The CO-OPERATIVE BANK

The Ethical Consumerism Report 2007

Contents

Foreword

Household expenditure on ethical goods and services has almost doubled in the past five years: on average, every household in the UK spent £664 in line with their ethical values in 2006 compared with just £366 in 2002, an increase of 81 per cent. However, whilst the overall ethical market in the UK is now worth £32.3 billion a year, up nine per cent from £29.7 billion in the previous 12 months, it is still a small proportion of the total annual household consumer spend of more than £600 billion.

The annual household expenditure includes £190 on ethical food and drink, such as Fairtrade and organic. Fairtrade sales grew by 46 per cent, driven, in part, by increased consumer awareness of the Fairtrade mark, which is now recognised by almost three in five, and greater availability of Fairtrade products.

Households spent £213 on home products, including energy efficient light bulbs and 'A'-rated kitchen appliances. Aided in part by greater product choice and a general reduction in the price differential with incandescent light bulbs, sales of energy efficient light bulbs increased by 44 per cent.

However, only £6 per household is spent on renewable energy, including micro-generation. It is estimated that less than one per cent of households have invested in micro-generation and the government's decision to reduce the level of grants available can only make micro-generation an uneconomic option for even more households.

Whilst the overall ethical market continues to grow steadily, the report shows that some areas have seen a marked decline. For example, charity shops, where sales are down 13 per cent, appear to have been squeezed by the budget retailers selling cheaper clothes and Internet auction sites offering an alternative outlet for second hand goods.

Interestingly, 2006 also saw the emergence of a significant number of consumers claiming to avoid budget clothing outlets on the basis that low cost is taken as a likely indicator of poor supplier labour conditions. Sales of ethical clothing increased by 79 per cent.

Overall, ethical food and drink registered the biggest sector increase of 17 per cent, up from £4.1 billion to £4.8 billion. The whole sector saw a year on year rise, but the market for sustainable fish increased a massive 224 per cent following the introduction of new lines by some of the leading brands. Sales of Fairtrade goods, such as tea, coffee and bananas, increased by £90 million to £285 million (46 per cent).

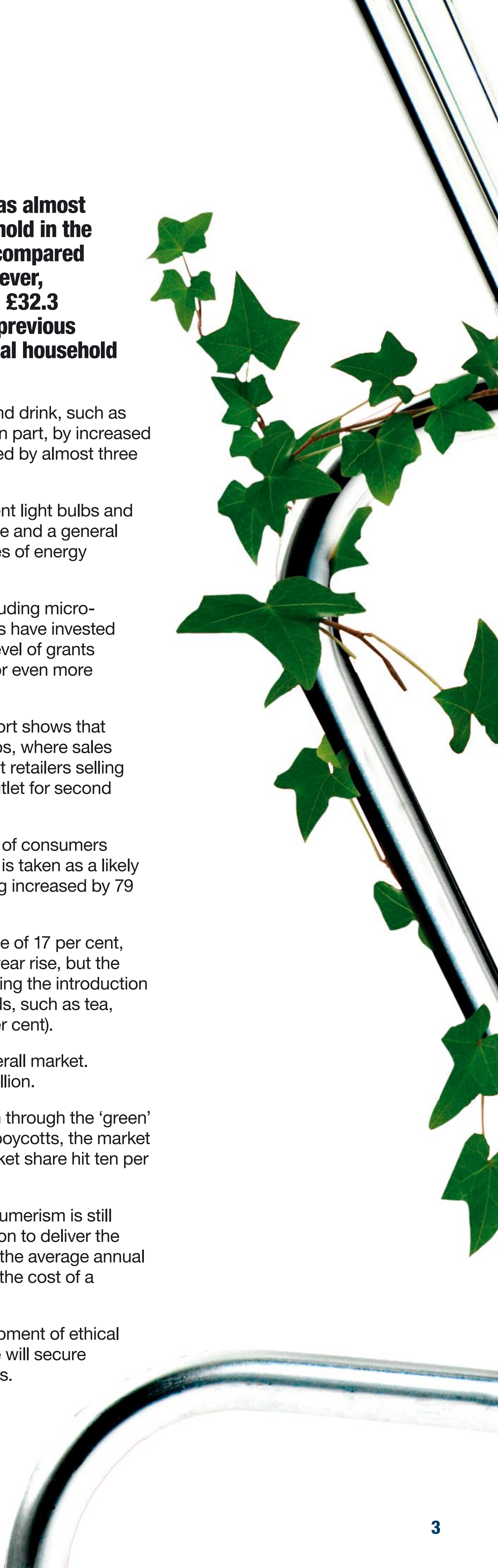
Ethical investments were up 18 per cent this was in line with the overall market. Ethical banking saw a 11 per cent increase from £5 billion to £5.6 billion.

The market share for ethical food and drink appears to have broken through the 'green' glass ceiling of 5 per cent, and factoring in the effect of consumer boycotts, the market share could be as high as 7 per cent. Potentially, we could see market share hit ten per cent in the next year or two.

However, it's vital that we not lose sight of the fact that ethical consumerism is still a small proportion of total spend in the UK and cannot be relied upon to deliver the significant 60-80 per cent reductions in CO_2 needed. For example, the average annual spend per household on renewable energy is just £6, equivalent to the cost of a cinema ticket.

Ethical consumers play a vital role in the early adoption and development of ethical products and services, but it will only be through legislation that we will secure the necessary changes to deliver mass market, low carbon lifestyles.

Barry Clavin
The Co-operative Bank



Executive Summary

The total value attached to ethical consumerism in the UK stands at £32.3 billion in 2006. This reflects the total economic value attached to the broad range of personal choices, be they for food, finance or charitable donations that, at some level, are influenced by a concern for the environment, animal welfare or human rights.

In addition it reflects the economic value that consumers attach to ethical choices to support their community via local shopping or to boycott brands whose behaviour conflicts with their ethical priorities.

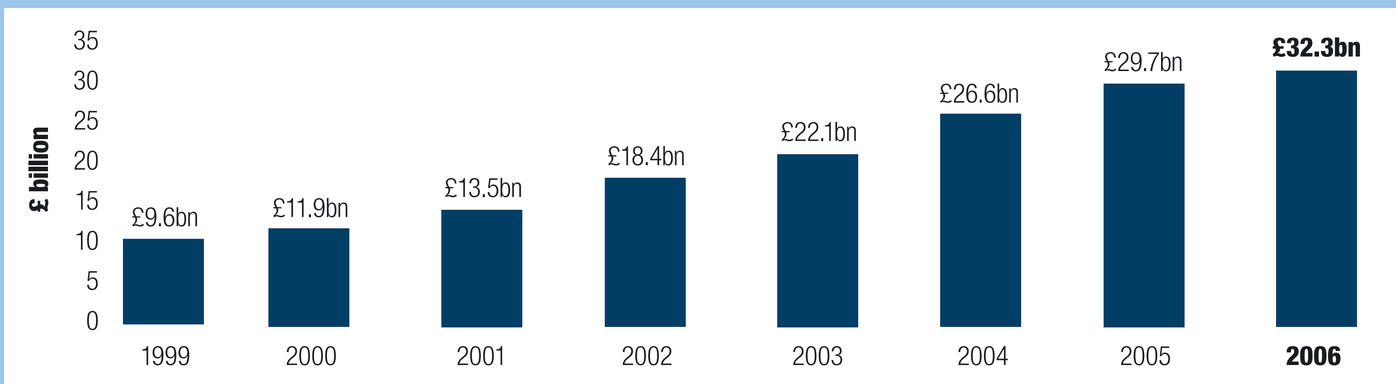
Of course, there is also much ethical consumption that goes on that can't be captured. For example, it has been reported that a recent increase in sales of washing lines and clothes pegs was motivated in part by consumer concerns about the climate change impact of using tumble dryers. At the same time this could also reflect a growing inclination within business and the media to report such events through a 'green' filter.

At £32.3 billion, the measurable market for ethical consumerism has now grown at an average rate of 15 per cent per annum since 2002 compared to a five per cent annual increase over the same period for overall household expenditure.

Key Findings

- **Ethical consumer market:** Six per cent of the UK adult population (2.8 million people) are committed ethical consumers, shopping for ethical products and services every week – **see page 6**
- **Ethical behaviours:** Across eight separate indicators, between 1999 and 2007, UK consumers, across all age groups, reported an increased predisposition to ethical behaviours – **see page 6**
- **Average spend per household:** The average amount spent on ethical products and services has almost doubled from £366 per household in 2002 to £664 in 2006 – **see page 8**
- **Food and drink:** Ethical sales now account for 5.1 per cent of the UK's total food and drink sales. Including consumer boycotts, this rises to 6.8 per cent. Sales of Fairtrade products have increased 46 per cent to £285 million – **see page 9**
- **Green home:** Within an overall spend of £6.2 billion on environmentally friendly and energy efficient home products, spend on energy efficient light bulbs has increased by 44 per cent to £26 million – **see page 12**
- **Eco-travel and transport:** Six per cent growth to £1.7 billion reflects limited consumer choices for eco-travel. However, an increased proportion of consumers did report using public transport for environmental reasons, in 2006 – **see page 14**
- **Ethical personal products:** Overall spend is static at £1.5 billion. Consumer boycotts of clothing retailers did grow by 20 per cent reflecting a concern amongst some consumers that low prices could mean poor labour conditions – **see page 16**
- **Ethical finance:** At £13.3 billion, 2006 saw the largest ever increase of monies channelled into ethical forms of finance, with a net increase of £1.7 billion over the 2005 value – **see page 18**

Ethical Consumerism in the UK, 1999-2006



Ethical consumerism in the UK, 2005-2006

	2005 £m	2006 £m	% growth 2005-2006
Ethical Food & Drink			
Organic	1,473	1,737	18
Fairtrade	195	285	46
Free-range eggs	240	259	8
Free-range poultry	100	116	16
Farmers' markets	210	225	7
Vegetarian products	639	664	4
Freedom Food	16	17	6
Sustainable fish	17	55	224
Dolphin friendly tuna	218	223	2
Food & drink boycotts	993	1,214	22
Sub-total	**4,101**	**4,795**	**17**
Green Home			
Energy efficient appliances	1,661	1,824	10
Energy efficient boilers	1,366	1,471	8
Micro-generation	26	32	23
Green mortgage repayments	385	396	3
Energy efficient light bulbs	18	26	44
Ethical cleaning products	27	34	26
Sustainable timber	716	696	-3
Green energy	54	127	135
Insulation	241	247	2
Rechargeable batteries	35	42	20
Buying for re-use - household products	1,330	1,291	-3
Sub-total	**5,859**	**6,186**	**6**
Eco-travel and Transport			
Public transport	377	682	81
Responsible tour operators	101	103	2
Environmental tourist attractions	16	18	13
Green cars	98	96	-2
Travel boycotts	1,030	817	-21
Sub-total	**1,622**	**1,716**	**6**
Ethical Personal Products			
Ethical clothing	29	52	79
Ethical cosmetics	317	386	22
Charity shops	411	359	-13
Buying for re-use - clothing	421	360	-14
Clothing boycotts	281	338	20
Real nappies	5	7	40
Sub-total	**1,464**	**1,502**	**3**
Community			
Local shopping	2,276	2,585	14
Charitable donations	2,860	2,288	-20
Sub-total	**5,136**	**4,873**	**-5**
Ethical Finance			
Ethical banking	5,020	5,551	11
Ethical investment	6,098	7,223	18
Credit unions	388	428	10
Ethical share holdings	49	55	12
Sub-total	**11,555**	**13,257**	**15**
Grand Total	**29,737**	**32,329**	**9**

Ethical Consumers

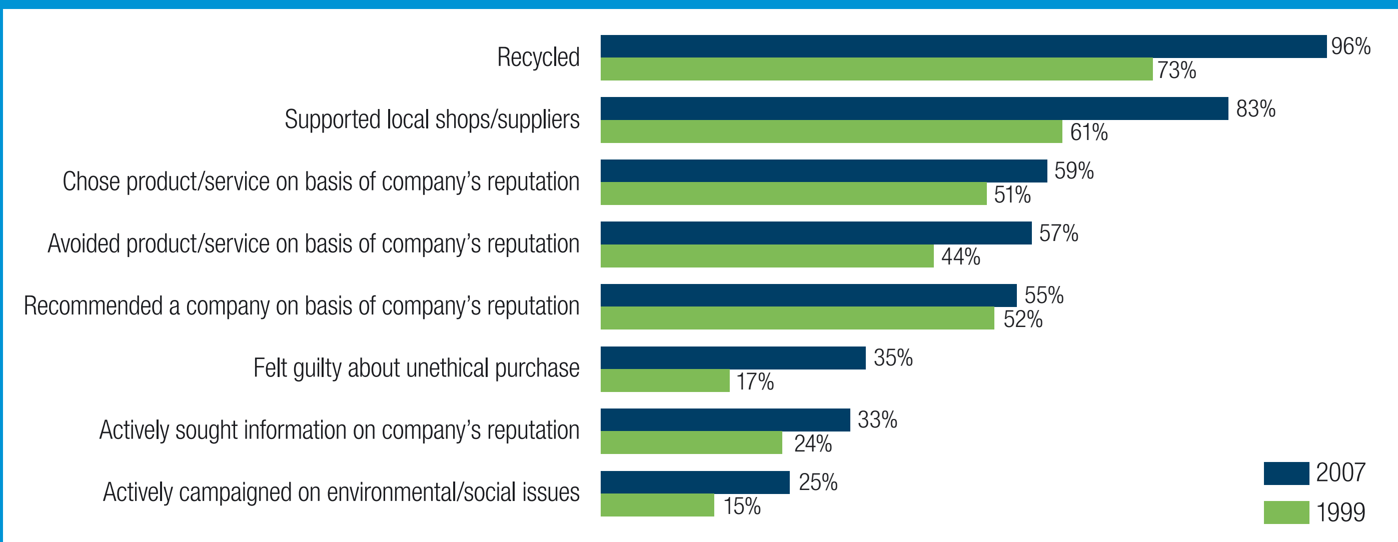
While ethical spending has become more mainstream, a core of the most committed ethical consumers still account for a majority of ethical purchases.

Ethical consumer market

- Six per cent of the UK adult population (2.8 million people) are committed consumers of ethical products and services; up from five per cent in 2003. These consumers shop for ethical products on a weekly basis and spend an estimated annual £1,600 per household on ethical food and drink.[1] Committed ethical consumers tend to be 30-44, slightly more upmarket (63 per cent are ABC1) and equally representative of men and women.
- 11 per cent of the UK adult population (5.2 million people) are regular consumers of ethical products and services, up from eight per cent in 2003. These consumers look to purchase ethical products and services every month and spend an estimated £360 per household on ethical food and drink each year.
- 31 per cent of the UK adult population (14.7 million people) can be described as passive ethical consumers, engaged on ethical matters on a less frequent basis. These consumers spend an estimated £180 per household on ethical food and drink each year.

Ethical behaviours

% people undertaking the following at least once during the year



1 Based on total number of households of 25.3 million (Source: ONS Household Numbers and Projections, Regional Trends 38, 2005)

Across eight separate indicators, between 1999 and 2007, UK consumers, across all age groups, reported an increased predisposition to ethical behaviours.

- Whilst UK household waste recycling rates continue to lag behind others in Europe, 96 per cent of the population reported that they had recycled in the previous 12 months. This is up from three quarters of the population eight years ago.

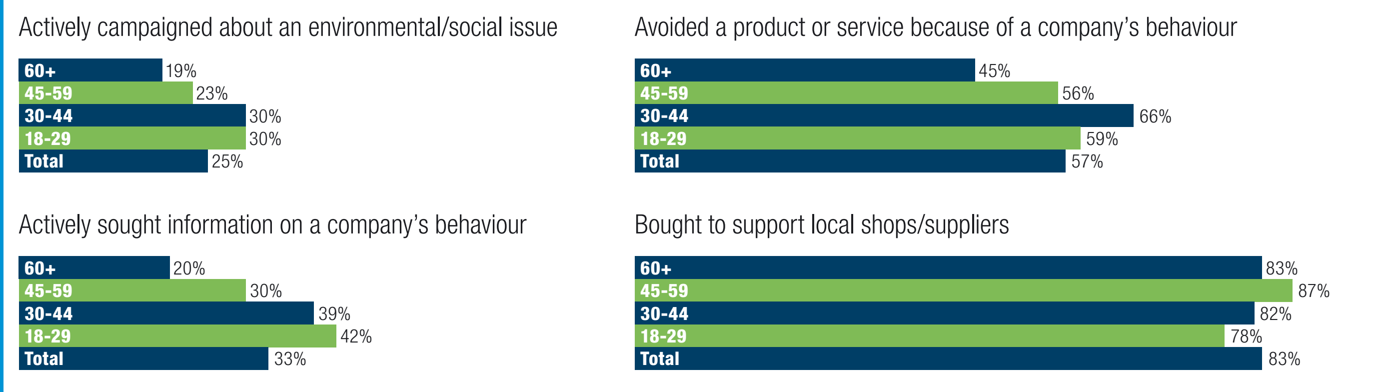
- An increased proportion of consumers now report shopping to support their local communities. More than eight out of ten consumers now shop to support their local shops, up from six out of ten in 1999. Consumers in the 60+ age group tend to be less responsive to ethical messages as a whole, and are least likely to be committed ethical consumers. However older people are most likely to buy products to support local shops.

- Consumers are increasingly prepared to check out a business's ethical credentials before deciding on whether to deal with them. A third of consumers, up from a quarter in 1999, will now actively seek out information on a company's reputation. Younger people are much more likely to actively seek information about a company's behaviour. Among 18 to 29 year olds, 42 per cent had done so at least once in the past year, compared with 33 per cent on average and just 20 per cent in the 60+ age group.

- A significant, and increasing, number of consumers feel unable to always make an ethical purchase. Be it down to availability, price or perceived quality, over a third of consumers now report having felt guilty about 'unethical' purchases. This indicates that a number of consumers are aware of the issues and choices and would, other things being equal, boost the markets for ethical products and services.

- One out of four consumers campaigned on an environmental or social issue in 2007. There have been a number of high profile campaigns on matters such as climate change, including calls for individuals to lobby their MPs for a strong Climate Change Bill. It tends to be younger people that are the most likely to campaign on ethical issues, with 30 per cent of 18 to 29 year olds having done so in the past 12 months.

% who report having done the following at least once in the last 12 months



Average Spend per Household

In 2006, the average spend per household on ethical products and services, excluding charitable donations and ethical finance, reached £664, almost double the £366 annual spend for 2002. Of this total, spend to address climate change, for example on green transport, energy efficiency and renewable energy, has grown as a proportion from 23 to 35 per cent, reaching £232 by 2006.[2]

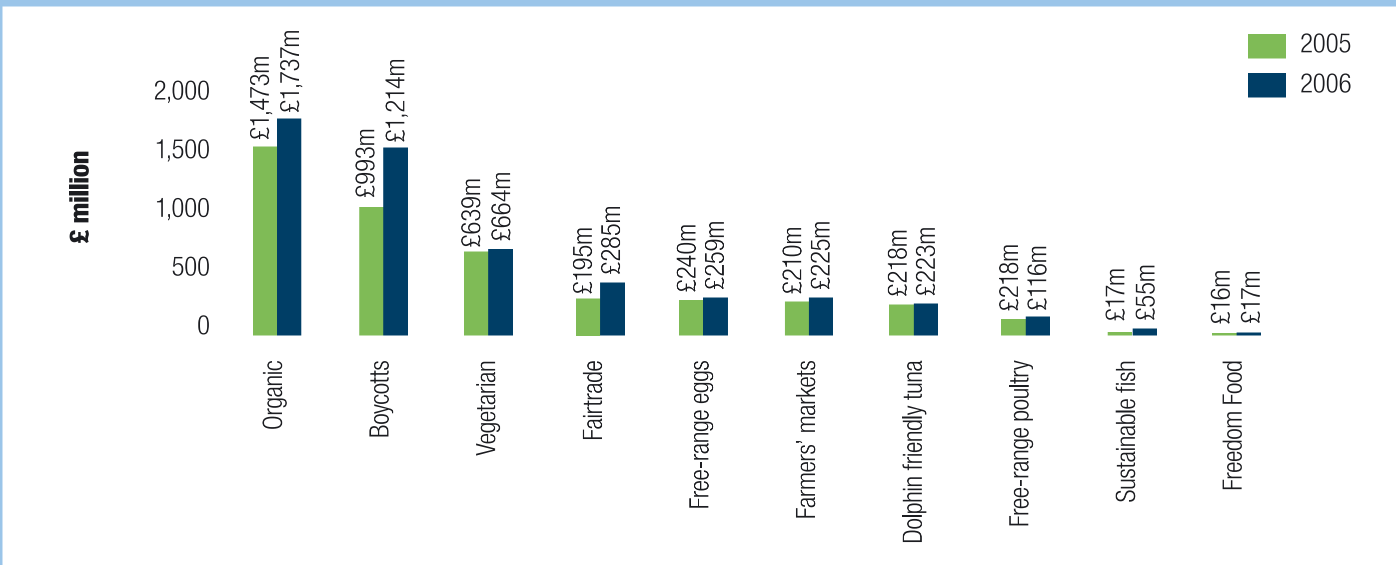
Ethical spending by the average household, £ per year[3]

2 Based on total number of households of 24.4 million (2002), 25.3 million (2006); source: ONS Household Numbers and Projections, Regional Trends 38, 2005. **3** 'Energy efficiency' includes energy efficient electrical appliances, energy efficient boilers & rechargeable batteries; 'transport' includes all eco-travel & transport, 'renewable energy' includes micro generation & green energy tariffs; 'food & drink' includes all ethical food and drink, 'Sustainable home products' includes sustainable timber, buying for re-use (household products) & energy efficient light bulbs; 'clothing' includes ethical clothing, charity shops, buying for re-use (clothing), clothing boycotts and real nappies.

Food & Drink

Consumer spend on ethical food and drink stands at £4.8 billion, an increase in value of 17 per cent in 2006. This includes consumer boycotts, and equates to 6.8 per cent of consumer spend on food and drink,[4] up from 6.1 per cent in 2005.

Ethical Food & Drink in the UK, 2005-2006

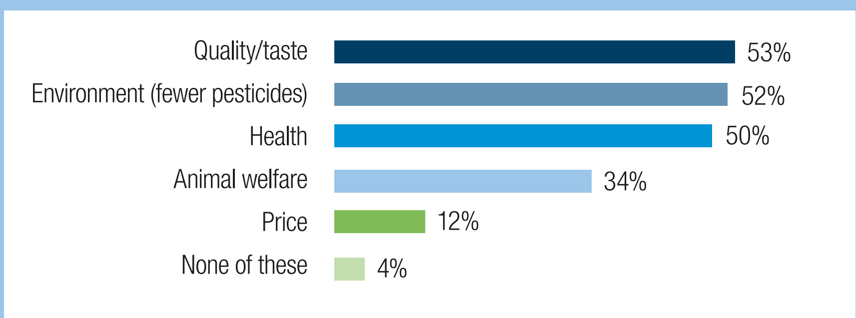


Organic food & drink

Spend on organic food and drink increased by 18 per cent in 2006 to reach £1.7 billion, equivalent to 2.4 per cent of the £70.9 billion market for food and drink. Taste, quality and the environment are given equivalent rankings as the three main reasons given by consumers for purchasing organic food products.[5]

After its early impressive growth, markets for organic produce slowed down. Over the last two years this has been reversed. Indeed, should the recent independent study that organic produce contains more nutrients than conventional produce be substantiated then sales of organic produce could once again accelerate.[6]

Top reasons for purchasing organic food



4 Based on household consumption expenditure on food and drink of £70.9 billion in 2006 (Source: ONS, Consumer Trends 2007 Quarter 1). **5** As part of the Co-operative Bank Ethical Household Spend Survey, 1,065 consumers were asked which, if any, of the factors given were the top three reasons that influenced the decision to purchase organic food in the last 12 months. **6** Quality Low Input Food project, 2007 (www.qlif.org).

Food & Drink (cont…)

Fairtrade food & drink

Fairtrade continues to show strong growth, with sales of products carrying the FAIRTRADE Mark growing by 49 per cent to reach £285 million in 2006. The Fairtrade Foundation reports that the FAIRTRADE Mark is now recognised by 57 per cent of British adults, an increase of five percentage points in one year. Retail sales of Fairtrade tea and coffee reached £118 million, a rise of 43 per cent since 2005. Fairtrade tea and coffee's market share grew from seven per cent in 2005 to ten per cent in 2006. Strong growth was also seen in Fairtrade wines, which increased by 68 per cent in retail value.[7]

Organic Food

Year	Spend £m	% growth
1999	390	
2000	605	55
2001	805	33
2002	910	13
2003	1,000	10
2004	1,193	19
2005	1,473	23
2006	**1,737**	**18**

Fairtrade Food

Year	Spend £m	% growth
1999	22	
2000	33	50
2001	51	53
2002	63	25
2003	92	47
2004	141	52
2005	195	39
2006	**285**	**46**

Consumer food & drink boycotts

In this report, the value attributable to boycotts reflects the income lost by one brand to another because a consumer switched brands because of an ethical concern be it human rights, animal welfare or the environment. To avoid double counting, the value of boycotts excludes instances where consumers switched brands to Fairtrade, organic or any other product categories included elsewhere within the report.

Boycotts of food and drink products increased by 22 per cent in 2006 to reach £1,214 million. The most common reasons cited by consumers were concerns over labour rights in companies' supply chains, irresponsible marketing practices in the developing world and animal welfare.

Sustainable fish

Sustainable fish certified by the Marine Stewardship Council (MSC) trebled in value from £17 million to £55 million. The aim of the MSC is to reverse the decline in fish stocks, safeguard livelihoods and deliver improvements in marine conservation worldwide. Globally, there were 22 MSC-certified fisheries by March 2007, up from 16 the year before, and the number of businesses that trade in MSC-certified fish rose from 237 to 433 in the same period.[8]

7 Fairtrade Foundation press release, 10 August 2006. **8** Marine Stewardship Council Annual Report 2006/07.

Food miles

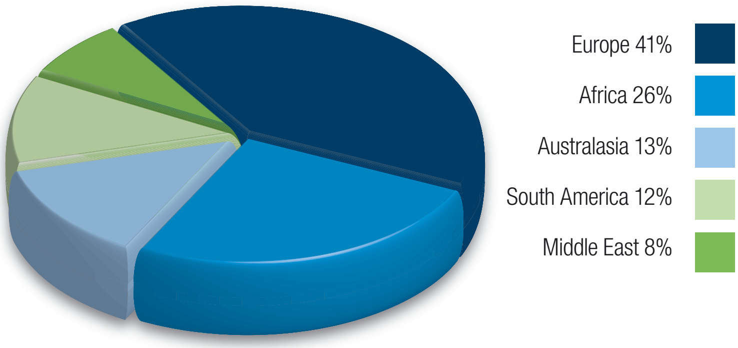
Some 13 per cent of UK adults reported avoiding buying groceries because of concerns about 'food miles', or the environmental impact of food transport, and purchased a more regionally produced item instead.

Three per cent of people claimed to avoid food labelled from Africa and two per cent avoided food from Latin America. However, emerging research has shown that certain air-freighted products could have lower embedded carbon impacts than more locally grown produce.[9] As such, there is increasing debate over whether 'food miles' are a suitable way to judge the environmental impact of products and services. So, this may turn out to be a short-lived trend as consumers begin to also factor into their purchasing decisions other potential ethical repercussions, e.g. a loss of income for farmers in developing countries. As such, this trend in consumer behaviour will be tracked for a number of years before its economic value can be incorporated within the report.

Percentage of UK adults avoiding products due to 'food miles' concerns

Food origin	% of population
Europe	5
Africa	3
Australasia	2
South America	2
Middle East	1
All regions	**13**[10]

Origin of produce avoided due to concerns over 'food miles'



Free-range eggs

In 2006, sales of free-range eggs topped £259 million, compared with sales of £255 million for non-free-range eggs. Sales of free-range poultry reached £116 million in 2006, an increase of 16 per cent since 2005. Concern for animal welfare is the primary reason why consumers purchase free-range, and this concern resonates most strongly with young women.[11]

Freedom Food

In 2006, the value of foods carrying the RSPCA's Freedom Food logo reached £17 million, an increase of ten per cent over 2006. The number of animals reared under the scheme, which stipulates RSPCA animal welfare standards, reached 61 million in 2006, an increase of 45 per cent in the year.[12] About 80 per cent of free-range eggs are sold under the Freedom Food label.[13]

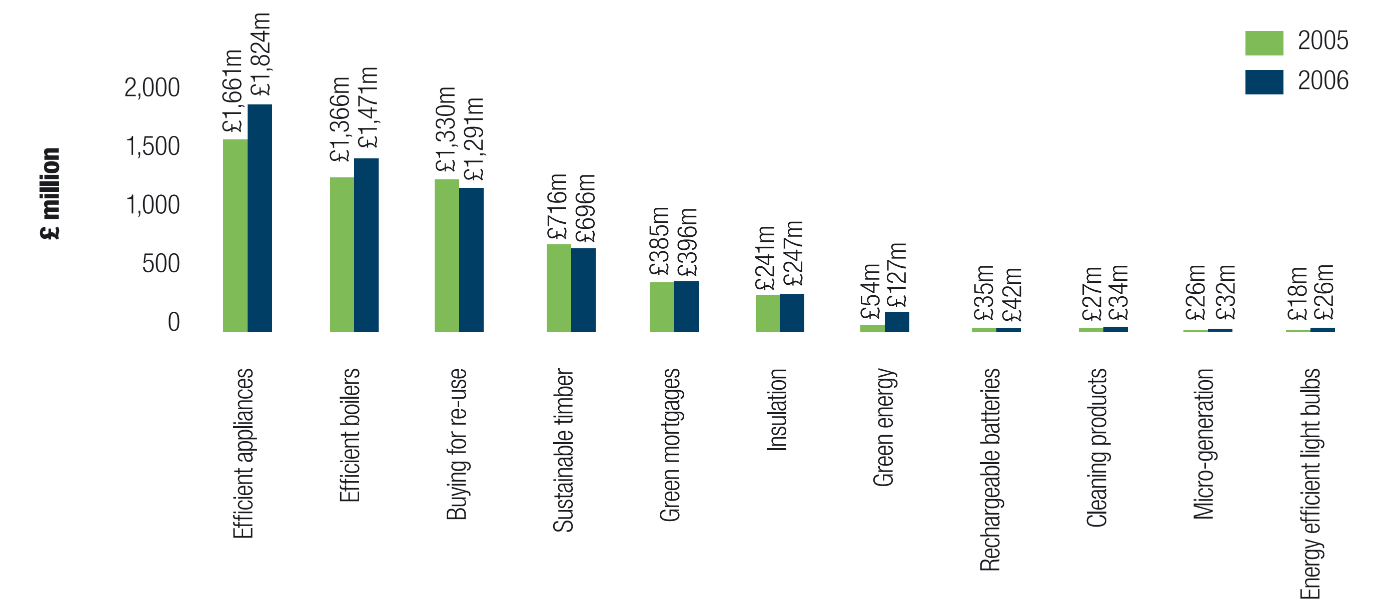
Sources: Data sources for food and drink data are: Soil Association (organic), Fairtrade Foundation (Fairtrade), British Eggs Information Service (free-range eggs), British Poultry Council (free-range poultry), National Farmers' Retail and Markets Association (FARMA) & Mintel (farmers' markets), Vegetarian Society/Mintel (vegetarian foods), MSC (sustainable fish), Earth Island Institute (dolphin friendly tuna). Freedom Food data covers retail sales of RSPCA Freedom Food certified products collected from selected retailers. Food boycotts data is derived from the Co-operative Bank Ethical Household Spend Survey.

9 Comparative Study of Cut Roses for the British Market Produced in Kenya and the Netherlands, Cranfield University, 2007. **10** Percentages do not sum as consumers may avoid products from more than one region. **11** As part of the Co-operative Bank Ethical Household Spend Survey, 1,065 consumers were asked which, if any, of the reasons listed are the top three reasons that influenced the decision to purchase free-range eggs in the last 12 months. **12** RSPCA Trustees' Report and Accounts 2006. **13** DEFRA, Eggs & Poultry Assurance Schemes, www.defra.gov.uk.

Green Home

Spend on energy-efficient and sustainable home products is over £6 billion in 2006, a growth rate of six per cent over 2005. In the main, it continues to be sales of 'A' rated energy efficient appliances and boilers which provide the overwhelming bulk of total sales.

Green Home spend in the UK, 2005-2006



Household insulation

Some six per cent of the UK adult population purchased insulation in the last 12 months, with 65 per cent citing concern for the environment as a motivating factor. In addition, seven per cent of the population have installed double-glazing in the past 12 months, and 15 per cent of these cite concern for the environment as a reason. In total, an estimated £247 million is spent on insulation and double-glazing for environmental reasons. While this is encouraging, the number of under-insulated homes remains high; for example only 37 per cent of homes with cavity walls have cavity wall insulation, despite a payback period of just five years.[14]

Energy efficient boilers

'A'-rated boilers now account for 69 per cent of boiler sales by volume,[15] and grew by eight per cent in 2006 to reach £1.5 billion in sales. Building Regulations introduced in 2005 mandate a minimum 'B'-rating for new and replacement boilers, effectively banning all models other than condensing boilers.[16]

Green energy tariffs

Spending on green energy tariffs has more than doubled in 2006, growing from £54 million to £127 million. According to the National Consumer Council, almost two thirds of people say they would consider switching to a green energy tariff. However the proportion of households on green tariffs remains under two per cent.[17]

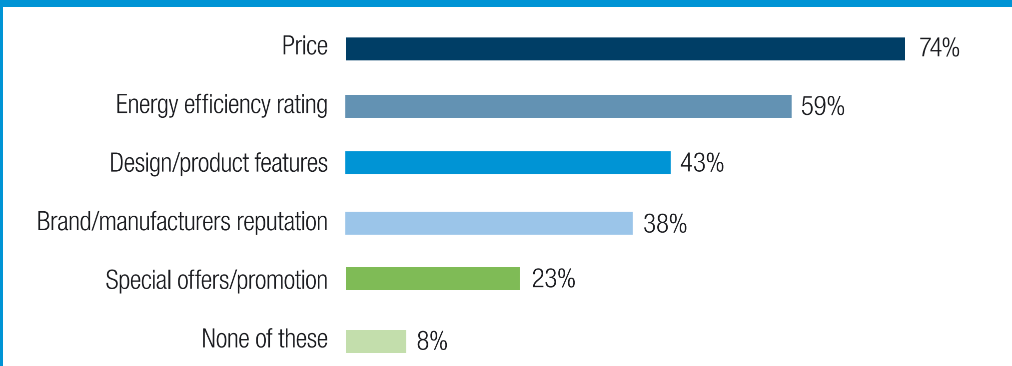
14 BRE Domestic Energy Fact File 2006. Energy Savings Trust, http://www.energysavingtrust.org.uk/home_improvements/home_insulation_glazing/cavity_wall_insulation. **15** Data provided by Heating and Hotwater Industry Council (HHIC). **16** Sustainable Consumption Roundtable, May 2006. **17** 363,500 households on green energy tariffs (The Co-operative Bank/ECRA).

Energy efficient appliances

In 2006, spend on energy efficient appliances reached £1.8 billion, a growth rate of ten per cent over 2005. Sales of ‘A’-rated appliances now account for 56 per cent of all appliance sales, up from 45 per cent two years ago. The high penetration of ‘A’-rated appliances in areas such as washing machines and dishwashers indicates that a revision in efficiency ratings may be under consideration to help consumers find the most efficient products on the market.

After price, most consumers say that the energy efficiency rating is an important criteria in the decision making process.[18]

Top reason for purchasing white goods



Energy efficient light bulbs

In 2006, sales of Compact Fluorescent Lamps (CFLs) reached £26 million, an increase of 44 per cent over 2005. CFLs, which first went on sale in the early 1980s, can save up to £7 a year each in energy costs.[19] However, after over two decades on the market, they have only obtained a market share of 16 per cent. In 2007, major retailers reached an agreement to phase out traditional incandescent bulbs by 2011, which is set to achieve more in four years than the market could deliver in 20 years.

Micro-generation

Spending on solar and wind turbine installations by individuals grew by just £6 million in 2006 to reach £32 million. Going forward, changes to the grant allocation system, which were announced in May 2007, have made solar photovoltaic (PV) installations an uneconomic option for many consumers. The cut in grants follows a year in which high demand led to monthly grant allocations under the Low Carbon Buildings Project (LCBP) frequently running out on the first day of each month.

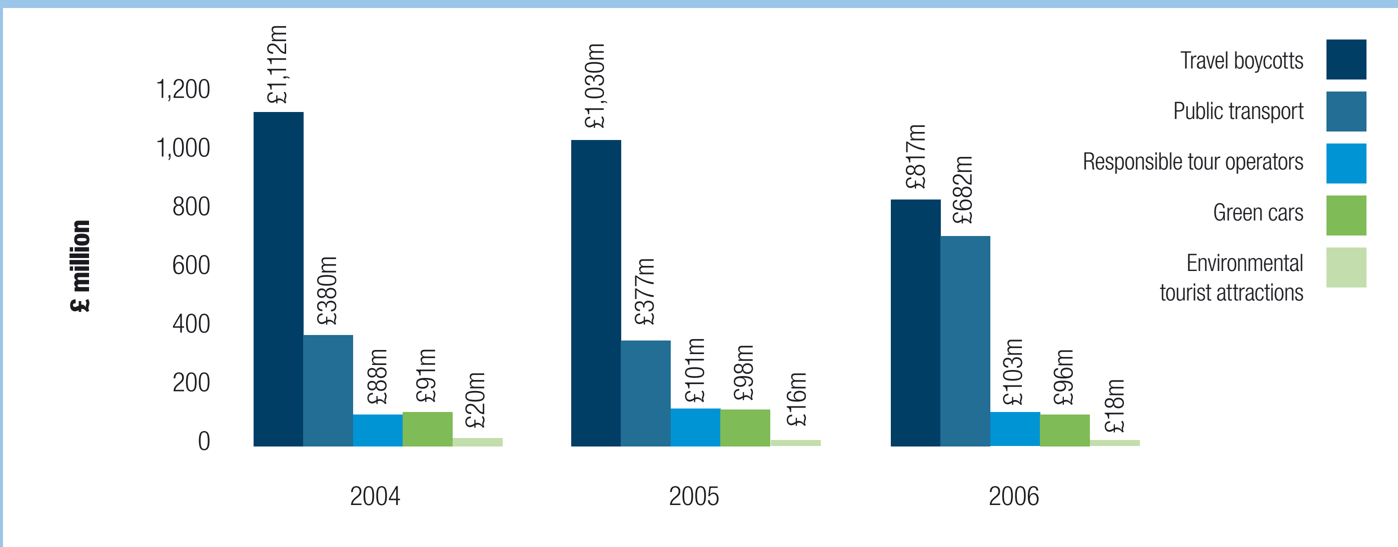
Sources: Data on energy efficient appliances (‘A’-rated cold, wet and cooking appliances) and energy efficient light bulbs (CFLs) is from GFK Marketing. Energy efficient (‘A’-rated) boiler data is derived from HHIC, with analysis of average prices. 2005 data is estimated. Microgeneration data consists of household contributions and grant spend on microgeneration from Energy Savings Trust, ClearSkies, Low Carbon Buildings Program and Smart Energy, plus retail sales of climate offsets from selected providers. Green mortgage repayments includes repayments for Co-operative Bank and Ecology Building Society mortgages. Ethical cleaning products data is collected from company turnovers and sales of BUAV-certified household products. Sustainable timber data covers sales of Forest Stewardship Council certified products collected from leading retailers. Green energy data is collected from providers of green electricity tariffs and derived using ONS data on average annual electricity spend. Insulation and buying for re-use are derived from Co-operative Bank Ethical Household Spend Survey data. Rechargeable batteries data is from Mintel (2005); 2006 data is estimated from historic trends.

18 As part of the Co-operative Bank Ethical Household Spend Survey, 1,065 consumers were asked which, if any, of the reasons listed are the top three reasons that influenced the decision to purchase white goods in the last 12 months. **19** Energy Savings Trust, http://www.energysavingtrust.org.uk/energy_saving_products/types_of_energy_saving_recommended_products/energy_saving_light_bulbs.

Eco-Travel & Transport

In 2006, the value attributable to consumer spend on environmental travel and transport increased by six per cent to £1,716 million. Given the limited consumer choices, the majority of this spend reflects consumer boycotts and spend on public transport motivated by a concern for the environment.

Ethical travel & transport in the UK, 2004-2006



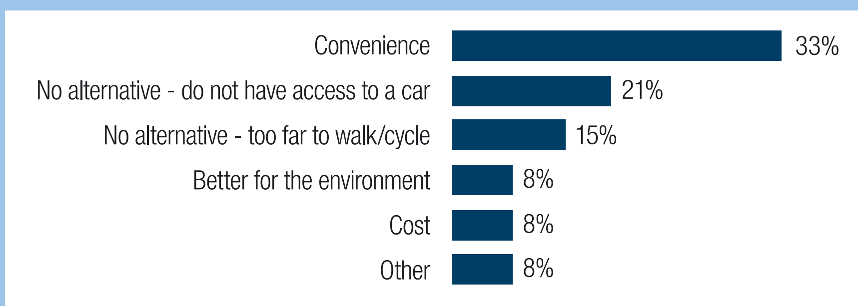
Consumer boycotts

The value of consumer boycotts declined by 21 per cent in 2006 to £817 million. As in previous years, this spend reflects the money that consumers switched from one fuel retailer to another, typically due to concerns over the companies' records on climate change or human rights. The decline in value may reflect the change in campaigning emphasis by the leading NGOs that have switched focus away from specific companies to broader climate change themes. As such, it could be anticipated that this decline may continue into the future.

Environmental public transport

As passenger travel on Britain's railway network increased by eight per cent year-on-year,[20] the number of people stating that the environment is the main reason for their use of public transport increased from six per cent in 2005 to nine per cent in 2006. As such, total spending by passengers on public transport for environmental reasons increased to £682 million.

Ethical travel & transport in the UK, 2004-2006



20 National Rail Trends, Quarter one 2007 - 2008, Office of Rail Regulation.

Green cars

When it comes to transport, many consumer choices are not captured in a way that can be reported upon. So, for example, where consumers are choosing a more energy efficient car or improving the efficiency of their car through better driving you cannot attach an economic value to these choices.

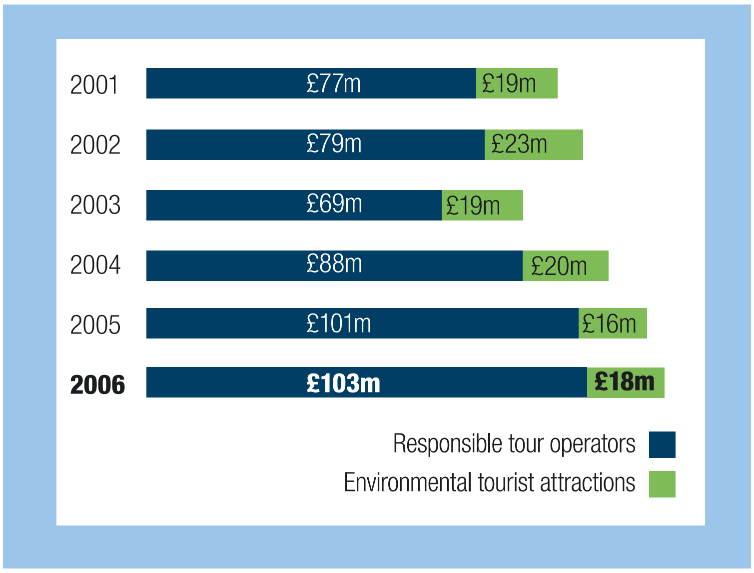
What can be reported upon is spend on green cars, by which we include, in the main, sales of hybrid, LPG and electric vehicles. Overall, green car sales declined by two per cent to £96 million in 2006. However, hybrid car sales, which make up the bulk of sales in this category, actually saw sales growth of 20 per cent in 2006, and the decline was down to liquid petroleum gas (LPG) vehicles and the closure of grant schemes.[21] Furthermore, until there is greater consumer choice, there were five models of electric car available in the UK in 2006,[22] the market will remain at an embryonic stage.

Going forward, the voluntary fuel efficiency label for cars, similar to those for electrical appliances, was introduced in 2005 and established six bands of fuel efficiency corresponding to six grades of vehicle excise duty. Again, this could aid consumer choice once more 'A' or 'B' rated vehicles become available. In addition, the European Commission this year announced plans for mandatory targets to limit average new car emissions to 130 grams of carbon dioxide per kilometre (g/km) by 2012. Data from the Society of Motor Manufacturers and Traders shows that in 2005, new cars bought in the UK emitted 169.4g/km on average, meaning the industry is all but certain to miss its target to cut emissions to 140g/km by 2008.[23]

Responsible tour operators and environmental tourist attractions

Since 2001, spend with responsible tour operators and environmental tourist attractions has climbed 25 per cent to reach £121 million. The bulk of this value is accounted for by responsible tour operators.

Responsible tour operators in this report covers holidays designed to consider the environmental and social impacts on the destination, while environmental tourist attractions includes UK-based environmental attractions.



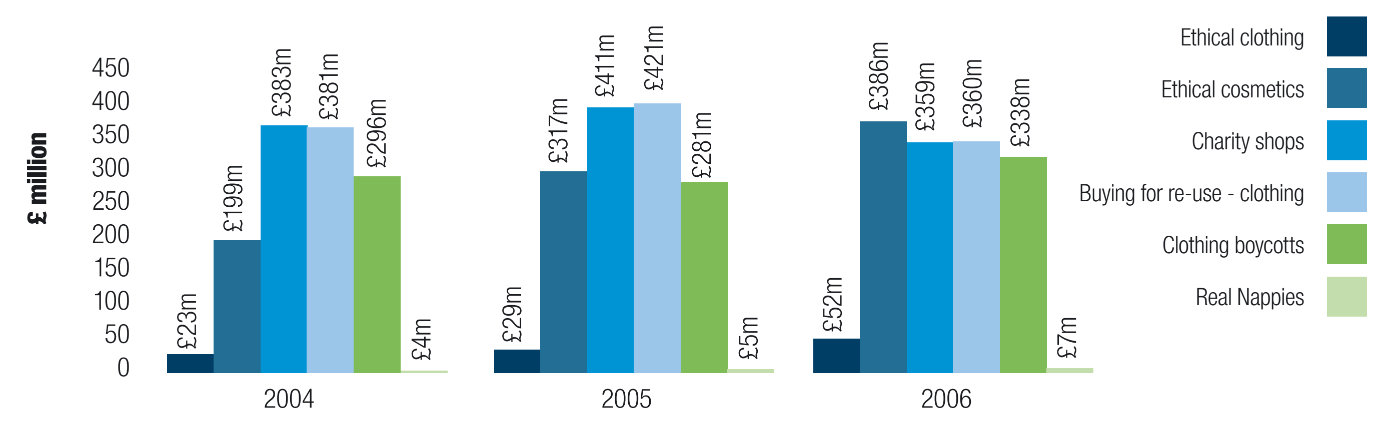
Sources: Figures on environmental tourist attractions are sourced from admissions, catering and retail income of the largest companies in this sector. Data for responsible tour operators is sourced from the incomes of the largest tour operator members of www.responsibletravel.com. Green cars data covers consumer sales of new electric, LPG and hybrid vehicles, collected from manufacturers and industry associations, together with the value of PowerShift and Clean Up programmes from the Energy Savings Trust (EST), and spending by members of the Environmental Transport Association (ETA). Travel boycotts and public transport figures are derived from analysis of Co-operative Bank Ethical Household Spend Survey data.

21 In 2006 the PowerShift and Clean Up grant programmes were closed down. **22** G-Wiz, Micro-Vett Ydea, NICE Mega City, Sakura Maranello4 , Elettrica. **23** ENDS Report 376, May 2006, pp 13-14.

Ethical Personal Products

Spending on ethical personal products remained stable in 2006. At £1,502 million, the total sales of clothing and cosmetics registered an overall growth rate of just three per cent. However, on the back of extensive media coverage, sales of Fairtrade and organic clothing grew by 79 per cent to £52 million, indicating a real potential for a high street ethical clothing option.

Ethical personal products in the UK, 2004-2006



Ethical cosmetics

The market for natural, organic and non-animal-tested cosmetics grew by 22 per cent in 2006 to reach £386 million, accounting for three per cent of the overall cosmetics market.[24] The majority of these sales are cosmetics certified under the Humane Cosmetics Standard, which certifies that a company has not conducted or commissioned animal testing since a fixed cut-off date. No licences have been granted for cosmetic testing in the UK since 1998, although there is no ban on selling cosmetics in the UK that have been tested on animals outside of the UK.

Clothing boycotts

Consumers tend to engage in ethical boycotts to ‘punish’ companies or brands that they perceive to be acting irresponsibly and where there is no ethical option. Whilst there are a significant and growing number of small or on-line ethical retailers it is anticipated that the trend to boycott clothing retailers will continue until there are accessible and affordable high street options for ethical clothing.

Historically, clothing boycotts have been aimed at global sportswear manufacturers, over allegations of sweatshop working conditions. As a result a number of major brands have invested considerable resource in improving the management of their supply chains.

Most consumers report that once they have boycotted a brand they are highly unlikely to return to it. However, it would appear that where businesses are taking a responsible approach to such issues this is filtering through to consumers, as 2006 saw less evidence for boycotts of such brands.

However, 2006 did see the emergence of a significant number of ‘low-cost’ clothing boycotts. For a number of consumers it would appear that low cost is now a potential indicator of poor labour conditions. Subsequently, overall clothing boycotts grew by 20 per cent in 2006 to reach £338 million.

24 Based on £11.5 billion household expenditure on personal care not including toilet paper (Source: ONS Family Spending 2006).

Charity Shops

The income of the UK's top 500 charities from charity shop donated goods fell by 13 per cent in 2006 to reach £359 million. One possible explanation for the decline is the growing popularity of budget clothes retailers along with Internet auction sites offering an alternative outlet for second hand goods.

Ethical clothing

Fairtrade and organic certified clothing have shown strong growth as an increasing number of mainstream clothing retailers begin selling certified clothing lines. The first lines of clothing carrying the FAIRTRADE Mark appeared in November 2005 and with the support of an increasing number of high street retailers, achieved £5 million in sales in 2006.

Strong growth is forecast in both Fairtrade and organic ethical clothing. The Fairtrade Foundation estimates that sales of Fairtrade cotton products could reach £45 million in 2007, an increase of over 800 per cent in just one year. The Soil Association forecasts that at current growth rates, the UK market for organic cotton products could be worth £107 million by 2008, up from £45 million in 2006.

Ethical Clothing 2005-2006

	2005 £m	2006 £m	% growth 2005-2006
Organic clothing	25	45	80
Fairtrade clothing	2	5	150
Recycled clothing	2	2	0
Total	**29**	**52**	**79**

Buying for re-use

Some 75 per cent of people in the UK claim to have purchased a second hand product at least once in 2006. For certain purchases, 22 per cent of people cite supporting a good cause or the environmental benefits of buying second-hand as the main motivating factors. As a result, in 2006 some £360 million can be attributed to spend on second hand clothing at charity shops, jumble sales and other second-hand clothing stores for ethical reasons. This respresents a decline of 15 per cent since 2005. The rise in popularity of Internet auction sites (which are not included in this report) and discount clothing stores may be a cause of this decline in value.

Sources: Ethical clothing data includes organic, Fairtrade and recycled clothing, sourced from Pesticides Action Network (PAN), the Fairtrade Foundation and company income data respectively. Fairtrade clothing data pre-2006 is sourced from IFAT-accredited fair trade clothes outlets. Ethical cosmetics data includes Natural & Organic Personal Care Products from Organic Monitor and turnover of products not tested on animals according to BUAV's HCS label and other independently audited standards. Charity shops data covers the income of the top 500 charities from charity shop donated goods, from CAFOD. Real nappies data is sourced from Keynote, Organic Baby & Toddler Care July 2007. Charitable donations covers the voluntary income of the top 500 charities from charitable donations and subscriptions, from ONS. Buying for re-use, local shopping and clothing boycotts figures are derived from analysis of Co-operative Bank Ethical Household Spend Survey data.

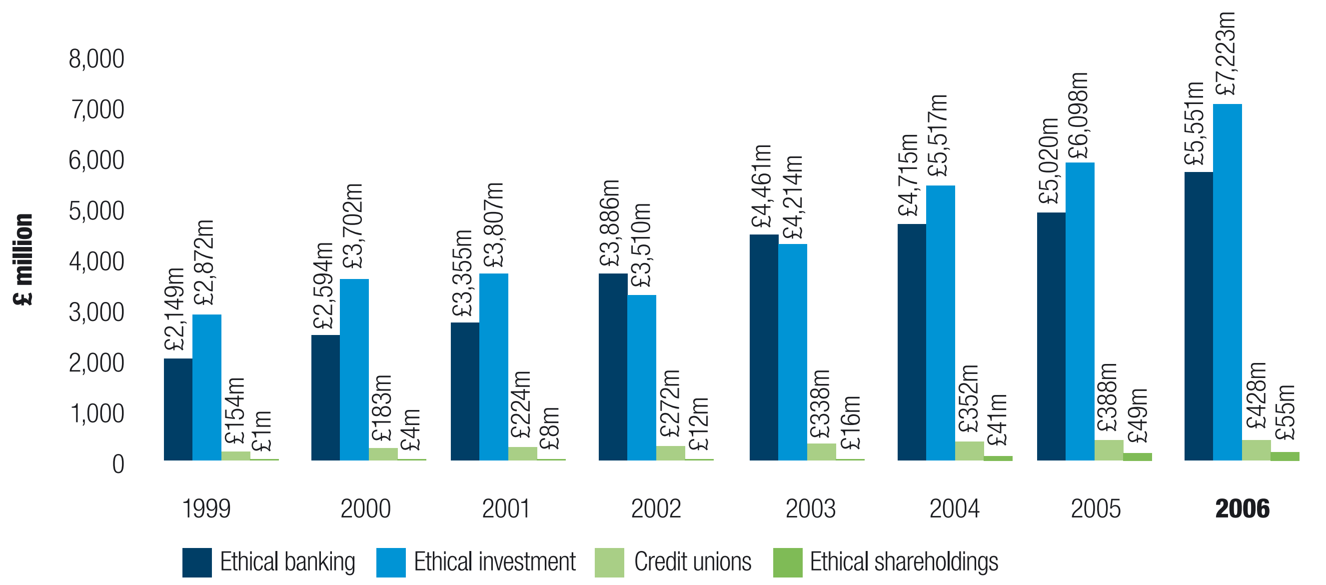
Ethical Finance

2006 saw the largest ever increase of funds into ethical forms of finance. The total value of £13.3 billion represents a net increase of £1.7 billion over the 2005 value. Ethical investment funds have seen the fastest growth, rising, in line with the overall market, at 18 per cent in 2006, to reach £7.2 billion.

Ethical Finance in the UK, 2005-2006

	2005 £m	2006 £m	% growth 2005-2006
Ethical banking	5,020	5,551	11
Ethical investment	6,098	7,223	18
Credit unions	388	428	10
Ethical shareholdings	49	55	12
Total	**11,555**	**13,257**	**15**

Ethical Finance in the UK, 1999-2006



Sources: Ethical banking includes personal, retail deposits with Co-operative Bank, Triodos Bank and Ecology Building Society. Ethical investment data includes monies invested in UK ethical funds from EIRIS. Credit union data covers the value of deposits in credit unions from ABCUL. Ethical shareholdings includes called up share capital plus share premium accounts from the following companies: Cafedirect, Ethical Property Company, Golden Lane Housing, Lifehaus, Good Energy Group, Shared Interest, Traidcraft, Triodos Renewables, Westmill Wind Farm, the Phone Co-op.

About this report

The Co-operative Bank's Ethical Consumerism Report has been produced for eight consecutive years and acts as a barometer of ethical spending in the UK.

In this report, ethical consumerism is defined as personal allocation of funds, including consumption and investment, where choice has been informed by a particular issue – be it human rights, social justice, the environment or animal welfare.

Figures comprise sales data and values attributable to ethically motivated behaviours (such as boycotts) as determined by the annual Co-operative Bank Ethical Household Spend Survey. For the 2006 survey, the total sample size was 1,065 adults. Fieldwork was undertaken between 13th and 17th September 2007. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

Further information

The Ethical Consumerism Report 2007 was produced by The Co-operative Bank, with additional research by the Ethical Consumer Research Association (ECRA). This booklet represents the authors' personal opinions and interpretation of the subject and not the views, opinions or policies of The Co-operative Bank. This booklet may not be reproduced without the express permission of The Co-operative Bank or the authors.

Previous Ethical Consumerism Reports are available at:
www.co-operativebank.co.uk/ethicalconsumerismreport

For further information contact:
Ryan.brightwell@co-operative.coop

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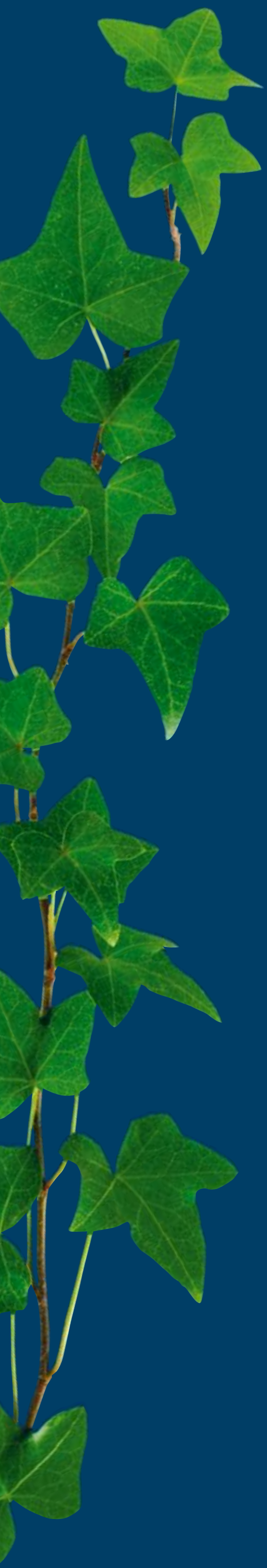
The Co-operative Bank p.l.c., Head Office, P.O. Box 101, 1 Balloon Street, Manchester, M60 4EP.
Registered No. 990937 www.co-operativebank.co.uk



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