* is also a useful case study because it has become one of the most popular targets for activists. Naomi Klein, author of the best-selling treatise on corporate branding *No Logo* (2001, p. 406), characterises the anti-*Nike* movement as the 'most publicized and tenacious of the brand-based campaigns'. Thus, when activists target a brand name and associate it with negative features, the costs of resisting the activists' demands can begin to exceed the benefits.

However, even when the activists' information penetrates, is it enough to challenge brand loyalties? Are the ethics of a company important in deciding whether to buy a product from that company? This study investigates whether negative information about the labour practices of a company affects consumers' opinions of the company and their product purchasing decisions. Specifically, this study uses the case of Oxfam's 'NikeWatch' campaign to examine whether negative publicity can change consumers' attitudes and behaviours.

Oxfam is a non-government organisation working on aid and development issues, and is one of the most prominent organisations involved in international fair trade campaigning in Australia. Its 'NikeWatch' campaign calls for clothing and footwear companies (specifically *Nike*) to eradicate 'sweatshops' and ensure the provision of labour rights and fair working conditions are respected. *Nike* has been a popular target of activist organisations and has, in recent years, responded to the issue of corporate responsibility through regular reporting on a dedicated website[*].

Ethical Consumerism

Crane (2001) conceptualises ethics as part of the product augmentation process, either positively or negatively, and argues that ethics cannot be considered in isolation from the core product and brand. However, the consideration of ethics has only come to the forefront during the last decade. Klein (2001) notes the parallel between the phenomenal emergence of environmental, labour and human-rights activist networks and the growth in the ubiquity of global brands since the mid-1990s. Mason (2000) also discusses the rise of ethical consumerism and concludes that although ethical consumption is not yet widespread, there is 'anti-sentiment' directed towards global brands for perceived unethical behaviour.

Uusitalo and Oksanen (2003) define ethical consumerism as addressing 'the social and environmental consequences of global trade'. They identify the large amounts of effort needed to acquire information about products, as well as the often higher prices of ethically-sound products, as obstacles to making ethical choices. This form of consumerism, as with the advent of 'green' consumerism previously, is becoming a more important ideal in Western countries, particularly as global trade increases (Uusitalo and Oksanen 2003). However, Carrigan and Attalla's (2001) study concluded that ethical consumers still comprise a minority. As Barnett et al. (2005) argue, there are clear political dimensions to ethical consumption which can be regarded as a form of collective, organised social action, and perhaps perceived by many consumers as a 'fringe' social movement with which they do not necessarily wish to associate.

[*] www.nikeresponsibility.com

Ethical consumerism generally manifests itself in two forms of purchasing behaviour: buying products for positive reasons (e.g., environmentally-friendly products) or boycotting products for negative reasons (e.g., not buying shoes made using child labour) (De Pelsmacker, Driesen and Rayp 2005). Ethical consumerism not only describes the consumption of particular products, but can also be defined with respect to various forms of *practice*, such as investment, banking and superannuation (Barnett et al. 2005). Ethical consumerism pertains to the indirect relationship between the buyer (consumer) and the seller (supplier/manufacturer) through a reseller (retailer), and thus differs from the related concept of fair trade which is concerned with the direct relationship between the seller and the reseller (Nicholls 2002). Whilst the retailer has the power to alter the terms of trade with the supplier, the only power the buyer has is their own individual purchasing power. The present study is primarily concerned with the power of the buyer to boycott a product for negative reasons.

The body of research pertaining to ethical consumerism has almost exclusively focused on environmentalism and 'green' consumers, with only more recent studies investigating the importance of labour standards in relation to consumer preferences (Auger et al. 2003). The research into the environmental concerns of consumers has tended to specifically investigate whether such concerns affect consumer attitudes and their product choices.

Maloney and Ward (1973) developed a scale to measure ecological attitudes and knowledge, which has since been revised (Maloney, Ward and Braucht 1975) and adapted in more recent studies (see Forman and Sriram 1991; Ling-yee 1997). The ecology scale consisted of four subscales: verbal commitment (future behaviour); actual commitment (past behaviour); affect (degree of emotionality or attitudes); and knowledge. This scale has been adapted in the present study by replacing references to ecological issues with references to labour practices and social justice issues. The present study is interested in affect and verbal commitment rather than actual commitment and knowledge, as the research question is not whether activist campaigns are informative or have informed previous purchasing decisions, but whether they can affect attitudes and future purchasing behaviour.

Negative Information

Past research from various fields has consistently shown a *negativity bias*, that is, individuals are more receptive to negative information than positive information (Dean 2004; Henard 2002). Most previous research on negative information about brands and companies has focused on case studies of how consumers process negative information (Ahluwalia, Burnkrant and Unnava 2000; Dean 2004). Of the few experimental studies, the focus has generally been on negative information about the product's attributes (Ahluwalia et al. 2000) rather than the company's values.

Henard (2002) argues that negative information is generally considered more informative and diagnostic than positive information, because negative information is more unique and unexpected. Negative information also has a residual effect as it is more memorable than positive information and negativity bias remains even after some of the specific facts are either forgotten or refuted (Henard 2002). Some researchers have identified a ceiling effect where additional positive information cannot improve already high positive expectations, but can still be affected by negative information (Dawar and Pillutla 2000).

Customer Loyalty

Unsurprisingly, psychological research has found that an individual's motivation level to actively evaluate negative information is dependent upon his or her loyalty towards a company (Henard 2002). That is, loyal customers are more likely to focus on the relevance of the negative information and discount the actual negative information, whilst also creating counterarguments (Ahluwalia et al. 2000). However, a company's failure to respond to negative publicity can implicitly reinforce the negative message, even amongst loyal customers, due to the power of the negativity bias (Henard 2002).

Customer loyalty is also largely dependent on brand equity. Dawar and Pillutla (2000) define brand equity as 'the differential contribution of the brand name on the value of the branded product', and include brand-related beliefs such as: desirability for and trust in the brand; perceptions of quality; and purchase likelihood. Brand equity has generally been operationalised as an independent rather than a dependent variable (Dawar and Pillutla 2000), that is, research has focused on what a consumer's existing brand loyalty means for their purchasing decisions, rather than what effects other variables have on the concept itself. Thus the present study aims to fill this gap in the research by examining how attitudes towards a brand can be changed (i.e. brand loyalty becomes the dependent variable).

Attitudes versus Behaviours

Auger et al.'s (2003) experimental study used fictional newspaper articles manipulated to highlight particular functional ethical attributes of sports shoes and soap to test whether customers would alter their purchase decisions and would pay more if they were aware of the ethical dimensions of a product. Although the study found that most consumers were quite ignorant of ethical considerations, when made aware of the ethical features of a sports shoe they considered the issue of child labour as the most important ethical issue and claimed that they would pay more for shoes that did not use child labour. The issue of child labour was considered more important than: guarantees that a minimum wage was paid; the provision of safe working conditions; and the existence of acceptable living standards. However, all these issues were considered less important than the fit of the sports shoe. De Pelsmacker et al. (2005) conducted a similar study on fair-trade coffee and found that only 10 percent of the sample wanted to pay a price premium of 27 percent (which was the standard price premium in Belgium where the study was conducted), and that the brand and flavour of the coffee were considered more important than the fair-trade label.

Many studies have questioned consumers' awareness of ethical issues (Carrigan and Attalla 2001; Uusitalo and Oksanen 2004), with consumers thought to be unsure about which products are ethical and which are not. The present study aims to determine whether 'knowing' that the product is unethical would have a greater impact. That is, if information about the unethical practices of a company were at the front of a consumer's mind, would he or she take it into account? Can consumers be 'guilted' into changing their attitudes? Thus the first hypothesis of this study is that negative information about the labour practices of a company will create negative emotional responses amongst consumers.

The relationship between negative information and behaviours is less straightforward. Research has uncovered an attitude-behaviour gap where consumers' ethical purchase intentions (as exhibited in surveys) are not reflected in

their actual purchase behaviours (Auger and Devinney forthcoming; Carrigan and Attalla 2001; Uusitalo and Oksanen 2004). Many theorists have suggested that this is because participants are motivated to give socially-desirable responses. As the present study is examining future rather than past behaviours, it can be expected that participants will also be motivated to give socially-desirable responses in relation to both attitudes and behaviours, thus reducing the gap between the two.

One of the few studies that have explored future purchasing behaviour did find that consumers were willing to pay more for ethically-sound products (Auger et al. 2003). Based on these results, Auger et al. (2003) concluded that the ethical dimensions of products can influence consumers if the information is properly presented. However, they and Uusitalo and Oksanen (2004) qualify this theory, arguing that consumers only consider ethical dimensions when other dimensions are not compromised. Cost, quality and the availability of the product are other factors that can override ethical considerations (Carrigan and Attalla 2001). In addition, Carrigan and Attalla (2001) found that brand image is more important than ethical criteria. Although consumers may favour ethically-sound fashionable brands, they will not necessarily boycott fashionable brands because they engage in unethical practices. Another issue is that whilst customers seem aware of unethical manufacturing practices, they often feel that their purchasing decisions will not alter the situation as they believe that unethical company behaviour is the norm (Carrigan and Attalla 2001).

Based on this previous research, it seems that unethical behaviour alone is not enough to stop consumers from purchasing a brand, leading to the second hypothesis of this study: negative information about the labour practices of a company will not affect a consumer's purchasing behaviour.

Methodology

The non-probability, opportunistic sample consisted of 185 participants (145 females and 40 males) aged between 17 and 54 years (mean age 21 years). The participants were enrolled in first-year courses in Anthropology, Social Science and Sociology at the University of Queensland. The skew towards female and younger participants reflects the composition of the courses. Participants were informed that the study was about consumer attitudes and behaviours in general, rather than specifically about *Nike*. Whilst this sample is obviously not representative of the general population and raises issues of external validity, it is a key demographic for sportswear manufacturers and therefore is particularly relevant to the present study.

The study employed a simple experimental design where two versions of a survey were randomly distributed to participants, in effect, creating a control and an experimental group. The difference between the surveys was the exclusion or inclusion of anti-*Nike* information at the beginning of the survey. The anti-*Nike* information consisted of allegations of unethical labour practices in factories producing *Nike*-branded products made in Oxfam's 'NikeWatch' campaign, and was sourced as such[*]. Both organisations were chosen because of their prominence in the debate.

[*] The allegations were reproduced with permission from the *Oxfam (formerly known as Community Aid Abroad)* 'Just Stop It'/'NikeWatch' campaign.

One section of the survey contained a series of statements using a five-point Likert scale to measure responses, ranging from 1 to 5 (with higher numbers indicating higher levels of agreement). The other part of the survey asked whether participants had heard of *Oxfam* and the 'Just Stop It' campaign and whether they owned *Nike*-branded products or would buy *Nike*-branded products in the future. These parts were randomly ordered to test whether there were any significant effects in the responses created by the ordering. Each survey began with questions related to demography (gender and age) and concluded with a series of open-ended questions where participants could comment on the issues raised and on the survey itself.

Results

Attitudes

Two of the 13 questions about attitudes revealed significant differences between the group that received anti-*Nike* information and those that did not receive any information (see Table 1 overleaf). These were the statements, 'When I think of the ways companies are exploiting workers, I get frustrated and angry', and, 'Poor labour practices are one of the most critical problems facing the nation'. Although the differences in the response means for the remaining questions were not significant, in this sample the means in the anti-*Nike* information group were greater than the no-information group in eight of the 13 questions.

Behaviour

Only one statement relating to actual behaviour revealed a significant difference between the two groups (see Table 2). The group that did not receive the anti-*Nike* information had a significantly higher level of agreement with the statement, 'Consumers should pay more for products that are made using unfair labour practices'. In this sample the means in the anti-*Nike* information group were greater than the no-information group in five of the nine questions.

Respondents were also asked to indicate if they would buy *Nike* products in the future. Across both groups, 48 percent of participants indicated that they would buy *Nike* products, whilst only 37 percent claimed that they would not (15 percent were unsure). A Pearson Chi-Square test revealed no significant difference between the groups. Thirty-eight percent of all respondents had heard of the 'Just Stop It' campaign; 52 percent of respondents had heard of *Oxfam*; and 53 percent of respondents owned *Nike*-branded products. There were no significant differences between the groups in relation to these questions. There were also no significant effects due to the order of the sections of the survey.

Table 1: Statements measuring attitudes (affect)

Statements	No-Information Group Mean	Anti-*Nike* Information Group Mean	Significance of Mean Difference
I become incensed when I think about the harm being done to workers by unfair labour practices.	3.78	4.00	0.073
When I think of the ways companies are exploiting workers, I get frustrated and angry.	3.87	4.12	0.031*
I feel people worry too much about the labour practices used to make clothes.^	3.91	3.88	0.797
The whole cheap labour issue is overrated.^	4.16	4.19	0.834
Consumers should be interested in the labour practices of the products they purchase.	3.88	4.01	0.332
Trying to improve poor labour practices is more trouble than it is worth.^	4.16	4.22	0.599
Quality and cost of products are more important than the labour practices used to produce them.^	3.53	3.42	0.476
Poor labour practices are one of the most critical problems facing the nation.	2.67	3.61	0.001*
Poor labour practices are not personally affecting my life.^	2.77	2.88	0.498
The issue of poor labour practices doesn't affect me, the issue has been exaggerated.^	3.70	3.84	0.279
People should not buy products made using poor labour conditions so companies will be forced to improve their labour conditions.	3.94	3.70	0.077
People should avoid purchasing products that are made using poor labour practices.	3.89	3.70	0.153
People should urge friends not to use products that are made using poor labour practices.	3.59	3.43	0.314

^ Reverse-scored

* Significant at a 95% confidence interval

Table 2: Statements measuring behaviour (verbal commitment)

Statements	No-Information Group Mean	Anti-*Nike* Information Group Mean	Significance of Mean Difference
I am willing to stop buying products from companies guilty of poor labour practices.	3.43	3.26	0.311
Consumers should pay more for products that are made using unfair labour practices	3.19	2.82	0.047*
I am willing to pay 20% more for products that are made using fair labour practices.	2.88	3.03	0.319
I would donate a day's pay to an organisation to improve the conditions of sweatshops.	3.18	3.33	0.334
I would pay 5% more in tax to help the governments' efforts to stop poor labour practices.	3.06	3.26	0.248
I would stop buying products from companies that exploit their workers.	3.55	3.49	0.663
I would pay more for clothing and footwear that were made using fair labour practices.	3.31	3.32	0.923
I would be willing to sign a petition to support fair labour practices.	4.20	4.16	0.704
I would make personal sacrifices to stop poor labour practices.	3.35	3.36	0.954

* Significant at a 95% confidence interval

Discussion

There was only limited evidence supporting the first hypothesis whilst the second hypothesis was largely supported, with the exception of one unexpected result. Perhaps the first hypothesis was not supported because the anti-*Nike* information was not new information for many of the respondents. Over a third of respondents had actually heard specifically about the 'NikeWatch' campaign. As this is one of many campaigns dealing with this issue, it is conceivable that many more respondents would have come into contact with some sort of negative information about multinational clothing and footwear manufacturers. It is conceivable there would have been significant differences if one group had absolutely no previous knowledge of the issue and were therefore giving an immediate emotional response.

The only significant difference between the groups in relation to behaviour was the level of agreement with the statement: 'Consumers should pay more for products that are made using unfair labour practices'. Based on some of the open-ended responses, where participants were invited to comment on the issues raised and the survey design, it appears that this statement could have been interpreted that if consumers paid more for ethically-unsound products, then the manufacturer would

simply profit more. This statement also differed from all the other statements in that it was less personal, not beginning with the personal pronoun 'I'.

What does this mean for consumers?

The major problem with this type of research – a point that most researchers in this field have made – is that ethical consumerism cannot be reduced to whether or not a consumer will boycott an ethically-unsound product. If consumers do not purchase products made using child labour, for example, that does not necessarily mean that children in developing countries will be better off. Thus, in addition to the other factors already identified, some well-intentional consumers may actually feel that boycotts do more harm than purchasing ethically-unsound products. Consumers may also think that all sportswear manufacturers engage in the same unethical practices, and therefore feel that buying other brands will not make a difference.

Despite the findings of this study and other studies, it is reasonable to assume that activist groups and clothing and footwear companies will continue to mount information or advertising campaigns as both sides attempt to persuade consumers. It is perhaps likely that activist groups will only become more emotionally aggressive in the tone of their campaigns in an attempt to elicit desired responses. It is also likely that targeted companies will just as aggressively respond to these negative messages with even more advertising, if not to counter claims, then to at least drown them out. As consumers continue to be exposed to these types of campaigns, it can be expected that it will become increasingly difficult for them to reconcile the conflicting messages and to feel confident that they are making informed decisions. Consumer decision-making is likely to become even more difficult over time.

Future Research

There are many avenues for future research in this emerging field of consumerism. One possibility for further research is investigating whether the source of negative information, such as advertising or word-of-mouth, and the credibility of the source are important factors (Ahluwalia et al. 2000). For example, do the beautiful athletes paid to spruik the products have a persuasive or credibility advantage over the stereotypical image of a protestor? Another possibility is further examination of the concept of customer loyalty and closer scrutiny of the effects of negative information on loyalty.

As previously mentioned, there are two broad approaches to studying ethical consumerism. Whilst this study has examined whether consumers will boycott products for negative reasons, it is also worth considering whether consumers will buy a product based on positive information. A study by Shaw et al. (2005) found that ethical consumer decision-making focused most on 'universalism' values which emphasise pro-social concerns such as protecting the environment. This approach warrants further examination in relation to popular brands. The work by Auger et al. and De Pelsmacker et al. provide an excellent basis for future research in this area. In regards to this study, the main question becomes: if consumers are made aware of the ethical commitments of a fashionable brand such as *Nike* (provided they were genuine), would they change their perceptions and would they be more inclined to buy *Nike*-branded products? The quantification of a positive sales effect (if indeed there was one) would obviously be extremely valuable for activists in their campaigns.

Conclusion

This study aimed to determine whether negative information about a company's labour practices can result in changes to attitudes and behaviours. It can tentatively be concluded that the anti-*Nike* information did provoke some minimal anger and frustration, but this is not enough to change consumers' behaviours. It appears that negative information alone cannot 'just stop it'.

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