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# Consumers' Willingness to Pay for Ethical Attributes

## ABSTRACT

**Purpose:** In recent years, there has been a big increase in the use of ethical attributes as marketing appeals. This paper examines consumers' willingness to pay for three selected ethical attributes, namely 'Organic', 'Recyclable Packaging' and 'Fairtrade' in monetary terms.

**Design/Methodology/Approach:** A modified choice-based experimental design with manipulation of the key constructs was used to estimate the mean value of how much consumers are willing to pay for the selected attributes attached to a box of premium chocolates. The results are based on the responses of a total of 208 consumers.

**Findings:** Of the three attributes, 'Recyclable Packaging' has the strongest influence on the purchase decision, although this attribute generates the least additional value. The aggregated result shows that although consumers are willing to pay more for the product with ethical attributes than the one that is without, still around a half of them are not willing to pay more. In terms of demographics, the results show no significant differences between the two genders or different age groups in their willingness to pay for ethical attributes. As might be expected, willingness to pay was correlated with the level of consciousness of the ethical attributes.

**Originality/Value:** The findings of this study help management to think practically about the value consumers willing to pay for the selected attributes. The results show a significant synergy in a combination of ethical attributes in products.

Keywords: consumer behaviour, experimental design, ethical attitudes, willingness to pay

## INTRODUCTION

Ethical considerations are playing an increasingly important role in consumer decision making (Creyer and Ross, 1997). In the UK, manufacturers and retailers have recognised this trend and incorporated this in their long-term objectives (Centre for Retail Research, 2012). Not only is there increased competition amongst different ethical labels but also retailers, for example Marks & Spencers and Tesco's, have introduced plans that are in line with ethical modern living with respect to organic produce and environmental issues. Food Supermarkets such as Sainsbury's have enlarged the size of the display area and the visibility for organic produce and Morrisons have encouraged their customers to recycle and cut down on the usage of the carrier bags (Morrisons, 2012). Furthermore, there are a rising number of products carrying ethical labels such as Fairtrade and an increased clarity on information carried by the products. As a result, consumers are facing a growing number of choices in supporting ethical attributes and issues. What it says on the labelling and packaging changes consumers' behaviours, attitudes and willingness to pay (Caswell, 1992; Caswell and Mojduszka 2001, 1996; Lee and Hatcher, 2001). A recent study suggests consumers are willing to pay significantly more for ethically produced goods than unethically produced goods and the impact of unethical behaviour of a firm is greater on consumers than their willingness to pay for ethical attributes on a product (Trudel and Cotte, 2009).

Most studies in this area either use descriptive (for example, Loureiro, *et al.* 2002) or trade-off analysis (for example, Ness and Gerhardy, 1994) in examining consumers' attitudes and preferences. However, past studies also found neither attitudes towards

products carrying ethical attributes nor the preferences for certain attributes can predict consumers' behaviour (Carrigan and Attalla, 2001; Carrigan, *et al.*, 2004; De Pelsmacker, *et al.*, 2005). Therefore, the interest of this study is not to look into the attitudes or preferences towards the ethical product but attempts to ascertain the value that consumers are willing to pay for the selected ethical attributes, namely 'Organic', 'Recyclable Packaging', and 'Fairtrade'. The main objective of this paper is to use the modified additive choice-based research design to estimate the mean value that consumers are willing to pay when buying the simulated products with the treatment of one or more of the selected ethical attributes in the experimentation. The simulated choice-based model composition and choice set are attached to a Thorntons 500g boxed premium chocolates. In addition, this study examines the differences amongst different gender and age groups in relation to their willingness to pay for the ethical attributes. Because knowledge is the key factor influencing consumer's willingness to pay in the context of most purchase-decision, a simple ethical attributes recognition test will be used to further examine whether there is a relationship between the logo recognition and willingness to pay.

## **LITERATURE REVIEW**

### **Marketing Ethical Products**

Marketing ethical products is relying on creating a set of values around the ethical trademark and quality targeting the naturally sympathetic consumers with ethical awareness. Ethical augmentation theory identified that consumers may turn away from brands that conduct themselves unethically (Crane, 2001), however other patronage factors, such as price, quality and convenience, are still likely to determine

consumers' decisions (Carrigan and Attalla, 2001; Tallontire, *et al.*, 2001). When purchasing products carrying ethical or socially responsible attributes, consumers are driven by perceived quality and brand status; the ethical benefits are an added value in particular in emotional terms. Therefore, the credibility of product labelling becomes an important issue (McDonagh, 2002). For this sector to continue to grow, not only is it important for the concept of ethical consumption to appeal to mainstream consumers (Nicholls and Opal, 2005) but offer them a more rounded set of products that contain more than one ethical attributes.

### **Ethical Consumption**

Ethical consumerism has become a lifestyle phenomenon that is no longer limited to a small group of ethical consumers, although it can still be observed that some consumers are more conscious of ethical issues than others. Recent consumer research shows over a half of the UK population had bought or recommended a product on the basis of its ethical reputation (Carrigan, *et al.*, 2004). Food and energy are the dominant sectors in ethical consumptions (Mintel, 2008, 2012).

### Consumer Demographics

Auger, *et al.* (2003) suggested there were strong associations between individuals who would consider ethical factors, and demographic variables such as age, gender, lifestyle and ethnicity. Mintel (2006) reported that those who were interested in ethical food and drinks tend to be ABC1 households while those who purchase Fairtrade are better educated, wealthier and aged 30+ (Tallontire, *et al.*, 2001).

In contrast, based on a willingness to pay study, the findings suggest there is no significant demographic differences between those who are willing to pay more for fairtrade coffee and those who do not (De Pelsmacker, et al., 2005). Ethical consciousness is not always associated with socio-demographics and evidence shows that media exposure has contributed to increased ethical awareness and concern (Shaw and Clarke, 1999; Strong, 1997).

### **Ethical Attributes**

Ethical consumption has become a broad implication of concerns in consumptions ranging from political, religious, spiritual, environmental, and social to other motives for choosing one product over the other or sometimes it reflects on the frequency of purchase of one product over the other (Harrison *et al.*, 2005). The ethical indicators are attributes such as recyclable or recycled packaging, organic and Fairtrade.

### Organic

With regard to organic produce, most economic literature published in the late 1990s or early 2000 studied eco-friendly produce motivated by consumers' concerns about pesticide residuals in fruit and vegetables. Back then, organic was viewed as an alternative in association with food safety (Loureiro *et al.*, 2002). However, in recent years, the appeal of organic produce has changed from its health benefit and taste to its environmental friendliness and animal welfare. In a recent survey, a significantly higher number of consumers identified organic produce with the statement that it is 'better for the environment' (38%) than the statement of 'is better for you' (30%) (Mintel, 2008). This shows a significant change of attitudes and the meaning attached

to organic - before it was self-interest whereas now it is ethical and overall good for society and environment.

### Fairtrade

Fairtrade is a symbolism of the anti-exploitation and global citizenship that its functionality of paying the producer fairly means usually consumers pay more for Fairtrade than non-Fairtrade products. For Fairtrade, despite the recession, sales of Fairtrade products rose 12% in 2009, an estimated £799 million (Clarke, 2010). In view of the trends, generally speaking, the increased consumption is a positive correlation between consumers' consciousness and their knowledge on the ethical attributes, and their willingness to pay (Cordell, 1997).

### Recyclable Packaging

Since the early 1990s, there is a significant visible increase in environmental friendly movement driven by consumers (Vandermerwe and Oliff, 1990). This inevitably started to change the business practices. A means-end chain theory analysis found the importance hierarchy of recycling from the consumer perspective is “promote health/avoid sickness,” “achieve life-sustaining ends,” and “provide for future generations.” The key lower-order goals—“avoid filling up landfills,” “reduce waste,” “reuse materials,” and “save the environment”—work through such intermediary goals as “reduce messy trash,” “curtail pollution,” “save resources,” and “save the planet.” Two important terminal goals that were also at intermediate levels in the hierarchy were “save/earn money” and “it's the right thing to do” (Bagozzi and Dabholkar, 2006). Because recycling involves a broad range of actions, for the

purpose of this study in terms product attributes and the research design requirement, recycling will be represented by recyclable packaging.

### **Willingness to Pay**

In terms of the research design, the modelling and estimation of the willingness to pay (known as WTP) is mainly stemmed from studies in economics and agricultural economics (Hanemann, 1984; Aiew *et al.* 2004) and now they are often applied in the area of marketing. The utility-theoretic approach is widely used in the estimation modelling. Most studies on willingness to pay are based on experimental designs, such as contingent valuation, conjoint or choice-based models (e.g. Umberger and Feuz, 2004; Kempen, 2004; Telser and Zweifel, 2007; Hu, 2006).

In terms of research findings, Aiew, *et al.* (2004) examined the role of income in influencing WTP but found income not to be a significant determinant. Research identifies that sometimes consumers are willing to pay for some items with certain brand names, attributes, features or comparable dimensions that can be objectively inferior to others when it is difficult for them to compare (Sevdalis and Harvey, 2006). The third-party accreditation and certification is important for the producers and consumers in assurance the quality and credible labelling (Kirchhoff, 2000; McCluskey, 2000).

### Knowledge, Consciousness and Awareness



As discussed previously, ethical consciousness is not always associated with socio-demographics and evidence shows that media exposure has contributed to increased ethical awareness and concern (Shaw and Clark, 1999; Strong, 1997). Literature suggests that consumer knowledge is a predictor for their willingness to pay (Cordell, 1977). In a free-market environment, ethical products directly compete with established product lines and consumers face the same purchase consideration such as quality, price, convenience and availability (Coddington, 1993). On the one hand, ethical consumption research suggest there is a gap between the belief, preference, and attitude towards the social product features and the intention of purchase and willingness to pay (Carrigan and Attalla, 2001; Carrigan, *et al.* 2004; Shaw and Shiu, 2002; Olson and Zanna, 1993); on the other hand, it also suggests, in the developed countries, consumers' attitudes are aligned with a more ethical stance around purchasing (Auger *et al.*, 2003). While manufacturers and retailers use ethical augmentations to provide differentiation and added value, it is important to analyse the acceptable range of price increment that is in line with consumers' willingness to pay so the intention-behavioural gap can be narrowed.

Consumers with a particular consciousness are willing to pay for certain features. For example, health conscious consumers are willing to pay for additive functionalities in foods, such as eggs (Asselin, 2005) while consumers with social consciousness are willing to pay for social product features (Auger, *et al.*, 2003) and there are positive correlations between consciousness, preferences and awareness (Nelson and McLeod, 2005). Consumer knowledge of the extrinsic cue is a value predictor in relation to its diagnostic utility (Cordell, 1997).

Having reviewed the above literature, a contradictory result was also found. Dickson (2001) conducted a study on the probability of purchase amongst those who could identify 'No Sweat' label as one of the predictors of apparel but found only a small proportion of consumers were influenced by the attribute. This suggests that the vast majority of consumers, despite being conscious or aware of ethical labels or attributes, they either do not take ethical attributes into consideration or show an unwillingness to pay a higher price.

Therefore, this study tested the relationships between the recognition of the ethical logos with the willingness to pay (see Methodology).

## **METHODOLOGY**

The limitation of previous experimental research is the design only based on one attribute, for example Fairtrade coffee (De Pelsmacker et al., 2005) and eco-labelled apples (Loureiro *et al.*, 2002). The future trend is the ethical products will be more dynamic than only based on one ethical appeal. Thus, the design of this study aims to include more than one ethical attribute. To further the research in this field, this study simultaneously simulates three ethical attributes, 'Organic', 'Fairtrade' and 'Recyclable Packaging', in the research design. Furthermore, it is important to explore what is viewed as reasonable or is the acceptable level of price increment on an ethical product that does not deter consumers from buying the product when making a purchasing decision.

### **Choice of Product and Attributes**

Before designing the modified choice-based experiment model, it is important to select an appropriate product and a combination of attributes for the experiment (see the section below for further discussion of the model). Literature suggests that consumer knowledge affects the price acceptance and willingness to pay (Cordell, 1997; Rao and Sieben, 1992; Rao and Monroe, 1988). Therefore, the choice of the simulated product and attributes must be known to consumers. Although they are not a necessity for the experimental design, two focus groups with 10 participants each were held to help the researcher: to determine the simulation product and attribute selections; to explore the decision-making process to identify interrelated variables; and, to design the questionnaire. The participants were aged 25 – 55, AB1/2 who do their own or family grocery shopping. ‘Organic’, ‘Recyclable Packaging’ and ‘Fairtrade’ generated most discussions and were identified as the best known ethical attributes in grocery shopping. In product selection that would encompass these attributes, chocolates and coffees were chosen by the participants. For the purpose of this research, a well-known, easily identified premium brand is desirable in the simulation. As a result the simulation product was set between Thortons boxed chocolates and Nestlé Café. However, Nestlé Café was previously involved in controversy and negative publicity (one of the coffee manufacturers along with Starbuck’s was reported to exploit African farmers). The final product choice was Thortons boxed chocolates (500gm) with a proposed price of £15 based on the focus group discussion. Thortons are viewed as the ideal choice of this simulation because it has no negative connotation of a big multinational nor involved in any controversy.

### **The Experiment: Modified Choice-Based Model**

Literature has identified the strengths and weaknesses associated with various analysis and models used to estimate WTP (Lee and Hatcher, 2001). Therefore, it is appropriate to modify models to suit the research design. An adaptive additive model, stemmed from basic experimentation (Dane, 1990) and choice-based designs, is used in this research to estimate willingness to pay by questioning the respondents how much more they would be willing to pay for each or a combination of the ethical attributes. Experimentation involves manipulation of the ethical attributes (independent variables) for the purpose of measuring the value consumers would be willing to pay (dependant variable) (Tull and Hawkins, 1990). Willingness to pay is described as 'utility' in a choice-based model. An adaptive model is a simplified form of the traditional conjoint analysis design, combining self-explicated choices through modified measurement according to the purpose of the research. The traditional additive model is "based on the additive composition rule", which assumes that individuals just "add up" the part-worths to calculate an overall or "total worth" score indicating utility or preferences" (Hair, *et al.*, 2002, p389). The choice-based design can be based on real or simulated choices. The discrete choice is very useful in observing price sensitivities (Riedesel, 2001), therefore it is appropriate in measuring consumers' willingness to pay. For the purpose of this research, the model is modified by translating the willingness into additive perceived values that were given by the respondents. The primary variables used in response to the research questions are the choice-based attributes using experiments on a simulated Thornton's chocolate product. The combination and additive attributes are illustrated in Table 1. Attributes are normally labelled as 'factor' in the choice-based design. The base product is a 500gm box of Thornton's premium chocolates. Product A, B, C, D, E, F and G

represent alternatives with a single ethical attribute or a combination of additive ethical attributes,  $X_1$ ,  $X_2$  and  $X_3$ . The modified experiments, instead of asking the respondents to rank their preferred choices, asked the respondents to project how much they would be willing to pay for these hypothetical products in sterling pounds.

The simulated model can be explained as:

$X$  = The value of a 500gm box of Thorntons premium chocolates = £15

Dependent Variable:

Utility  $Y$  = The value a respondent willing to pay

Independent Variables:

$X_1$  = Part-worth of the Organic attribute

$X_2$  = Part-worth of the Recyclable Packaging

$X_3$  = Part-worth of the Fairtrade attribute

$$Y_A = X + X_1$$

$$Y_B = X + X_2$$

$$Y_C = X + X_3$$

$$Y_D = X + X_{1,2}$$

$$Y_E = X + X_{1,3}$$

$$Y_F = X + X_{2,3}$$

$$Y_G = X + X_{1,2,3}$$

Table 1 Modified Additive Model – Ethical Attributes

A 500gm box of Thorntons premium chocolates				
		FACTOR LEVEL		Utility $Y$
Product	Organic	Recyclable Packaging	Fairtrade	How much more would you willing to pay? (In addition to $X$ )
Product A	Yes			$X_1$
Product B		Yes		$X_2$
Product C			Yes	$X_3$

Product D	Yes	Yes		$X_{1,2}$
Product E	Yes		Yes	$X_{1,3}$
Product F		Yes	Yes	$X_{2,3}$
Product G	Yes	Yes	Yes	$X_{1,2,3}$

A questionnaire was used to record the outcomes of the experiments. Respondents were asked ‘How much would you pay (less or more) for a premium box of chocolates (500gm) with the following attributes? Please state your price expectation over and above the base cost of £15.’

Literature suggests that consumer knowledge is a predictor for their willingness to pay (Cordell, 1977). There are logo images for the visual identifications of three ethical attributes, ‘Organic’, ‘Recyclable Packaging’ and ‘Fairtrade’. The recognition of logos were used to reflect consumers’ general awareness and knowledge towards these attributes and certification. The logos are ‘Fairtrade’, ‘Mobus Loop’ (Recycling) and ‘Organic Federation’.

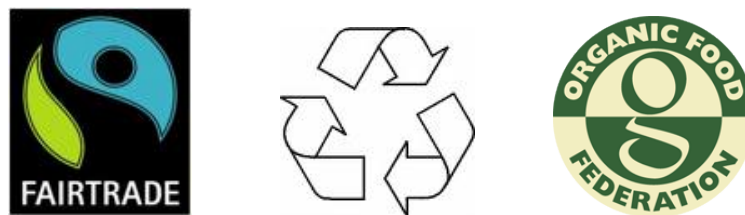


Figure 1: Ethical Logos

### Data Collection

Data was collected through 208 experiment questionnaires. Quota sampling was used to select samples. Gender strata of 75% of females and 25% of males were used based

on the general chocolate purchase trend (Mintel, 2011). The samples are defined as aged 25-55, AB1/2 to suit the simulated product alternatives used in the choice-based model. Two shopping centres and two stations in London were randomly selected for the street interviews. These locations are identified to be high traffic flow areas that provided good access to populations that fit the sample description in different geographical spots in both east and west central and outer London. The two shopping centres were Canary Wharf Shopping Centre, E14, O2 Shopping Centre, NW6; and the two stations were Golders Green coach station, NW11, and Kings Cross Train Station.

## **DATA ANALYSIS**

### **Sample Profile**

The sample consisted of 208 respondents, 71% females and 29% males. Over 60% of the respondents were aged 25-55 and close to 40% of the respondents had an annual income of more than £50,000 (See Table 2). Of the total respondents, 83% of them had bought organic produce in the past while 17% had never purchased any kind of organic produce. In order to establish the relevance of the simulated product, respondents were asked about the frequency of their purchases of boxed chocolates. 3% purchased frequently, 10% regularly, 34% sometimes, 47% occasionally, and 6% rarely.

Table 2 Sample Profile

n=208		
Variables	Frequency	Percentile (%)
<b>Gender</b>		
Male	60	28.8
Female	148	71.2
<b>Age</b>		
< 25	43	20.7
25-55	134	64.4
56+	31	14.9
<b>Income</b>		
< £25,000	37	17.8
£25,001-£50,000	88	42.3
> £50,000	83	39.9

### **Important Attributes when Purchasing a Box of Premium Chocolates**

The result shows that when considering the purchase of a box of premium chocolates, ‘Taste’, ‘Brand Name’ and ‘Packaging/Appearance’ were the most important factors (See Table 3). The ethical attributes come after ‘Price’ but are more important than ‘Place of Purchase’ and ‘Low Calorie or Sugar’. Of the three main ethical attributes on which this study focused, ‘Recyclable Packaging’ (mean = 3.18) was relatively more important than ‘Fairtrade’ (mean = 3.11) and ‘Organic’ (mean = 2.94), respectively. Considering the central tendency, in general, consumers are indifferent towards ethical attributes in the choice of a box of premium chocolates. The common patronage factors are very important to consumers.



Table 3 Important Attributes for Purchasing A Box of Premium Chocolates

n=208

Attributes	Mean	Std. Dev.
	5= Very important; 1=Not important at all	
<b>Taste</b>	4.63	0.56
<b>Brand Name</b>	4.01	0.84
<b>Packaging/Appearance</b>	3.95	0.86
<b>Ingredients</b>	3.90	1.12
<b>Price</b>	3.73	1.02
<b>Recyclable Packaging</b>	3.18	1.07
<b>Fairtrade</b>	3.11	1.12
<b>Organic</b>	2.94	1.14
<b>Place of Purchase</b>	2.57	1.06
<b>Low Cal. or Sugar</b>	2.49	1.27

The data were further analysed using t-test and ANOVA to see if there is a difference between groups with a different profile. The t-test was used to identify if there is a difference between men and women in attaching the importance to the ethical attributes. The result shows that there are significant differences between men and women in placing the levels of importance on ‘Fairtrade’ and ‘Organic’ ( $p < 0.01$ ) but not on ‘Recyclable Packaging’. Men (mean = 3) placed a significantly higher level of importance on ‘Organic’ than women (mean = 2.21) while women (mean = 3) placed a significantly higher level of importance on ‘Fairtrade’ than men (mean = 2.77). No significant difference was found between men and women with regard to their views towards the attribute of ‘Recyclable Packaging’ ( $P > 0.01$ ). ANOVA was used to examine if different age groups placed a different level of importance on the ethical attributes. The result shows respondents aged 56 or over had significantly higher levels of concern towards ‘Recyclable Packaging’ ( $p < 0.01$ ) (mean = 4) than respondents aged between 25 – 55 (mean = 3.46) and 25 and younger (mean = 3).

This indicates a trend that the older you are the higher level of importance you place on 'Recyclable' packaged goods. Finally, with respect to earnings, there is no significant difference in the level of importance on these three ethical attributes amongst people with different incomes.

### **The Additional Value Consumers Are Willing to Pay**

Respondents were asked to project how much more (base product at £15) they would be willing to pay. Some respondents gave negative values. For these respondents, the ethical attributes diminish the original value of the chocolate and show a definite unwillingness to pay for these attributes. When the 'Organic' attribute was added to the base product, 57.7% of respondents would be willing to pay more but 24.5% would not. For 17.8% of the respondents, it seems a put-off factor or they would pay less than the base price (See Table 4).

As for 'Recyclable Packaging', 40.4% would pay more but 36.5% would not. It would make the base product less attractive to 23.1% of respondents who would pay less than the base price.

For 'Fairtrade', 51.4% of respondents would pay more than the base price for this attribute compared with 26.5% who would not, and 22.1% would want to pay less than the base price. The analyses yield the result that around half of the respondents were not willing to pay more for the three attributes and around one fifth would wish to pay less.

Table 4 Willingness to Pay for Ethical Attributes

<b>FACTORS (ATTRIBUTES)</b>									
	Organic			Recyclable Packaging			Fairtrade		
Value	+	0	-	+	0	-	+	0	-
Frequency	120	51	37	84	76	48	107	55	46
%	57.7	24.5	17.8	40.4	36.5	23.1	51.4	26.5	22.1

On average, amongst single ethical attributes, respondents gave a higher value to the ‘Organic’ attribute ( $\bar{X}_1 = \text{£}1.31$ ) than to the ‘Fairtrade’ ( $\bar{X}_2 = \text{£}0.88$ ) or ‘Recyclable Packaging’ ( $\bar{X}_3 = \text{£}0.53$ ) attributes (See Table 5 and Figure 2) even though when considering how important these attributes in making purchase decisions the ‘Recyclable Packaging’ was ranked higher than ‘Fairtrade’ and ‘Organic’ (See Table 3). Therefore, in this case, there is no correlation ( $p > 0.01$ ) between the willingness to pay for each of the attributes and how important or desirable they are. Consumers perceive ‘Organic’ to be worth more. In other words, the price tag associated with this attribute is higher than those of the other two.

Table 5 What Consumers Are Willing to Pay for Ethical Attributes

Attributes	n=208	
	Additional Value to Pay ( $\bar{X}$ )	Std. Dev.
Organic ( $X_1$ )	£1.30	2.88
Recyclable Packaging ( $X_2$ )	£0.53	2.76
Fairtrade ( $X_3$ )	£0.88	2.72
Organic + Recyclable Packaging ( $X_{1,2}$ )	£1.62	3.16
Organic + Fairtrade ( $X_{1,3}$ )	£2.26	3.46
Recyclable Packaging + Fairtrade ( $X_{2,3}$ )	£1.31	3.05
Organic + Recyclable Packaging + Fairtrade ( $X_{1,2,3}$ )	£3.20	4.11

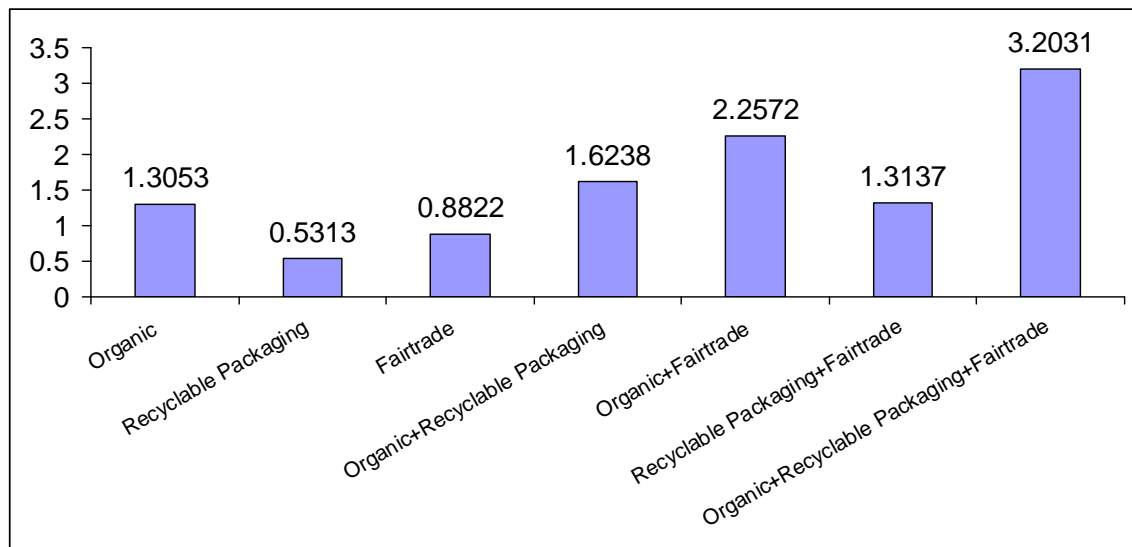


Figure 2 The Additional Value Willing to Pay for the Attribute(s) (£)

The results indicate consumers have a differentiated price tag on each of the ethical attributes. However, it is worth noting this perceived additional value does not equate with the degree of concerns about the particular issue. The analysis of aggregated attributes on ‘a 500gm box of Thornton’s premium chocolates’ shows that the aggregated attributes of ‘Organic + Recyclable Packaging + Fairtrade’ generated the highest value of £3.20 which is greater than the combined separate part-worths of ‘Organic’ (£1.31), ‘Recyclable Packaging’ (£0.53) and ‘Fairtrade’ (£0.88) added together. It is interesting to see that a combination of ethical attributes creates higher perceived value than when they stand-alone. This confirms the synergy of these ethical attributes in generating greater perceived value.

When using the t-Test to analyse whether or not there is a significant difference between the values consumers are willing to pay for a combination of aggregated ethical attributes and when they are viewed individually and then added together, the differences are not considered statistically significant ( $p > 0.01$ ) (See Table 6). This

means the value that consumers are willing to pay for each of the attributes are consistent with when they are viewed individually and when they are combined. This is interesting for marketers to know when pricing the products.

Unlike the results in the earlier analysis on the importance different gender and age groups placed on the attributes, the results associated with the willingness to pay show there is no significant differences between men and women and amongst different age groups (Table 6). The demographics are not a determinant on who are more willing to pay for the ethical attributes.

Table 6 Additional Value Willing to Pay

n=208

<b>Value for Aggregated Attributes Vs. Additive Value Based on Individual Value</b>	<b>Mean Difference</b>	<b>Gender t-Test Sig.</b>	<b>Age Groups One-way ANOVA</b>
$X_{1,2} = \text{£}1.6238$	-0.21	0.26	0.096
$X_1 + X_2 = \text{£}1.3053 + 0.5313 = \text{£}1.8366$			
$X_{1,3} = \text{£}2.2572$	0.07	0.71	0.357
$X_1 + X_3 = \text{£}1.3053 + 0.8822 = \text{£}2.1875$			
$X_{2,3} = \text{£}1.3137$	-1.00	0.66	0.560
$X_2 + X_3 = \text{£}0.5313 + 0.8822 = \text{£}1.4135$			
$X_{1,2,3} = \text{£}3.2031$	0.48	0.16	0.269
$X_1 + X_2 + X_3 = \text{£}1.3053 + 0.5313 + 0.8822 = \text{£}2.7188$			

\*p< 1%

## Logo Recognition and Attitudinal Associations

In the questionnaire, respondents were shown the logos associated with the three ethical attributes. This was to determine the differences in attitudes stemming from the level of recognition and awareness of attributes.

All three logos have relatively high levels of recognitions with 68.2% of respondents indicated that they have total or some recognition of the Organic Federation logo, 63.5% the Mobus Loop (Recyclable Packaging), and 68.6% Fairtrade.

Chi-square and mean analysis suggest that female respondents have a significant higher level of recognition of Organic and Fairtrade logos than males. Respondents aged 25-55 and 56+ have the same level of recognitions of Fairtrade logo (mean = 2.16) that is higher than the <25 age group (mean =1.84). Older respondents have a higher level of recognition of Organic logo than the younger group (age/mean: <25/1.84; 25-55/1.88; >56/2.39).

The recognition of the logos is a reflection of consumer knowledge and consciousness. The results based on regression analysis indicate there is a significant positive relationship between the levels of recognition of each of the attributes and the price respondents were willing to pay ( $P < 0.01$ ). The higher consumers' recognition of the attributes, the higher the additional price they are willing to pay (See Table 8). This consistent with the previous research that knowledge can be a predictor for the willingness to pay (Cordell, 1997).

Table 7: The Level of Recognition of the Logos

	Organic	Recyclable Packing	Fairtrade
Total recognition	26.4%	42.8%	22.1%
Some recognition	41.8%	20.7%	46.5%
No Recognition	31.7%	36.5%	21.1%

Table 8 Relationships between Willingness to Pay and Levels of Recognition of the Logos

n=208

Levels of Recognition	Additional Value Willing to Pay Pay ( $\bar{X}$ ) £		
	Organic ( $X_1$ )	Recyclable packaging ( $X_2$ )	Fairtrade ( $X_3$ )
No Recognition	-0.0379	-0.5132	0.2174
Some Recognition	1.9368	-0.1860	0.7135
Total Recognition	1.9182	1.7697	1.5909
Mean	1.3053	0.5313	0.8822

\*Predictors: (constant); dependent variable: additional spending

## CONCLUSIONS

This study used an experimental design with treatments to one or a combination of the attributes of the ‘Organic’, ‘Recyclable Packaging’ and ‘Fairtrade’. With the increased number of the ethical attributes available to manufacturers and consumers, researcher are no longer facing a single unique attributes as in the past studies of organic apples, Fairtrade coffee, and so on. Researchers should be prepared to look at a complex experimentation scenario.

The aggregated result shows consumers are willing to pay more for ethical attributes. Amongst the three attributes, 'Recyclable Packaging' shows a stronger influence on the purchase decision, compared with 'Organic' and 'Fairtrade' but this attribute generated the least additional value for a box of premium chocolates. It is important for marketers to know that consumers do not perceive that 'Recyclable Packaging' adds much to the total value but it is nevertheless considerably important. In contrast, consumers are willing to pay more for 'Organic' attributes compared with the other two. Although, as discussed in the literature review, there are more people now identify 'Organic' 'is better for the environment' than 'is better for me' but in this study, it is not clear the exact motivation whether is down to the ethical farming method or its widely known benefits of free of chemical residuals and pesticides.

Consumers' willingness to pay for each of the attributes is consistent when the attributes are combined. One of the most significant finding is that a combination of ethical attributes creates higher perceived value than when they stand-alone. This confirms the synergy of these ethical attributes in generating greater perceived value. This shows a greater opportunity to market ethical products with multiple attributes than products have only one. Although overall result shows that on average the ethical attributes generate higher value than the base price, around a half of the respondents were not willing to pay more for these ethical attributes. The reduced value can be interpreted: (1) some respondents viewed the attributes with negative utilities that instead of adding value they diminished the base value; (2) the base price of £15 for a premium box of chocolates (500mg) is too expensive.



In terms of the demographics, there are significant differences between men and women in the importance placed on 'Organic' and 'Fairtrade'; women place more importance on these two attributes than men. There are also significant differences amongst different age groups with the older consumers place higher importance on 'Recyclable Packaging' than are younger consumers. Despite the differences between men and women and different age groups in the importance placed on some of the attributes, there is no significant difference between the two gender groups or amongst the different age groups in their willingness to pay for the ethical attributes. This finding supports previous WTP studies that demographics are not a differentiating factor in the willingness to pay for products.

This study shows that the willingness to pay is correlated with the level of consciousness and recognition of the attributes. The findings show that the higher the recognition of the ethical logos, the more likely it is that consumers will pay more for the attributes, and perceive an added value to the base product.

### **Marketing Implications**

When marketing ethical products, it is important to ensure consumers understand why ethical products are the right choice and why they cost more in order to elevate consumers' willingness to pay for ethical attributes so they will not be put off by the higher prices. However, when pricing an ethical product, it is important to consider consumers willingness to pay and the relative price of the ethical product to the conventionally produced or mass marketed products. During the period of data collection, the research asked some of the respondents who gave no increased

monetary value or less than its based value the reasons for their responses. There were two common replies: firstly, they did not think 'Organic', 'Fairtrade' and 'Recyclable Packaging' should cost more because they considered the attributes should be the basic attributes for all products; secondly, they thought these attributes should achieve economies of scale in time and therefore should not be more expensive. These insights provide some interesting explanations to the statistical results. In the long term, whilst continuing to be value and quality conscious, consumers are willing to pay more for a combination of ethical attributes and expect the three ethical attributes to be conformed features of a product so they will not need to include moral judgements in deriving expected value of a product on making purchase decisions.

### **Limitations and Future Study**

The aim of this paper is to estimate consumers' willingness to pay for the so called ethical attributes. This paper provides marketers with a guide on how much consumers are willing to pay for 'Organic', 'Recyclable Packaging' and 'Fairtrade' in monetary terms based on a box of chocolates. The experimental design is based on the manipulation of the independent variables but its limitation is that it does not explain the underlying motivations for the outcomes, for example why consumers are willing to pay more for Organic than Fairtrade. For future studies, it would be interesting to analyse the attitudes and motivation linked to the willingness to pay.

The proportion of the female sample in this study is in line with the general chocolate purchaser population. Although this does not affect the subgroup comparison, in

situations where practitioners may want to generalise the findings to other type of products, the results should be used with caution because they may be more representative of the behaviours of females and potentially could be a limitation.

Recent studies indicate consumers are more willing to pay for social or ethical features. With an increased level of political campaigning and media exposure of environmental issues and exploitations of developing or third world countries, the general public has an increased awareness of how their lifestyles or consumption impacts the environment and/or how the cheap goods were made at what and whose expense. Furthermore, as literature has identified that there is a gap between preference, attitudes and behaviours in relation to ethical attributes, future study can consider longitudinal research to monitor if the gap narrows when consumers become more affluent and more aware of the social issues.

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