

Ethical Consumer

Markets Report 2016



Triodos @ Bank

ethical
consumer



Introduction from Triodos Bank

One of the very clear messages of this past year is that our society is facing a number of very large challenges: from climate change to global economic pressures to increasing inequality. In the face of these challenges, it would be easy for us to believe that our individual actions have little power to make a positive impact. However, this year's Ethical Consumer Market report shows that this is not the case—more than ever we are individually and collectively choosing to invest our time and money into things that will make a positive difference.

As Europe's leading sustainable bank, Triodos Bank has grown on the singular belief that if you invest in the right things, then you will get outcomes that are positive for the environment and society. We are proud to sponsor this year's Ethical Consumer Market Report, which shows that individuals across the UK are rallying to support ethical goods across the spectrum. And as a result, we are seeing these industries grow, innovate and offer alternative products and services that will benefit each and every one of us in the long-term. Money is a form of democracy, and each time we open our wallet or reach into our purse for one of these products or services, we are voting for the future that we want to see.

The report's findings are a very positive sign that we are moving in the right direction. As a bank, Triodos wants to make money work for positive social, environmental and cultural change. As a society, as shown in this report, we are increasingly moving towards a similar trajectory. The places you choose to invest, save or spend are a vote for on the world you want to live in. Money can be a force for good, and we are starting to see how that belief can have a huge impact on our society, our environment and ourselves.

Triodos Bank

Bevis Watts

Managing Director at Triodos Bank UK

Executive Summary

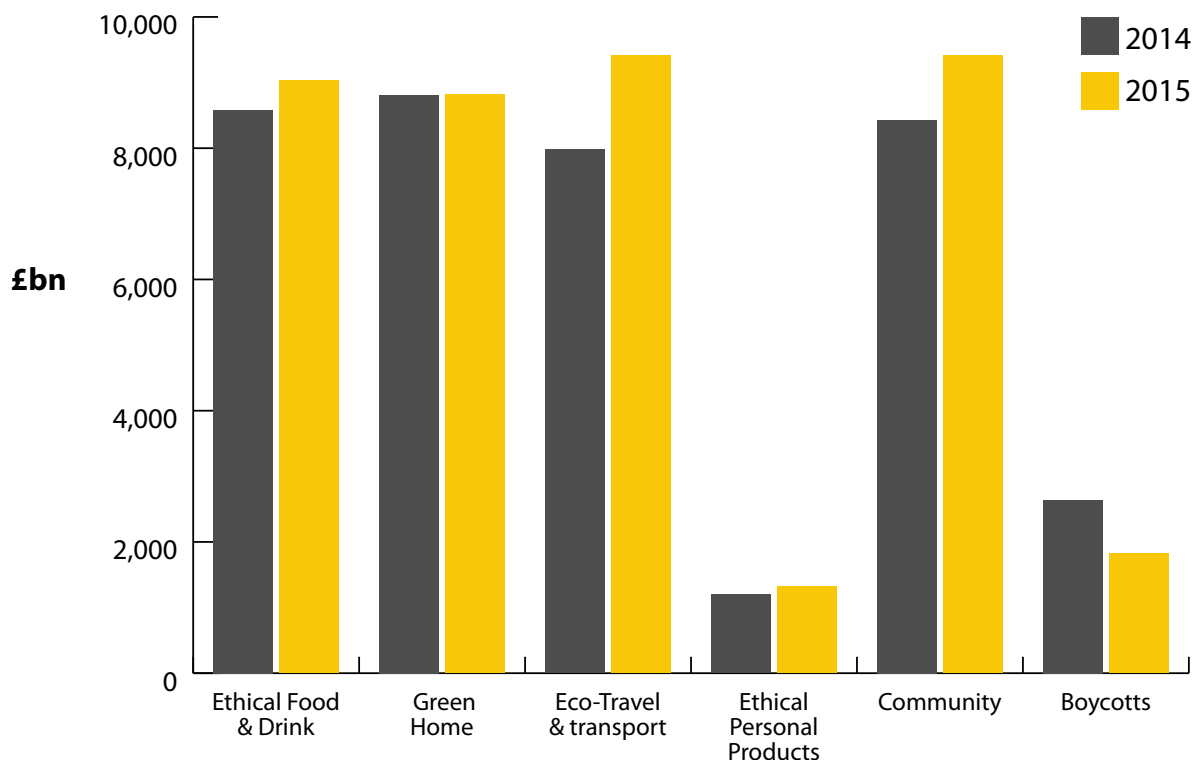
More companies, from small entrepreneurs to large multinationals, are bringing more ethical choices than ever before to modern consumer markets. These range from tiny, one person, operations making organic food products in their own kitchens to Nissan's latest range of electric cars.

With more people being able to make the ethical choices they want, our latest figures for the value of all Ethical Purchases in the UK recorded an impressive **8.5%** growth during 2015, a year which saw inflation rates bottomed out at 0.0%. This is the thirteenth consecutive year of growth for our Ethical Purchases section, reflecting the continued appeal of ethical markets in the UK. As a whole the Ethical Purchases market was valued at **£38 billion**.

It is also the third year in a row where we have seen a decrease in overall boycott behaviour. It is possible that the increasing availability of positive alternative choices in many markets means that, for some people, boycotts as a means of disapproval appear a less necessary course of action.

This continued growth in ethical buying is also an encouraging trend at a point in time where global political developments, for those concerned about environmental and human rights issues, are not all that positive. With people now able to choose ethical alternatives for pretty much everything they need from morning to night, this growth in ethical buying is also, arguably, beginning to help us sketch out a more optimistic counter-narrative of what a more sustainable and socially just future might look like at a moment when this kind of vision is most needed.

Year on year comparison



Ethical Purchases

The UK market for Ethical Purchases was valued at **£38 billion** in 2015. Sales grew by **8.5%**, making this the thirteenth year of consecutive growth for this section.

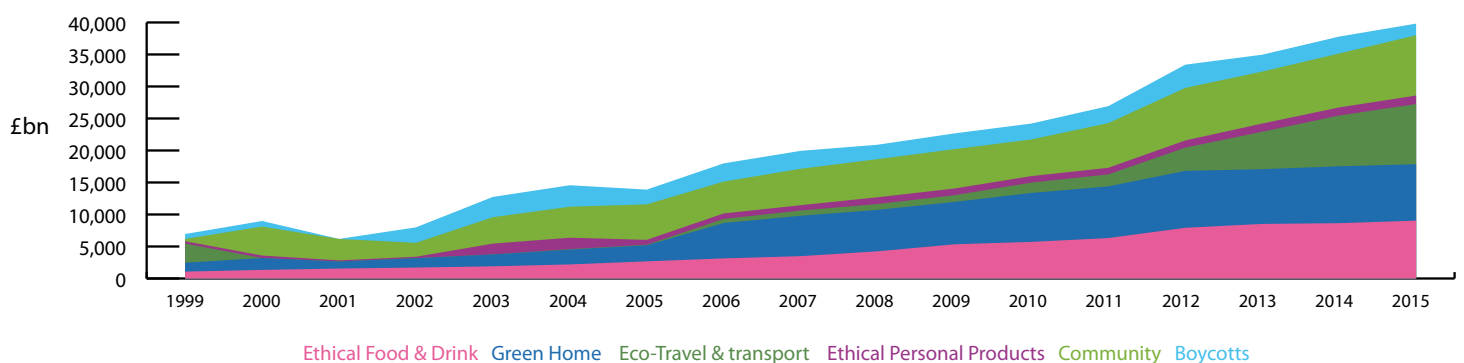
Key Trends

- 1. Ethical Food bucking the trend.** Strong sales of Organic and Freedom Food (RSPCA)-certified products helped Ethical Food & Drink sales grow by 5.3%, despite a 0.9% decline in the value of the overall UK food & drink market.
- 2. The Green Car revolution.** The Green Car industry (which includes electric and hybrid cars, as well as cars that emit less than 100g of CO₂ per km) continued to boom and is now worth £8.4 billion, owing to improvements to infrastructure and increased consumer awareness.
- 3. Local Shopping for ethical reasons grows significantly in 2015.** Consumers increased ethical spending in their community by 11.7%.

Looking Ahead

- Green scheme cuts by the government are likely to have a significant impact on 2016's ethical markets. Most affected are likely to be microgeneration and green cars, all of which have recently experienced a change in grant schemes.
- Strong sales for household appliances have been predicted as smarter technology is set to boost high-end sales, the vast majority of which are rated A to A+++ for energy efficiency.
- Small suppliers continue to plug the gap as the 'Big Six' energy companies have cut their Green Energy Tariffs. Expect next year's report to include up and coming suppliers such as Bulb Energy, Octopus Energy and Green Star Energy.
- Marine Stewardship Council (MSC)-certified product sales are set to continue their meteoric rise as the UK's biggest supermarket Tesco commit to significantly expanding their Sustainable Fish range.

Ethical spending in the UK, 1999-2015



Ethical Food and Drink	2000 £m	2014 £m	2015 £m	% Growth 2014 - 2015
Organic	605	1,669	1,744	4.5%
Fairtrade	33	1,612	1,572	-2.5%
Rainforest Alliance	n/a	2,048	2,048	0.0%
Free range eggs	182	632	609	-3.6%
Free range poultry	44	290	275	-5.2%
Vegetarian products	479	668	710	6.3%
Freedom Food	n/a	1,221	1,570	28.6%
Sustainable fish	n/a	440	507	15.2%
Subtotal	1,343	8,583	9,034	5.3%

Green Home	2000 £m	2014 £m	2015 £m	% Growth 2014 - 2015
Energy efficient appliances	229	2,370	2,551	7.6%
Energy efficient boilers	214	2,907	2,851	-1.9%
Micro generation	n/a	715	925	29.4%
Energy efficient light bulbs	12	79	77	-2.5%
Ethical cleaning products	3	56	59	4.2%
Sustainable timber and paper	629	1,293	1,344	3.9%
Buying for re-use	759	1,189	791	-33.5%
Green electricity tariffs	6	204	218	6.9%
Subtotal	1,852	8,813	8,814	0.0%

Eco-travel and Transport	2000 £m	2014 £m	2015 £m	% Growth 2014 - 2015
Cars	4	6,976	8,406	20.5%
Bicycles	348	1,005	1,004	-0.1%
Subtotal	352	7,981	9,410	17.9%

Ethical Personal Products	2000 £m	2014 £m	2015 £m	% Growth 2014 - 2015
Ethical clothing	5	33	29	-12.1%
Buying for re-use – clothing	218	520	594	14.2%
Ethical cosmetics	175	647	699	8.0%
Subtotal	398	1,199	1,323	10.3%

Community	2000 £m	2014 £m	2015 £m	% Growth 2014 - 2015
Local shopping	1,620	1,805	2,375	31.6%
Charity shops	141	529	542	2.5%
Voluntary income of top 500 charities	2,764	6,094	6,496	6.6%
Subtotal	4,525	8,428	9,413	11.7%

Total without boycotts	8,470	35,004	37,993	8.5%
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Boycotts	2000 £m	2014 £m	2015 £m	% Growth 2014 - 2015
Food and Drink	587	1,482	752	-49.3%
Transport	112	898	588	-34.5%
Personal	174	260	486	86.9%
Subtotal	873	2,640	1,826	-30.8%

Ethical Basket & Boycotts Total	9,343	37,644	39,820	5.8%
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Ethical money	2000 £m	2014 £m	2015 £m	% Growth 2014 - 2015
Ethical banking	2,594	26,784	21,212	-20.8%
Ethical investment	3,702	13,500	15,000	11.1%
Credit unions	183	2,197	2,356	7.2%
Ethical share issues	4	130	135	3.8%
Subtotal	6,483	42,612	38,703	-9.2%

Grand Total	15,826	80,256	78,522	-2.2%
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Ethical Food & Drink

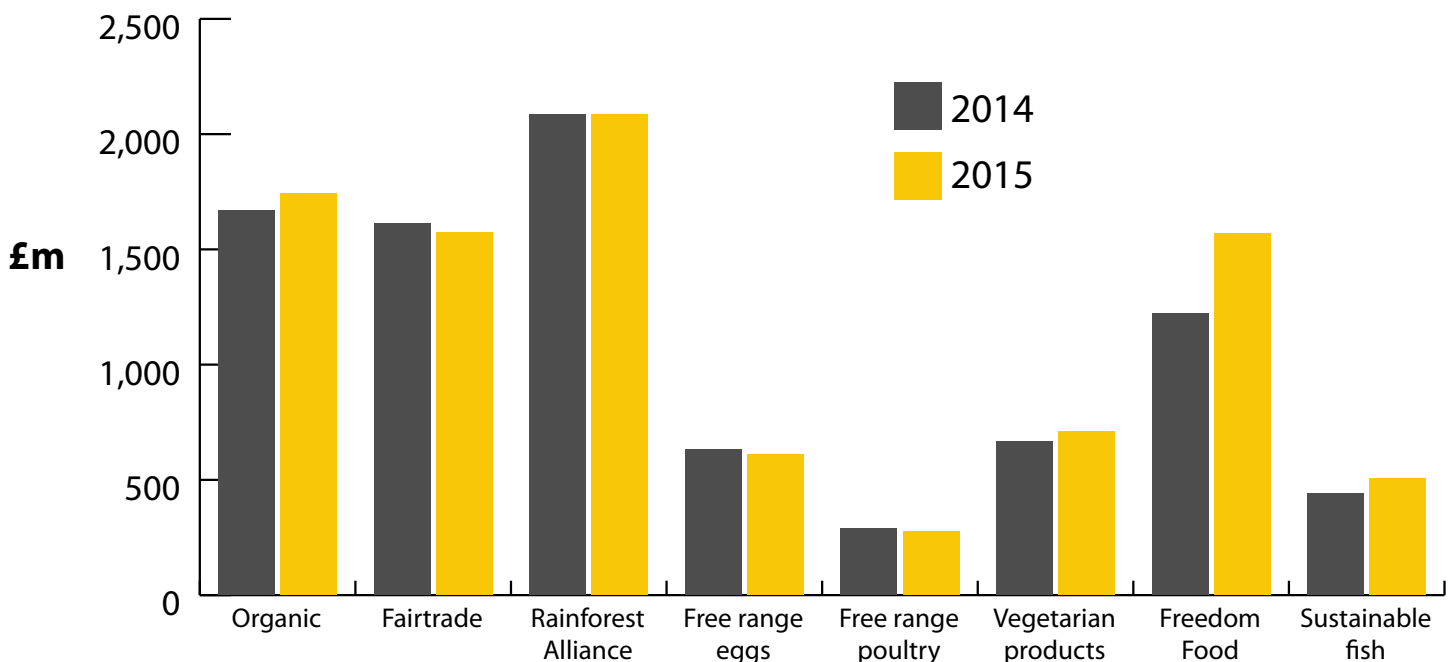
Summary

This report has found that Ethical Food & Drink grew by 5.3% in 2015. Total sales in this category had a net value of over £9 billion. An impressive performance considering that, as a whole, the UK food and drinks markets declined by 0.9% in 2015 – due to a price war between established supermarkets and increasingly popular discounters such as Aldi and Lidl.¹

Key Trends

- 1. Sustainable Fish sales boom and are set to increase further.** In 2003, Marine Stewardship Council (MSC)-certified fish sales were valued at £10 million, in 2015 that figure had grown to over £1.5 billion.
- 2. Ethical Food & Drink sees growth whilst, as a whole, the UK food market declines.** A 0.9% decline in the overall UK food and drink market emphasised the strong performance of the Ethical Food & Drink market during 2015.
- 3. Second consecutive year of decline for Fairtrade.** A crash in the cane sugar market heavily affected Fairtrade sales in 2015 but other products saw double-digit growth.
- 4. Free-Range Eggs sales rise but value falls.** Free-Range Eggs market share increased, with a fall in retail prices leading to a decline in the overall value of total sales in 2015.

Year on year comparison



Organic

A **4.5%** growth in organic food and drink sales during 2015 happened in spite of a 0.9% decline in the overall UK food and drink sector.¹ This strong year for organic food and drink took 2015's sales up to **£1.744 billion**. Despite these positive indications, the Organic market is still a niche one, only accounting for 1.4% of the entire UK food and drinks market.²

Laura Webb, from Kantar Worldpanel UK, said that growth in organic sales have come from "repeat shoppers who are [already] engaged with organic products ... there has been little growth from new shoppers in the last year, which could be an important group in order for this growth to continue."³

As other products in the UK food and drinks market are declining in value, organic-certified products have been bucking the trend, proving the loyalty of ethical consumers. The Soil Association cited a particularly positive year for sales of organic products by independent retailers, demonstrating a shift towards localism and away from big supermarkets,¹ a finding which is echoed by this report's Local Shopping section, which recorded a 32% growth.

Fairtrade

This report has found that Fairtrade sales shrunk for the second year in a row. In 2015, sales of Fairtrade-certified food and drink products totalled **£1.6 billion**, £50 million down year-on-year, an overall decline of **-2.5%**. Despite this general trend, some Fairtrade products performed well, particularly, tea and coffee, and Fairtrade wine.

A closer look at the sales statistics, provided for this report by the Fairtrade Foundation, shows that a significant proportion of Fairtrade's

sales decline can be attributed to the crash in the cane sugar market.⁴ In 2015, global cane sugar prices reached a six-year low, falling by a quarter in a year.⁵ This trend is partly explained by The Guardian, which reported that changes in EU market regulations have prompted a shift away from cane sugar and towards domestic, subsidised beet sugar produced in Europe.⁶ Fairtrade's reliance on the cane sugar market was exposed by these developments.

Fairtrade Foundation's Chief Executive Michael Gidney said: "These figures show that British shoppers remain committed to Fairtrade, despite the turbulence in the grocery market. That's good news for those businesses offering Fairtrade products."⁷

Rainforest Alliance

Sales of Rainforest Alliance-certified products flatlined during 2015, remaining at just over **£2 billion**; with inroads into the banana market offsetting market declines in other areas.

According to the Rainforest Alliance's website, over 80% of the world's rainforests have already been destroyed and so it is of paramount importance that businesses, corporations and governments work to protect these ecosystems.⁸ The Rainforest Alliance operates in 85 countries, working to protect remaining forests and working to expand them where possible.⁸

Rainforest Alliance-certified products are grown in farms that meet standards aimed at ensuring environmental, social and economic sustainability. The organisation invests its income back into rainforest sustainability and protection projects.



Free-Range Eggs

This report has found that sales of free-range eggs declined by **3.6%** in 2015, to an overall value of **£609** million.

The national retail market value of all eggs fell by £60 million in 2015 to £895 million (6%),⁹ by far the largest drop in the market since this report began, representing a retraction of the industry to 2011 levels.

This occurred despite the fact that egg production was actually up by over 750 thousand cases during this period.¹⁰ It was egg retail value (prices) that affected the industry so significantly.¹⁰ The sharp drop in retail prices has been attributed to 2015's supermarket price war² as established UK supermarkets such as Tesco, Asda and Sainsbury's attempted to compete with the increased popularity of discounters such as Aldi and Lidl.

Free-range egg sales suffered less than those of their caged counterparts with the industry continuing its shift towards free-range and/or organic eggs.¹⁰ When free-range eggs were first introduced to this report their market share was only 32%; in just eleven years the percentage increased to **53%**.⁹ Despite the average free-range egg costing almost twice as much as a non-free-range egg in 2015, consumers continue to support the Free-Range industry.

A survey done by the British Free Range Egg Producers Association, found that 52% of respondents said they always bought free-range eggs, and a further 28% regularly shop for them.¹¹

Free-Range Poultry

The Free-Range Poultry market recorded its first year of decline during 2015, shrinking by **5.2%**, taking its net value down to **£275** million. Similar to UK egg sales,

the value of all poultry sales was down significantly on 2014's figures, possibly due to a decline in prices generally.¹²

The additional cost of ethical poultry can be quite significant. An average price tag of £5.05 (compared to £2.55) goes some way to explaining why free-range and organic poultry only accounts for just over 6% of the UK market.¹²

Vegetarian Products

Sales of vegetarian products grew by **6.3%** to **£710 million**. This can be partially accounted for by the increase in the number of people following vegetarian or vegan diets in the UK, which has doubled since 1991 to 12%, or 7.7 million people.¹³ The Telegraph confirmed this trend by reporting that the vegan community had grown by 360% in the past decade.¹⁴

This increase in the number of people following meat-free diets in the UK only partly accounts for the inflated sales of vegetarian products; as Quorn's Head of Category Management, Julian Cook explains: "Seventy-three per cent of people who buy Quorn are not vegetarians".¹⁵

This would suggest that many consumers may be buying vegetarian products for health or environmental reasons. Vegetarian products have high protein levels and low saturated fat content which have helped boost sales amongst some meat eaters,¹⁵ particularly as the 'Health and the High Street' report showed that 47% of respondents felt that they had become healthier in 2015.¹⁶

This point is substantiated by our 'Green Shopping' YouGov survey which showed that over 50% of people made changes to their diet because of environmental or animal welfare concerns.

Freedom Food

Freedom Food (RSPCA) total sales in 2015 were valued at **£1.6 billion**, a **28.6%** year-on-year growth.

Freedom Food wanted to highlight that the organisation increased its licensing fees by 25% in 2015. Although this increase didn't come into effect until January 2016, it impacted 2015's sales data because returns are conducted retrospectively, therefore, some organisations were subjected to the increased licence fees and some weren't. This system makes it impossible to decipher Freedom Food's actual growth in 2015. However, the 29% growth suggests that Freedom Food had another positive year.

A look back on Freedom Food's performance in previous Ethical Consumer Markets Reports (ECMRs) shows us that the certification scheme has grown quickly. Since its first appearance in 2004, Freedom Food has grown from a £12 million organisation, into a £1.6 billion one. It is now one of the most recognised standards of 'ethical' meat production – the fact they are able to increase their licensing fee for certification by 25% in a single year is tribute to their popularity and significance in the UK food market.

Sustainable Fish

In its inaugural year in 2003, Sustainable Fish was valued at **£10.5 million**; in 2015, that figure has risen to total worth of over £507 million, a **15.2%** year-on-year growth.

This growth has been driven by consumers valuing sustainability over price and brand.¹⁷ Unlike some other industries in this report, Sustainable Fish continued to grow throughout the 2008 recession.

In terms of retailers, Sainsbury's continues to lead the way in this field. With 76% of the supermarket's

wild-caught fish products certified by the Marine Stewardship Council (MSC), it is head and shoulders above its two closest rivals for MSC products, Waitrose (51%) and Lidl (53%).¹⁸

The future of MSC-certified fish sales looks bright, with Tesco pledging to rapidly expand the amount of sustainable fish on offer to its customers.¹⁹ Tesco's 28.2% share of the UK grocery market points towards bumper sales of sustainable fish in the coming years.²⁰

Although the growth of the Sustainable Fish market has been

impressive, the threat of overfishing is omnipresent in this industry. Unfortunately, global trends in fishing markets paint a bleak picture for the industry, with 90% of world fish stocks either fully exploited or overfished. Further to this, production has been projected to increase by 17% by 2025.²¹ However, in 2015, for the first time more than 50% of fish consumed globally was from farmed fish, reducing the impact of fish consumption on our oceans.²² Sadly, this trend is not represented in our market research as the MSC does not certify farmed fish.

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Green Home

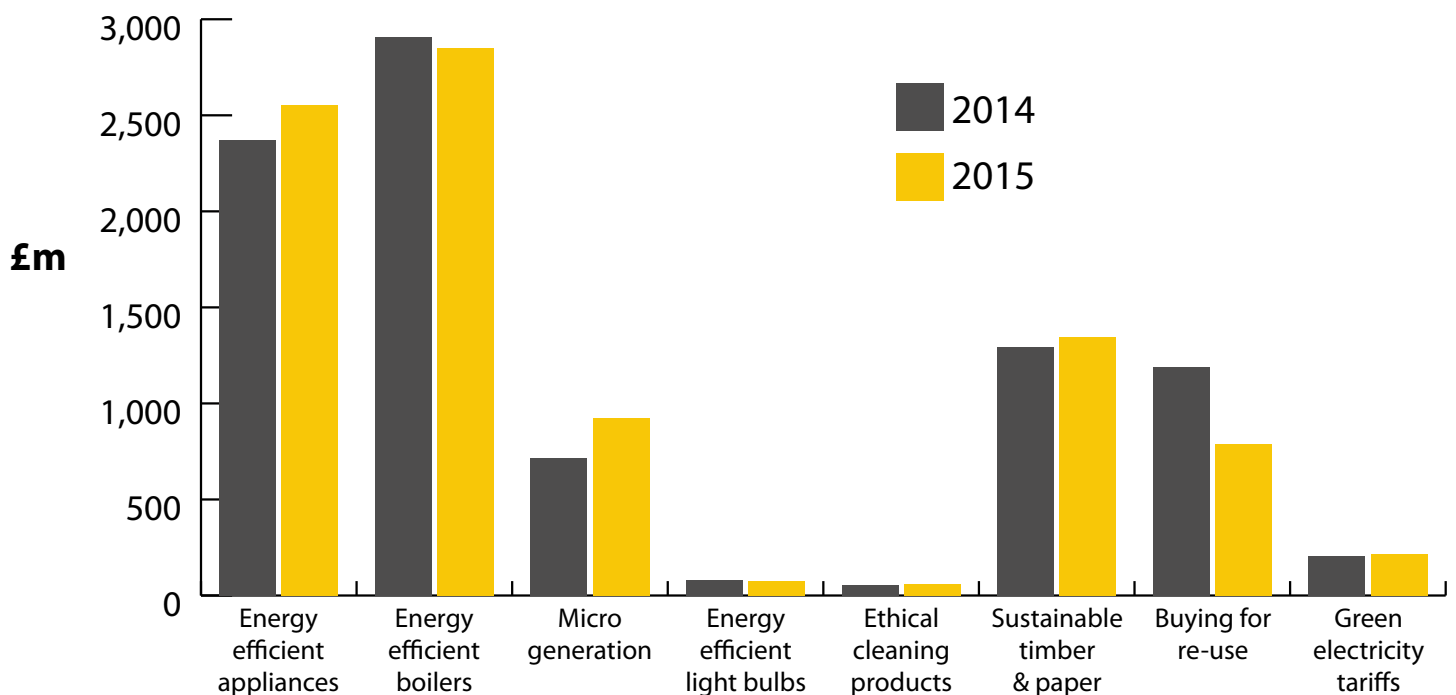
Summary

Sales in our Green Home category flatlined during 2015, ending the year with a net worth of **£8.8 billion**, the same as 2014. There were some strong performers in energy-efficient appliances, microgeneration and green electricity tariffs, which offset a challenging year for second-hand sales.

Key Trends

- 1. Smarter appliances boost Green Home sales.** Top of the range appliances which can be controlled via your mobile phone helped energy-efficient appliances sales grow by 8%.
- 2. Imminent government cuts to feed-in tariffs boost 2015 Microgeneration sales.** Thousands rushed to install solar panels before the governments cuts came into effect in April 2016.
- 3. Growth for Green Electricity Tariffs despite 'Big Six' snub.** Consumers rallied behind smaller energy companies after the 'Big Six' quietly abandon their 100% renewable tariffs.
- 4. Sustainable Timber and Paper stops the rot.** A return to growth for Forest Stewardship Council (FSC)-certified timber, after three consecutive years of falling sales.

Year on year comparison



Energy-Efficient Appliances

Sales of energy-efficient appliances have grown by **7.6%** during 2015, with 83% of all appliances sold rated A to A+++ on the EU directive's energy labelling scheme. Unit sales figures provided by GfK were used in collaboration with the average prices of appliances (which had decreased by -2.5% in 2015)¹ to calculate this year's final figure of **£2.6 billion**.

Strong performances from cooker and dishwasher sales were noted. Sales of energy-efficient dishwashers, in particular increased by 21%.

The appliance type which was lagging significantly behind was tumble dryers, where only 6% of appliances sold were A to A+++ rated, owing in part to the almost doubling in price seen between tumble dryers rated B and those rated A.

Research group GfK noted: "In 2015, for the first time since the GfK consumer confidence began, an entire calendar year was spent in positive numbers", due to household appliances getting 'smarter' during 2015.¹ GfK highlighted that appliances which could be controlled remotely sold well in 2015, citing that they recorded a 149% year-on-year growth.¹

Energy-Efficient Boilers

This report has found that sales of A-rated boilers declined by **1.9%** in 2015. There were over 32,000 fewer boilers installed in 2015 compared to 2014, a drop which represented a £56 million fall in sales value, and a total industry value of **£2.85 billion**.

This decline can, in part, be attributed to policy changes made by the government. The UK government's 'Green Deal' scheme, launched in January 2013, used to offer loans to home owners

who wanted to make energy-saving changes in their homes.² Energy-efficient boilers were included in the 'Green Deal' and, in the year of its launch, sales of A-rated boilers had its best year on record, growing by 16%.³

After just two years, the government scrapped its 'Green Deal', claiming that uptake of the scheme had been too slow.⁴ Stewart Clements, Director of the Heating and Hotwater Industry Council (HHIC) believes that "The Green Deal and the ECO programme contributed to the market during 2014 and their cancellation, or reduction has seen sales of boilers within the UK fall by 1.9% in 2015."⁵

The experience of this ethical sector demonstrates again the significant impact that government schemes have on consumer behaviour, a trend noted in previous versions of the ECMR.

Microgeneration

This report shows that the value of home microgeneration installation has grown by **29.4%** in 2015, catapulting the industry to a net worth of **£925 million**.

There were over 140,000 further domestic photovoltaic (PV) installations in this period, which some industry analysts believe was owing to the imminent government cuts to feed-in tariffs.⁶ The government scheme had been paying owners of solar panels for the energy they created, at a rate of 12.47p per kilowatt-hour.⁷ Under the new regulations, imposed in February 2016, the government cut tariffs by 65% and, unsurprisingly, there was an immediate impact on the rate of solar installations.⁸ Without the support of this funding, installing solar panels is much less attractive financially for the majority of people in the UK.



“According to the latest figures from the UK Department of Energy and Climate Change (DECC), cumulative solar PV capacity reached 8.4 GW in November 2015, up from just 223 MW in 2011.”⁹ This meant that the UK retained its place as the leading solar power market in Europe, possibly not for much longer.

Energy-Efficient Light Bulbs

During 2015, sales of Energy-efficient light bulbs fell by **2.5%**, taking the total aggregated value of the industry down to **£77 million**.

In previous years, this category was calculated by combining the total UK sales of all CFL and LED lights, both of which are widely considered as the energy efficient options for consumers. However, more recently the European Union Energy Label has provided consumers with more accurate information about energy efficiency. Our new method for calculating this category accounts for this change and tracks sales of light bulbs rated A to A++.

According to the Energy Saving Trust, replacing outdated energy-hungry bulbs with energy-efficient ones will save a household an average of £35 a year and will save the planet from 120kg of carbon dioxide.¹⁰ 2015 was the first year of negative growth for our Energy-Efficient Light Bulbs category since 2009. In fact, since that year the industry has grown by an impressive £37 million.

Ethical Cleaning Products

This report found that sales of ethical cleaning products bounced back from their 2014 decline and recorded a strong **4.2%** growth in 2015. The total Ethical Cleaning Products industry was valued at **£58.5 million**.

The Head of Marketing for Ecover and Method said that “With widespread press coverage on

environmental issues such as waste plastic in UK waterways and global oceans, consumers are becoming increasingly aware of the products they are consuming and the implications on the environment. Green cleaning is an increasingly attractive consumer proposition and, as a result, Ecover, and Method, have already gained strong resonance with retailers and consumers across Europe.”¹³

Consumers are becoming increasingly aware of the harmful ingredients that are found in many common household cleaning products, the list of which includes carcinogens, formaldehyde, ammonia, phthalates and neurotoxic compounds.¹⁴

Furthermore, although animal testing has been made illegal in the EU for the cosmetic industry, cleaning products are still allowed to test their ingredients on animals.¹⁵ According to the YouGov survey commissioned by this report, animal welfare issues are the most popular reason to shop ethically (see page 27).

Sustainable Timber and Paper

Forest Stewardship Council (FSC)-certified product sales recorded a promising **4%** growth in the UK after three years of decline. UK sales of Sustainable Timber and Paper were valued at **£1.3 billion** in 2015.

The FSC's profile in the UK has been expanding in recent years despite its declining sales. In 2014, a survey conducted by the research group GfK found that 50% of British people recognised the FSC logo.¹⁶ The FSC stated in their 2014 annual report that over half of new clients' state consumer demand as their reason for seeking FSC certification.¹⁷

So far-reaching is the FSC's certification programme that it currently accounts for 8% of the

total global wood production; an amazing 300 million cubic meters of forest.¹⁸

Buying for Re-use

There was a significant decline in the number of people buying second-hand household goods for environmental reasons in 2015. The total worth of the industry was valued at **£791 million**, a **33%** year-on-year decline. This may have been influenced by a redesign of the YouGov consumer survey which was used to calculate the value of this sector.

This disappointing year may also be linked to the increase in sales of energy-efficient household appliances. Falling prices of household appliances combined with technological advances in the sector may have encouraged consumers to buy new instead of second-hand.¹

According to the YouGov survey commissioned by this report, although over 15% of the UK's adult population still bought second-hand household goods for environmental reasons in 2015, their average spend has decreased. On average consumers are only spending £100 per year on second-hand household goods.

Green Electricity Tariffs

The number of households on green electricity tariffs grew by **7%** in 2015, taking the sector's total value to **£218 million**.

The last five years has seen the number of suppliers of green electricity tariffs reduce significantly. In 2013, industry regulator Ofgem announced that the number of tariffs that an energy company was permitted to offer was going to be cut to four.¹⁹ This was in an effort to simplify the market, but had the side effect of encouraging the 'Big Six' to axe their 100% renewable tariffs.¹⁹

Ed Gill, Head of External Affairs at Good Energy said: "This is not in the interests of consumers, or the UK more widely. We need to be calling for the big six – who sell some 90% of all electricity – to take responsibility for offering consumers a green tariff if we are to meet our UK targets and address energy and climate change issues. We are all for competition in this market place. But when the government called on energy providers to simplify their tariffs, this was presumably not what they had in mind."²⁰

Although ethical consumers have had their choice reduced, many have demonstrated their commitment to green electricity by switching to suppliers which still offer 100% renewable tariffs. New companies are racing to fill this space in the market left by the 'Big Six' and our own growth figures. The emergence of new organisations such as Bulb Energy, Octopus Energy and Green Star Energy suggest that there is hope for this sector in the future.

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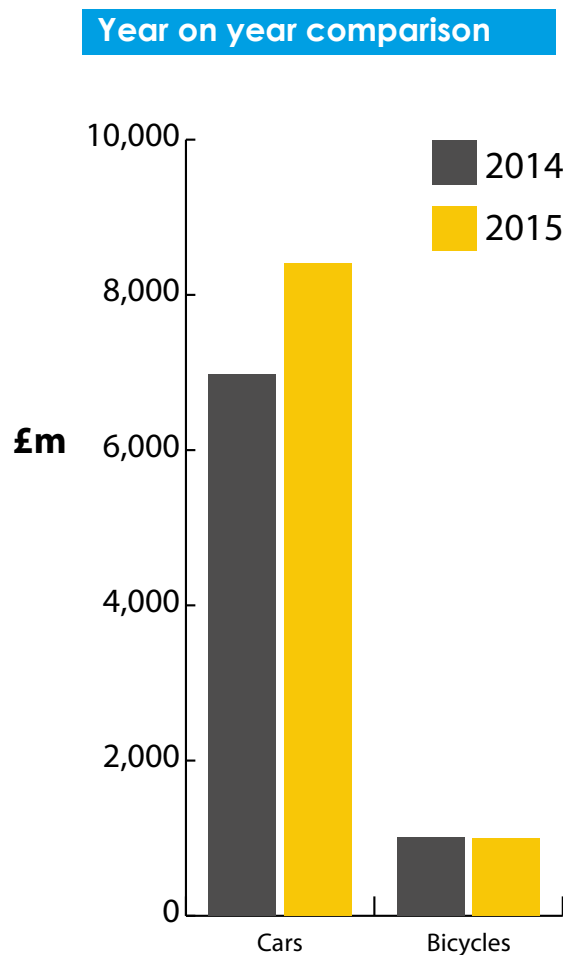
Eco-travel and Transportation

Summary

The Eco-travel & Transport sector showed growth of **17.9%** during 2015, with this category now valued at **£9.4 billion**. Further growth is likely as more industry heavyweights invest in green transport alternatives¹ and international climate deals such as the Paris Agreement begin to force regulatory changes.

Key Trends

- 1. Green Cars continue impressive growth.** Low emission cars showed double-digit growth for eleven years, breaking the £8 billion barrier during 2015.
- 2. Stagnation of UK bicycle sales.** Industry commentators attributed a poor year of sales to bad weather in 2015.



Green Cars

This report shows that the Green Car industry continued its strong growth in 2015. Sales for the year were **£8.4 billion**, an overall industry growth of **20.5%** year-on-year, out-performing sales in the car industry generally in the UK which only grew by 6.3%.²

The impressive sales figures for Green Cars was driven by a **40.6%** jump in sales of alternative fuel vehicles (AFVs), up by over 20,000 on 2014. Almost 73,000 AFVs and over 442,000 tax band A cars were sold during 2015.

The UK government's Plug-in Car Grant appears to have aided the sale of electric and hybrid cars. Before the government altered the terms of the agreement in March 2016, they had been offering up to £5,000 towards the purchase of an electric car.³ In 2015, the number of cars bought with help from the government scheme rose 94% to 28,188 cars.² Since the scheme started in 2011, 47,690 AFV have been bought with its assistance.²

The growth in 2015 shows a decline in the staggering rate of growth seen in the previous three years (40% in 2014). The government's 2016 changes to the Plug-in Car Grant are set to impact the industry in the future, as the UK's direction of travel appears different to other European countries.⁶

Bicycles

This report found that UK bicycle sales had declined very slightly in 2015 to a total value of £1 billion. Suppliers, retailers and industry commentators have blamed bad summer weather for reduced unit sales.⁴ Fortunately for the industry, this slump in unit sales was offset by the increased average prices of bicycles.⁴

The concern for the industry is that after eight years of continuous strong growth, the sector may have peaked.⁵ Falling sales at the UK's leading cycling retailer Halfords has prompted questions about the state of the industry,⁵ as has Sky's decision not to renew its eight-year sponsorship of British Cycling at the end of 2015.⁵

The head of British Cycling, Ian Drake, was quick to deny that the industry had peaked, claiming that "Cycling is very susceptible to the weather. We had a really good summer in 2014 but this year it has been intermittent. We think this is a blip – and we will definitely bounce back."⁵ Encouragingly for the sector, Mintel's report found that participation in cycling is continuing to grow steadily and it had, in fact, overtaken football as the UK's third most popular sport in terms of participants.⁵

Mintel's industry forecast is positive, agreeing with Ian Drake's assurance that the sector will bounce back; Mintel predicts that the bicycle sales will be worth £1.2 billion by 2020,⁴ a 20% increase on 2015's sales figures.

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Ethical Personal Products

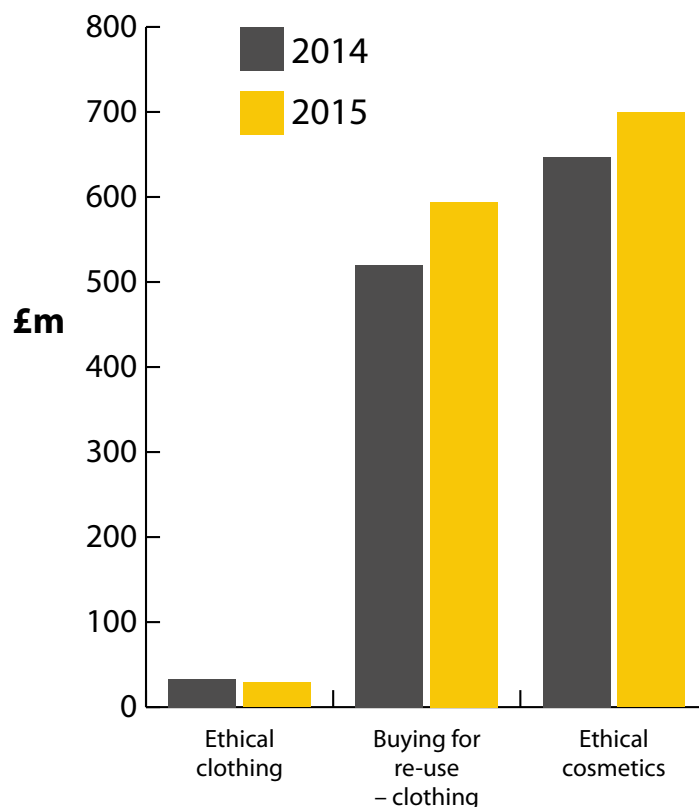
Summary

2015 was a good year for Ethical Personal Products, with the category growing by **10.2%**. This took the total to over £1.3 billion, in a year that saw booming sales of second-hand clothes and Ethical Cosmetics.

Key Trends

- 1. Over 20% of UK consumers bought second-hand clothes for ethical reasons during 2015.** Our 'Buying for Re-use – Clothing' category neared £600 million (see page 7).
- 2. Ethical Clothing retailers suffer a double-digit decline.** Poor Fairtrade clothes sales dampened an otherwise strong performance in our Ethical Personal Products category.
- 3. Eighth consecutive year of growth for Ethical Cosmetics.** Consumers remained loyal to Ethical Cosmetic brands despite increased regulation in this area.

Year on year comparison



Ethical Clothing

This report found that the UK's Ethical Clothing market shrank by **12.1%** to a 10-year low of **£29 million** in 2015. This decline is mostly due to the poor sales figures recorded by Fairtrade, whose sales almost halved.

With the general UK clothing market continuing to see falling prices, the Fairtrade Foundation published a film in May 2015, highlighting the human and environmental impact of these low prices. The culture of fast fashion has created a race to the bottom which has impacted impoverished factory workers around the world.¹

Strong sales of organic clothes however offered a different story, with organic clothing sales recording a 16% growth in 2015.² For the past two years' organic clothes have been out-selling Fairtrade and, in 2015, organic clothing outsold Fairtrade by 3:1.

Subsidies paid by developed country governments to their own cotton farmers (mainly in the USA) totalled \$46.7 billion in 2010, nine years after the Doha Development Round (DDR) had pledged to reduce trade barriers in an effort to reduce poverty and prevent terrorism.³ These barriers have prevented countries which are heavily reliant on the cotton trade from prospering.³

Buying for Re-use – Clothing

This report commissioned a YouGov survey which questioned 2,164 people on their shopping habits. The results of this survey showed a net growth in sales to people buying second-hand clothes for environmental reasons of **14.2%** year-on-year.

We calculated the total value of sales to be **£594 million**, with over 20% of the UK's adult population purchasing clothes for re-use. With the UK's dominant culture of fast fashion, it is encouraging to see that growing numbers of ethical consumers reusing products to save them from being thrown away needlessly.

Ethical Cosmetics

During 2015 sales of Ethical Cosmetics grew significantly to a total net worth of **£699 million**, an **8%** growth year-on-year.

The 'Organic Market Report' quoted a 21.6% jump in sales of organic health & beauty products,⁴ the same year as UK home-made cosmetic producer and retailer Lush posted record sales.

Although EU regulation preventing the sale of animal-tested cosmetics came into force in 2015, sales of certified cruelty-free products remained strong, with campaigners shifting attention to companies continuing to test on animals for non-EU markets.⁵

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Community

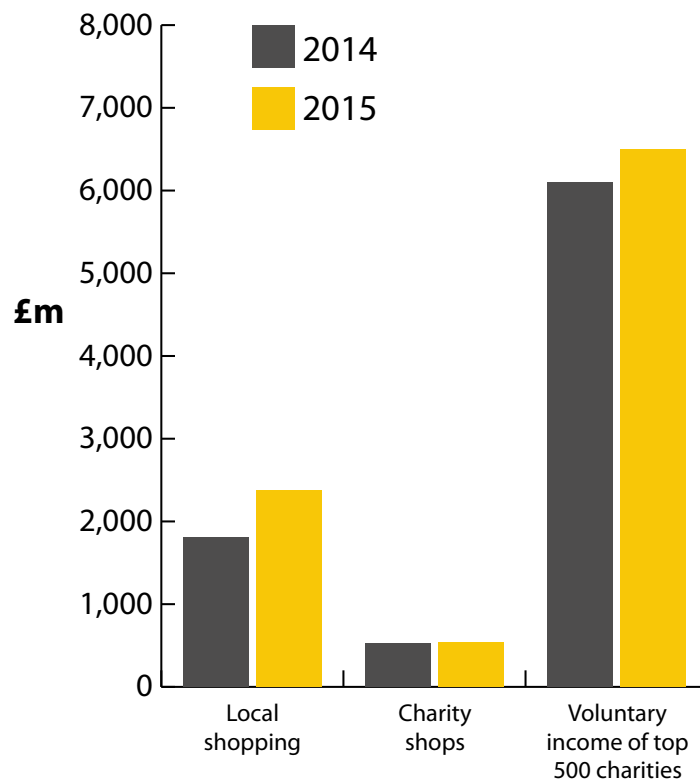
Summary

There was growth across the board in our community category. Total sales were valued at **£9.3 billion**, a year-on-year growth of **11.7%**. 2015 was a particularly good year for people shopping locally for ethical reasons because it exceeded £2 billion.

Key Trends

- 1. Localism booms.** Consumers returned to local shops after two years of poor performance.
- 2. Strong growth from Charity Donations.** Five years of consecutive growth saw charity donations double to well over £6 billion.
- 3. Stagnating growth for Charity Shops retail sales.** Growth steadied after double-digit growth in 2013 and 2012.

Year on year comparison



Local Shopping

During 2015 sales in our Local Shop category rose significantly to a total value of over **£2.3 billion** – a year-on-year growth of **32%**. These findings have been gleaned from our YouGov survey into Green Shopping habits.

As expected, the largest proportion of local shoppers were 45 or over, a finding influenced by the generational gap in online spending habits.¹

Charity Shops

This report has found that retail sales at charity shops grew by **2.5%** in 2015. Combined with the mediocre growth of the previous year, it's fair to suggest that charity shops are experiencing somewhat of a plateau in recent years. The total value of charity shop retail sales was calculated to be **£542 million** during 2015.

Charity shops' sales have been slowing in recent years after the boom years of 2012 and 2013. Last year, Civil Society Media, an organisation dedicated to supporting the charity sector, reported on the industry's slowest year of sales in over a decade.² The article highlighted that charity shop 'profits' were slowing significantly. Last year they were up just 1.4% in comparison to an average 'profit' growth of 14.3% per year since 2007.²

Most charity shops operate on high streets and a general move away from high streets is a current trend in the UK retail industry. This means that the growth in charity shop sales identified in this report is particularly encouraging news.³

It is worth noting that there is some crossover between this section of our report and our second-hand clothes sales in the Ethical

Personal Products section. Although many second-hand clothes are bought in charity shops and account for a significant proportion of retail sales, two sections are warranted by the popularity of online second-hand shopping and for-profit second-hand clothing stores.

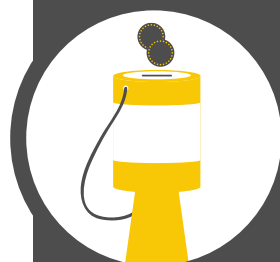
Charity Donations

This report found that Charity Donations had risen by **6.6%** in 2015, increasing by over £402 million to a total of over **£6.4 billion**. This statistic was based on findings from the research group Charity Financials and their bi-annual 'Charity Income Spotlight' report.⁴ This represents a steadying of growth in charity donations, after boom years in 2011 (39%) and 2012 (22%). Having said this, donations have doubled since 2006.

This figure may be dissected further because, as Charity Financials have highlighted, there is a growing gap between the income of small and large charities. Charities in the £50m+ income bracket grew by 11.5% whereas smaller charities earning £1-5 million only had a 1.7% increase.⁴ This shift demonstrates the increasing domination by the bigger players of the charity sector, with larger organisations able to afford advertising and campaigning, reaching more people in an increasingly technological society.

The Charities Aid Foundation (CAF) reported that in 2015, two-thirds of people in the UK gave to charity,⁵ with children & young people's charities (30%) outstripping medical charities (29%) for the first time.^[5] In terms of global comparison, the UK ranked 4th in terms of financial donations on the CAF's World Giving Index, and 6th overall.⁶

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Boycotts

Summary

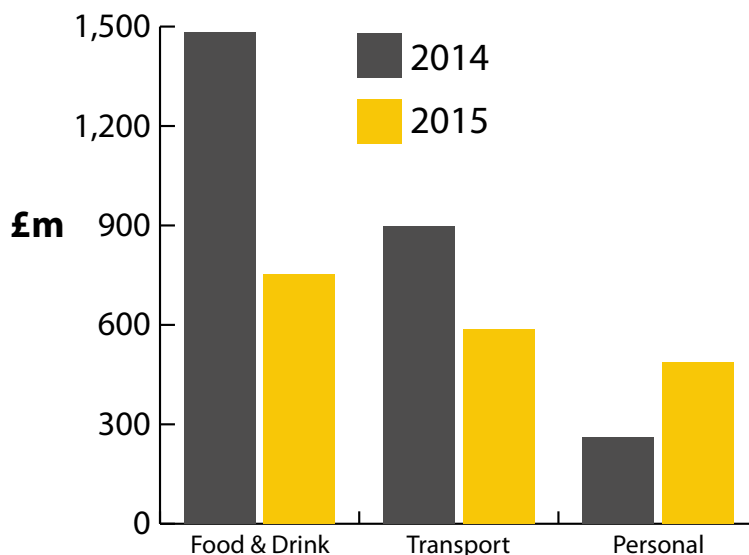
Gathering data on the financial value of boycotts in the UK is difficult – nevertheless this report has included a figure on boycotts since 2000. This section aims to provide some level of insight into this complex aspect of ethical markets. A YouGov survey, commissioned by this report, was answered by 2,164 people and gives us an impression about the prevalence and impact of boycotts in the UK. However, survey questions were re-designed for this 2016 report, changing the focus of the questions and increasing our sample size – by doing this we were able to give a more accurate representation of current trends. This may help explain some of the big variations from previous years.

Over half of our respondents had participated in some level of boycott of products and/or services during the last year. The three most popular reasons for boycotting were animal rights issues, unethical corporate practices and negative environmental impact.

Key Trends

- 1. New survey questions are likely to have impacts on outcome.** Changing the questions in our YouGov survey caused results for 2015 to differ from previous years.
- 2. Category decline since 2012 spike.** In 2012, our boycotts sections amounted to over £3 billion; since then, that figure has almost halved.

Year on year comparison



Food & Drink

In our YouGov 'Green Shopping' survey, 21% of respondents said that they had boycotted products and/or services in the Food & Drinks industry for ethical reasons. The amount that these people withheld per year averaged almost **£67** per person, a figure which, when applied to the adult population of the UK (52.4 million), equalled **£752 million**.

This figure is an **almost 50% decline** year-on-year. We sampled the boycotting habits of 2,164 people and requested that they estimate the amount they withheld from companies through boycotting; evidentially not an exact science. In previous years, we asked consumers to describe in more detail each product they boycott and why.

In 2016 there were some worrying developments in UK government policy. In February the government announced its 'Boycott Ban' on Israeli products, which it claimed would foster greater community cohesion and protect Britain's national security.¹ Activists from the campaign group War on Want are keen to inform boycotters and the general public that this announcement only relates to local authorities.²

Transport

This report has found that markedly less money is being boycotted from the transportation industry. Although there is inherent difficulty in accurately calculating this data, during 2015 our boycott transport section declined to levels not seen since 2002. The section is currently valued at **£588 million**.

Travel boycotts include those of airlines and oil companies for environmental reasons.

Personal

Our Personal Boycotts section was the only one to record growth in this category. Promisingly, the section grew by **89%** year-on-year, with **£486 million** boycotted from the cosmetic and toiletries industry on the basis of environmental and social reasons.

The issue of animal rights was given by over half of respondents as their reason for boycotting in 2015, and the cosmetic industry has historically been connected to animal rights abuses. Although, the EU passed regulations which banned the use of animal tests for cosmetic ingredients outright, there are still concerns about animal-derived ingredients and other potentially harmful ingredients, leading consumers to be cautious about this sector.

References: **1-** Jon Stone (17/02/16) Banning boycotts of Israel will protect Britain's national security, Government says. Independent. [Online]. Available at: www.independent.co.uk/news/uk/politics/boycott-israel-ban-bds-illegal-british-government-tories-palestine-procurement-a6879421.html [Accessed on 29 November 2016]. **2-** War on Want (2016) What Does the Government's 'Boycott Ban' Really Mean? War on Want. [Online]. Available at: <http://waronwant.org/boycott-ban> [Accessed on 29 November 2016]. **3-** Oliver Milman (06/10/16) First deal to curb aviation emissions agreed in landmark UN accord. The Guardian. [Online]. Available at: <https://www.theguardian.com/environment/2016/oct/06/aviation-emissions-agreement-united-nations> [Accessed on 29 November 2016].



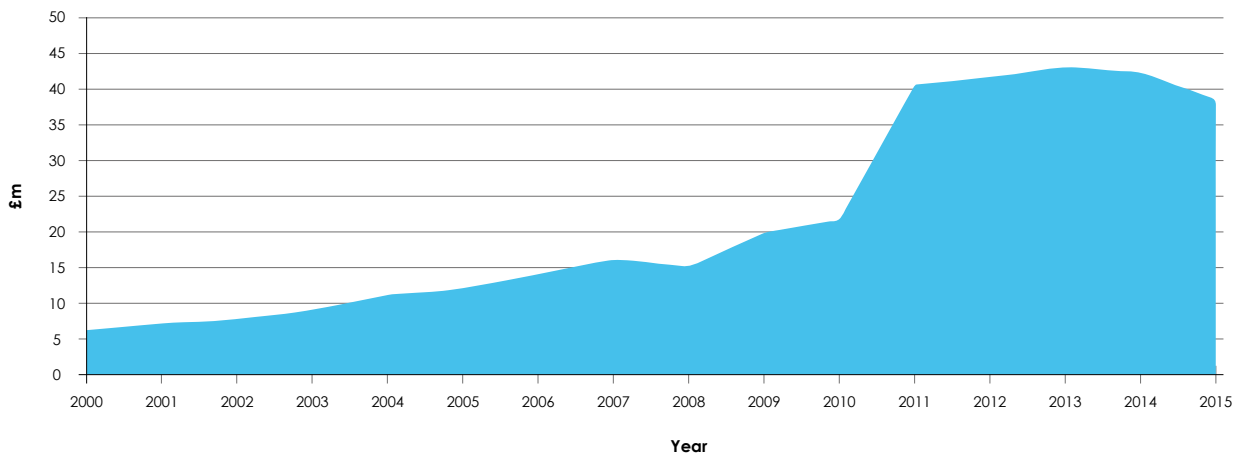
Ethical Money

Summary

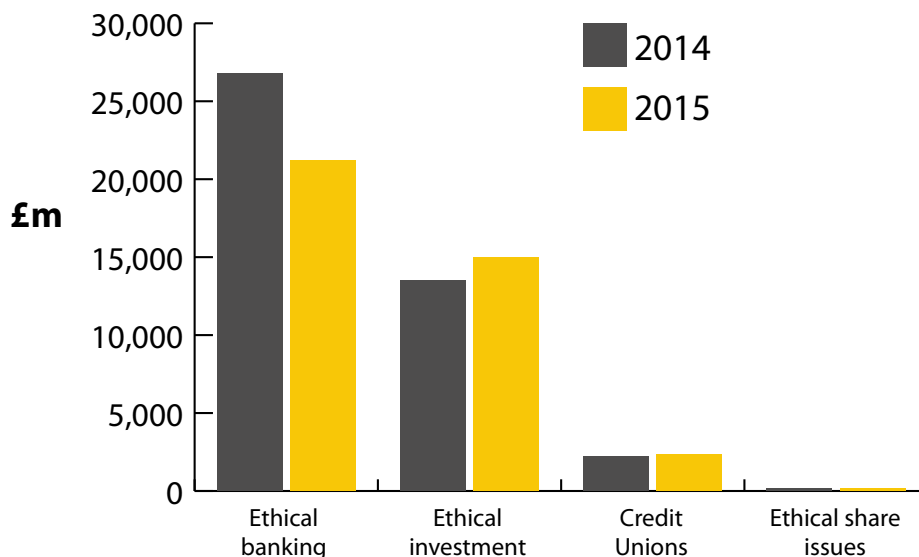
This report has found that the Ethical Money market contracted by **9.2%** during 2015; a figure which represents a **£3.9 billion** decline. However, as the table below shows, all the industry decline came from the Ethical Banking category; further analysis of which highlights declines at The Co-operative Bank as the main cause. Overall, other ethical money sectors performed well in 2015, recording a **10.5%** growth.

Key Trends

- 1. Increased customer demand for Ethical Investments.** A YouGov survey found that 54% of British investors wanted to see their money have a positive impact, and 47% of respondents were interested in annual updates on the environmental/social impact of their investments.
- 2. The rise of the Credit Union.** Owing to the reduced consumer confidence in the conventional banking sector, there was a concerted effort by government and NGOs to highlight the benefits of Credit Unions, presenting them as a viable alternative.



Year on year comparison



Ethical Investments

Figures provided by the research group EIRIS have shone light on yet another successful year for Ethical Investments, which rose to **£15 billion** in 2015, an **11.1%** year-on-year increase.¹

Ethical Investments have recorded double-digit growth since 2012, growing £4 billion in value in just three years. The growth in Ethical Investments is, in part, self-perpetuating, as its continued growth attracts increasing numbers of investors. In the last three years, the typical ethical fund is up by around 32-35%; compared to 28% for FSTE All-Share index.²

The Guardian highlighted that ethical funds "appear to have benefited from their low or non-existent exposure to sectors such as mining and oil, where share prices have collapsed".² Oil prices had dropped from \$104 per barrel in January 2012 to \$38 in December 2015;³ and 2015 also saw mining shares hit their lowest level since April 2004.⁴

Having said this, customer preferences have also played a role in the success of Ethical Investments. YouGov survey results published in October 2015 showed that 54% of British investors wanted to see their money have a positive impact,⁵ with 47% of respondents interested in an annual update on the environmental/social impact of their investments.⁵

Looking ahead it is also worth mentioning that there has been an accelerating divestment from fossil fuels in recent years.⁶ The fossil fuels divestment movement has gathered real pace and is reportedly the fastest growing divestment movement in history.⁶ In 2016 multitude of major organisations pledged to pull an estimated \$2.6 trillion worth of investment from fossil fuels.⁷

Credit Unions

This report shows that Credit Unions grew by 7.2% in 2015. This is in part due to the continued support from government. But the government's contribution is only a fraction of the **£2.36 billion** worth of deposits in Credit Unions.

The Department for Work & Pensions (DWP) invested £113 million in Credit Unions between 2006-12; and, in May 2015, the DWP pledged to further this investment to £38 million by April 2016.⁸ This announcement should come as little surprise as the Credit Union sector has been experiencing strong year-on-year growth.

Credit Unions are also the target of a flexibility plan from the Bank of England.⁹ As the UK grapples with the negative impact of payday lenders on its citizens, there are growing efforts to promote the benefits of Credit Unions.^{9,10} They are regulated by the same authorities as banks and building societies, but are run for the benefit of their members and not shareholders.¹¹

However, seeing as only 2% of the population were members of Credit Unions in 2015, there is a long way to go.⁸ Ian Duncan Smith, former Minister for Work and Pensions, claimed in 2014 that "While credit unions help many people on low incomes to build savings and access affordable loans, their services are open to all. I'd encourage everyone to look at the accounts credit unions have on offer."¹²

Ethical Share Issues

Ethical Shares had another good year in 2015, recording a 3.8% growth. The shares that this report analysed saw their value increase to £140 million. The strength of these shares has been noted by national and international financial institutions and observers. For



example, Shared Interest were written about in The Guardian in 2013, with the article highlighting the £47 million in payments that the organisation has made to fair trade producers.¹³

The Social Stock Exchange (SSX) was launched by David Cameron in June 2011. This market place has a collective value of £2 billion and now boasts over 30 member organisations, doubled from the previous year.¹⁴ It is “the world’s first regulated exchange dedicated to businesses and investors seeking to achieve a positive social and environmental impact through their activities.”¹⁵ One of this report’s analysed organisations, Good Energy, was one of the founding companies of the SSX.¹⁶ Institutions such as this can help build confidence in the industry generally.

As with Ethical Investment, Ethical Share Issues are affected by investor demands. Therefore, the YouGov survey published in October 2015, which showed that 54% of British investors want to see their money have a positive impact,⁵ is good news for Ethical Share Issues and the future of the sector.

Ethical Banking

The Ethical Banking section of this report recorded its largest decline since this report began, shrinking by **20.8%** year on year. This figure translates into a **£5.5 billion** decline. This was almost entirely owing to a decline in deposit value at The Co-operative Bank.

By its own admission these are difficult times for The Co-operative Bank, as they attempt to rebuild themselves after their disastrous and very public failings in 2013.¹⁷ An independent report into the events leading to the bank’s £1.5 billion capital shortfall highlights a multitude of factors, which badly let down the group’s members and shareholders.¹⁸ Unsurprisingly this very public mismanagement led to reduced consumer confidence in The Co-operative Bank, the impact of which is still being felt by the organisation.

The tough year for The Co-operative Group masks a strong year for other ethical banks analysed in this report, which grew by 22%. Providers like Triodos Bank are clearly benefiting from a range of factors including a continued discontent with mainstream banking, their own ethical innovations, and a concern for developments at the Co-op Bank.²¹

At Triodos Bank where there was continued growth, Bevis Watts, UK Managing Director, when commenting on their 2016 half-year results said: “There continue to be fundamental flaws in our financial system’s stability and in the way in which the banking sector serves society. At Triodos Bank we believe our values based banking model and our transparency about what we do and what we stand for provides a way for people to make money a force for good at a time when the financial sector is struggling to address some fundamental shortcomings.”

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Consumer Opinion Survey

Since it began, the Ethical Consumer Markets Report has been combining market data research with a YouGov opinion survey of general ethical consumer behaviour. This survey provides additional depth to this report and offers some unique insight. The results of this survey are freely available on the Ethical Consumer website.

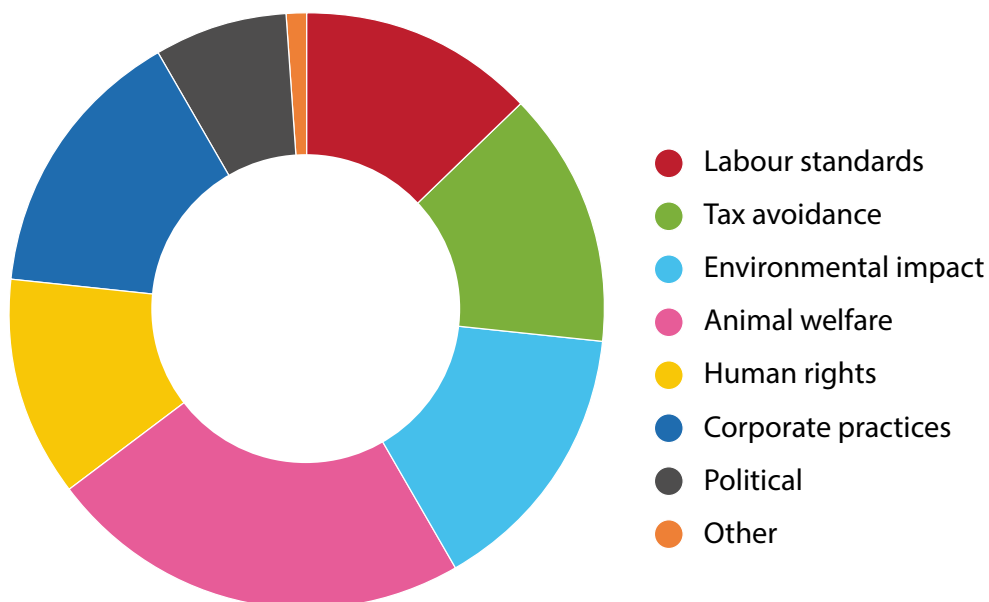
[All figures (not market size calculations), unless otherwise stated, are from YouGov Plc. Total sample size was 2,164. Fieldwork was undertaken between the 23rd and the 24th of November 2016. The survey was carried out online. These figures have been weighted and are representative of all UK adults (aged 18+).]

Personal Boycotts

The survey showed that many of us in the UK are conducting personal boycotts:

- 49% of the UK population choosing to avoid buying products and/or services over concerns about ethical reputation.
- Personal boycotts are most prevalent amongst young adults aged 18-24, at 63%.
- Those living in the North East represented the least likely to conduct a personal boycott, with only 43% of people choosing not to purchase because of ethics.

The YouGov poll asks consumers to assess the value of their spending which has been affected by their boycotts, as well as to provide the reasons for avoiding products and/or services. The chart below demonstrates consumer concerns around many issues, particularly animal welfare issues.

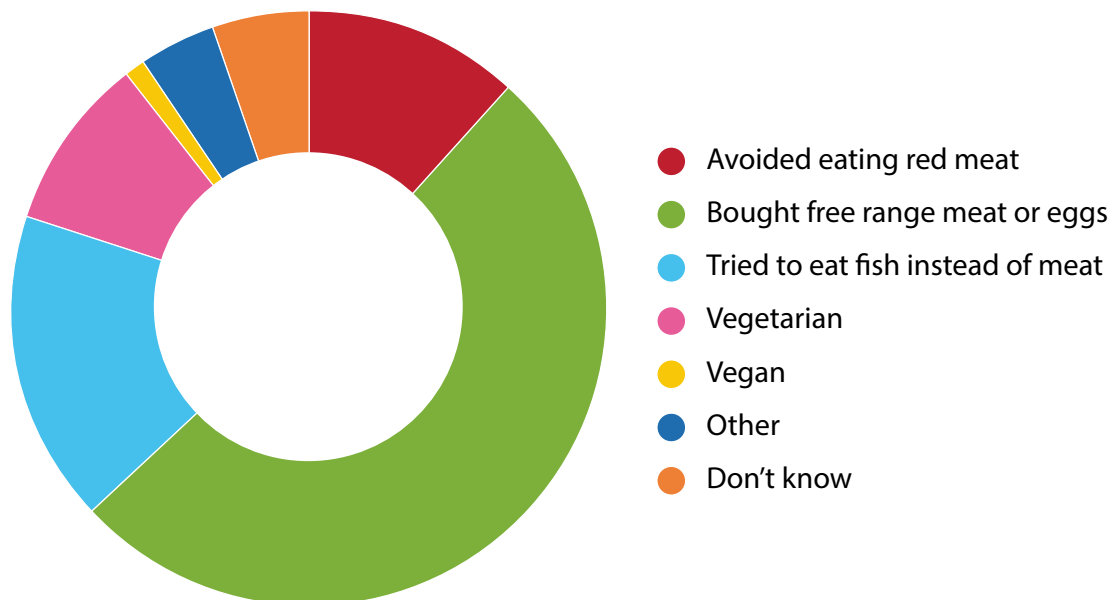


Ethical Diet Choices

49% of people who answered our survey said they had changed their diet in the last year because of environmental/animal welfare concerns. The graph below shows that by far the most popular change was buying free-range products, a finding in line with the previous section which highlighted animal welfare as consumers' number one reason for boycotting.

Although on first sight this might appear to contradict the declining sales in free-range eggs and poultry in this report, when analysed further it transpires that these sectors actually increased their market share year-on-year. The decline in total value was a result of falling retail prices.

There was a significant proportion of people who were reducing their consumption or completely avoiding meat products, a finding in line with the strong growth in our Vegetarian Products and Sustainable Fish markets.



General consumer spending responses

Our poll also showed that, in the last 12 months:

- 57% of people regularly recycled.
- More people avoided a product because it had an unethical reputation (24%) than bought a product because it had an ethical one (19%).
- 20% of people drove less, choosing to cycle, walk or use public transport instead.

Methodology

This Ethical Consumer Markets Report (ECMR) has been divided into three separate sections, entitled 'Ethical Purchases', 'Boycotts' and 'Ethical Money'. It was felt that this division would allow for a more informed understanding of consumer trends and ethical spending in the UK.

Our Boycotts report underwent fundamental changes in 2015. As we calculate our statistics from a YouGov poll on 'Green Shopping' any changes to the survey format or wording of questions has the potential to significantly alter the outcome of our calculations. This year we took the decision to expand the number of people who answer our survey and streamline our questions to provide focused insight on fewer topics. Therefore the turbulence seen in results in this report represent these changes. Ultimately our survey found that £1.8 billion was withheld by consumers because of boycotts.

The survey data was weighted to represent the entire UK adult population, revealing that consumers avoided spending over **£1.8 billion** because of a product and/or service's ethical credentials.

Although 2015 was a successful year for the vast majority of actors in our 'Ethical Money' report, as a whole the market declined by 9.2%. This was largely due to a continued decline of retail deposits at the biggest player in the market, the Co-op Bank. A £4 billion decline in the market warranted specific attention and analysis. This report highlights the causes of decline, as well as presenting reasons for optimism.

The first ECMR was published in 2000, and has acted as a key barometer of ethical spending in the UK. It aims not only to provide figures and statistics but also to try to understand how, why and where growth and decline has happened in ethical market places. With this in mind we have also provided, this year, a more detailed textual commentary on the main elements making up the UK's ethical markets.

About this report

Ethical Consumer Research Association is the Manchester-based research co-operative behind Ethical Consumer magazine. It has compiled the sales data for this annual report since 2006.

Triodos Bank, this year's sponsor, is one of the leading providers of ethical banking and investment products in the UK.

Many organisations have been extremely helpful in providing data for this report including:

ABCUL, Bio-D, British Egg Information Service, BUAV, DVLA, EIRIS Services Ltd, Energy Saving Trust, Freedom Foods, FSC, GfK Marketing Services, Kantar Worldpanel, Irish League of Credit Unions, Lush, Mintel, MSC, Organic Monitor, Rainforest Alliance, SMMT, The Fairtrade Foundation, The Soil Association, Vegetarian Society, Wilmington Group Plc, YouGov.

The 2016 Ethical Consumer Markets Report was compiled by Mackenzie Denyer with assistance from Heather Webb and Rob Harrison at Ethical Consumer. Thanks also to Adele Armistead at Moonloft for design & layout.

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More information, and previous versions of the Ethical Consumer market report, are available from www.ethicalconsumer.org/researchhub/ukethicalmarket

More detail and background data from some of the Ethical Market reports also appear on the Consumer Data Research Centre website as part of our collaboration with the Universities of Leeds, Liverpool and Oxford.

Ethical Consumer

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