

Ethical Markets Report 2022



ethical
consumer

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Executive Summary

Spending on ethical products grew by almost 35% in 2021, to £141.6 billion from £106bn the previous year. This is the largest jump in the value of the market since Ethical Consumer started tracking these figures in 1999.

The record growth this year was mainly driven by the increasing popularity of electric cars, renewable energy tariffs, and ethical investments.

This growth occurred during a year which was still disrupted by COVID 19 restrictions which, as they are easily forgotten, we have summarised in a timeline on page 9 below. Cost of living issues were also beginning to be experienced, though the Ukraine war had not yet begun. As part of this research we also conducted a survey in August 2022 asking about cost of living issues specifically, and some of the results are summarised on page 10.

Despite these upheavals, this report shows evidence of continued increased in consumer demand for ethical choices, mainly driven by growing concerns around the climate crisis. The primary drivers of the big growth seen here look to be 'supply-side' changes, with many more companies bringing better value, higher-quality ethical products to the market. The huge expansion of choice in electric car models, one of the biggest growth areas in this report, provides a case in point.

The research for this report was sponsored by Co-op Food and was completed in the second half of 2022.

Cathryn Higgs, Head of Environment, Sustainability and Policy at Co-op, said:

"Awareness of climate and environmental issues amongst consumers is greater than it has ever been, and business has a vital part to play to continue to build ethical consumer confidence. It's a responsibility we take very seriously with our goal to make it easier for consumers to make small changes, that add up to tangible differences for our planet. How and where shoppers spend their money really does make a difference, and it is imperative that consumers are left in no doubt that their actions have a part to play in creating a natural environment we are proud to pass on to future generations."

	2010 £m	2020 £m	2021 £m	% Growth 2020-21
Ethical Food & Drink	4,223	10,112	11,094	9.7%
Green Home	4,943	9,636	9,619	-0.2%
Eco-travel & Transport	1,641	12,295	18,113	47.3%
Ethical Personal Products	823	1,761	1,783	1.3%
Community	11,130	11,103	11,845	6.7%
Total Basket	22,760	44,906	52,454	16.8%
Boycotts	2,485	3,875	3,341	-13.8%
Ethical Money	21,947	57,176	85,838	50.1%
Total	47,192	105,958	141,633	33.7%

Ethical Food and Drink

Ethical Food & Drink	2010 £m	2020 £m	2021 £m	% Growth 2020-21
Organic	1,475	2,733	2,846	4.1%
Fairtrade	1,094	1,899	1,992	4.9%
Free Range Eggs	419	1,102	1,041	-5.6%
Vegetarian & Plant-based Alternatives	541	967	1,047	8.2%
RSPCA Assured (Freedom Food)	573	2,593	3,341	28.9%
Sustainable Fish	121	818	827	1.1%
Subtotal	4,223	10,112	11,094	9.7%

Overall we recorded a 9.7% growth in the Ethical Food and Drink datasets compared to last year, which represents an increase of almost £1 billion.¹ In 2021 the Consumer Price Index rose by 5.4%, meaning that growth once again outstripped inflation.²

It was noted that this result was largely due to exceptional sales of RSPCA Assured certified goods which rose by 29%, or £748 million, year on year.

In line with consumer survey data elsewhere,³ sales of Vegetarian and Plant-based Alternatives continued to show good growth as expected.

Four categories in this dataset grew at a rate just below that of inflation: Organic, Fairtrade, Free Range Eggs and Sustainable Fish.

The value of free-range egg sales decreased due to a (COVID-impacted) fall in the value of all egg sales in 2021. But the proportion of retail free-range eggs sold, against eggs from caged hens, increased to 74.5% from 71% during this period.

Over longer time frames purchases of sustainable fish have risen almost seven-fold since 2010; sales of RSPCA Assured food have grown almost 500% over the same period, and sales of vegetarian and plant-based alternatives, and Fairtrade goods have almost doubled.

Organic

The organic food and drink market increased by 4.1% to £2.8bn in 2021 from £2.7bn in 2020 and £1.5bn in 2010.

The Soil Association said that the increase was driven by consumer demand for ethical groceries, wider organic choice online and the continued popularity of box scheme sales.⁴

Fair Trade

The market for Fairtrade products increased by 4.9% to £2bn in 2021 from £1.9bn in 2020.

Total grocery sales fell by 3.8% over the same period. In 2010, Fairtrade sales totalled £1.1bn.

According to GlobeScan 2021 data, 65% of consumers in the UK say they choose Fairtrade.⁵

Ethical Finance

Ethical Money	2010 £m	2020 £m	2021 £m	% Growth 2020-21
Ethical Banking	9,043	20,536	21,008	2.3%
Ethical Investment	11,300	33,291	61,170	83.7%
Credit Unions	1,552	3,097	3,390	9.5%
Ethical Share Issues	52	253	270	7.0%
Subtotal	21,947	57,176	85,838	50.1%

The ethical finance sector grew by 50.1% to £85.8bn in 2021 from £57.2bn in 2020, driven by rising climate and biodiversity concerns, greater availability of sustainable investment products and a spike in household savings during the pandemic.

For the second year in a row, ethical investments accounted for the majority of growth in the sector, driven by the increase in funds investing according to ethical standards.

In 2021 the amount of money held in ethical investment funds increased by 83.7% to £61.2bn compared with £33.3bn the previous year. To put this into context, in 2010 the amount held in green funds was just £11.3bn.

EIRIS, the source of our Ethical Investments figure, said that the increase “reflects the shift in attitude from both consumers and the financial sector itself with regards to the need for investment products that take environmental, social and ethical issues into account.”

Credit unions grew by 9.5% in 2021, while ethical share issues and ethical banking respectively increased by 7% and 2.3%.

¹ It should be noted that this is without the Rainforest Alliance figure being included in 2020's sales

² www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/january2022

³ <https://www.theguardian.com/lifeandstyle/2021/dec/25/no-meat-please-were-british-now-a-third-of-us-approve-of-vegan-diet>

⁴ <https://www.soilassociation.org/certification/trade-news/2022/february/09/organic-market-breaks-3bn-mark-showing-exceptional-growth-and-resilience>

⁵ https://www.fairtrade.org.uk/media-centre/news/fairtrade-sales-boom-by-14-as-consumers-demand-sustainably-sourced-products-and-businesses-ramp-up-ethical-commitments/#_ednref1

Green Home

Green Home	2010 £m	2020 £m	2021 £m	% Growth 2020-21
Energy Efficient Appliances	2,068	3,334	1,768	-47.0%
Micro Generation	249	146	178	21.9%
Energy Efficient Light Bulbs	43	163	153	-6.0%
Ethical Cleaning Products	42	79	74	-6.3%
Sustainable Timber and Paper	1,655	1,297	1,291	-0.5%
Buying for Reuse – Household	823	837	895	6.9%
Green Electricity Tariffs	63	3,474	4,589	32.1%
Heat pump installations	-	190	539	184.3%
Home insulation installations	-	116	133	14.4%
Subtotal	4,943	9,636	9,619	-0.2%

The green home market fell by 0.2% to £9.619bn in 2021 from £9.636bn in 2020 after a change in an eco-classification reduced the size of the energy efficient appliances market. Sales of A rated fridges and washing machines fell by 47% to £1.8bn following a re-calibration of UK (and EU) energy labels that cut the number of products, which received the highest ratings. In a sense then, there was probably still continued real-world growth in the sale of the products with the lowest relative ratings.

Our research showed a 32% increase in household spending on renewable energy tariffs to £4.6bn in 2021 from £3.5bn the previous year.

Although we further restricted the definition of this market this year to those tariffs which we felt were meaningful in some way, we have been critical of some of the claims made in this market generally in our reviews in Ethical Consumer magazine.

Spending on home insulation and heat pump installations increased in 2021 despite the lack of meaningful government incentives to improve home heating efficiency.

Consumer heat pump installations increased 184% year-on-year but this is still not fast enough.

In Ethical Consumer's Climate Gap reports, we are campaigning with others to improve incentives for installing these devices.

Meanwhile, demand for ethical cleaning products has started to wane with the pandemic moving towards its closing phases. Sales fell by 6.3% to £74m in 2021 from £79m the previous year.

Ethical Travel and Transport

Eco-travel & Transport	2010 £m	2020 £m	2021 £m	% Growth 2020-21
Alternative Fuel Vehicles	n/a	10,461	16,861	61.2%
Low-emission Cars	846	558	1	-99.8%
Bicycles	795	1,276	1,251	-2.0%
Subtotal	1,641	12,295	18,113	47.3%

Electric and hybrid car sales

Spending on electric and hybrid cars increased 61.2% to £16.9bn in 2021 from £10.5bn in 2020, boosted by improvements in electric car infrastructure, government grants, and increased availability of models.

Future growth in the sector could be impacted in by the UK Government's decision to withdraw its grant for electric cars from March 2023.

Sales of petrol and diesel powered low-emission vehicles (LEV) collapsed from £558 million last year to under £1 million after recent changes to emissions testing led to most conventionally fuelled cars losing their LEV status.

Meanwhile, demand for new bikes has fallen after the cycling boom in the pandemic, with sales sinking 2% to 1.25bn.

16% of consumers said that they have avoided flying or driving to reduce their carbon footprint.

Ethical Personal Products and Clothing

Ethical Personal Products	2010 £m	2020 £m	2021 £m	% Growth 2020-21
Ethical Cotton	63	61	79	30.4%
Buying for Reuse – Clothing	321	864	857	-0.7%
Ethical Cosmetics	439	836	846	1.2%
Subtotal	823	1,761	1,783	1.3%

The ethical personal products market grew by 1.3% to £1.78bn in 2021 from £1.76bn in 2020, boosted by a 30% increase in Ethical Cotton sales.

After a shift towards online shopping and skin-care products during the pandemic, sales of ethical cosmetics softened in 2021, with sales increasing just 1.2% to £846m from £836m the previous year.

Ethical Community

Community	2010 £m	2020 £m	2021 £m	% Growth 2020-21
Local Shopping	2,330	3,067	3,015	-1.7%
Charity Shops	468	663	273	-58.8%
Charity Donations	8,332	7,373	8,557	16.1%
Subtotal	11,130	11,103	11,845	6.7%

The Ethical community sector continued to grow in 2021, boosted by a 16.1% increase in charity donations to £8.6bn. Overall community spending increased by 6.7% to £11.8bn from £11.1bn in 2020.

Charity shop sales fell 58.8% to £273m in 2021, hit by the continued effect of forced store closures under Covid-19 restrictions. But a report in the Independent suggested that the downward trend has since reversed, with cash-strapped consumers turning to charity shops to reduce their outgoings during the cost-of-living crisis.⁶

⁶ <https://inews.co.uk/inews-lifestyle/money/bills/charity-shops-surge-interest-sales-cost-of-living-1744316>

A timeline of Covid-19 restrictions in 2021/22



Covid-19 measures have significantly disrupted consumer spending levels for the second year running.

Between January 2021 and April 2022, the period covered by the latest Ethical Consumer Markets Report sales were impacted by lockdowns, forced store closures and shopping restrictions.

After granting people time with selected family members over Christmas, the UK government introduced its third national lockdown on 6th January 2021.

As with previous lockdowns, restaurants, pubs, non-essential retailers and schools were forced to close, and people were told to remain at home.

"Non-essential" retail businesses, including hairdressers and gyms, were allowed to reopen on 12 April as part of the UK's "roadmap" out of lockdown.

Covid restrictions were eased further on 17 May, when the government allowed pubs and restaurants to reopen indoors. Alongside this, sports stadiums were permitted to admit up to 10,000 ticket holders, and international travel was given the go ahead under a traffic light system where countries were rated green, amber and red according to their Covid levels.

But the fourth stage of the roadmap out of lockdown was delayed by four weeks on 14 June to enable more of the UK to receive the vaccine after the emergence of the highly contagious Omicron variant led to a spike in Covid cases.

On 19 July – 'freedom day' - the government removed the remaining social mixing limits and allowed nightclubs to reopen after the number of Covid cases fell and levelled-out following a strong uptake of the vaccine across the UK.

When winter arrived, Covid cases began increasing again. In December 2021 masks were made mandatory in indoor venues and adults were required to show a Covid pass, providing evidence of vaccination or Covid-clear test results to attend venues. In addition, people were requested to work from home when possible.

On 24 February 2022, all restrictions were removed and people who caught the virus were no longer required to self-isolate as part of the government's strategy for "living with Covid."

YouGov Survey

A survey by YouGov has provided key data for some elements of this report since its inception. This time we asked a couple of additional questions about the 'cost of living' crisis. The survey was carried out in August 2022. It appears to confirm that consumers are aware of the longer term need to pay attention to ethics and sustainability in the choices they make, despite the cost of living crisis.

1. We asked; "Thinking about the current cost of living crisis, which began in February this year, do you think that, since the crisis began, you have been buying (ethical) products for social/environmental/ animal welfare reasons more, less or about the same as usual?"

The results showed little evidence that the cost of living crisis was impacting much on decisions to make ethical purchases at that stage. 73% of respondents said they had been buying "about the same amount" of products for social/environmental/ animal welfare reasons as previously. A total of 16% answered that they have been buying fewer products, and 11% said they had been buying more.

2. We also asked about changes made as a result of the cost of living crisis which, although regrettable on one level, were likely to be having positive environmental impacts too.

The most popular actions were:

- Being more energy efficient in the home (66% of people said they were doing this)
- Reducing food waste (49%),
- Buying fewer new clothes (44%)
- Buying fewer new household items (40%).

Several other actions not included in our list were regularly mentioned in the 'Other' [free text] category, such as "buying less [/cheaper] food", "No holidays", cancelling subscriptions and going-out/socialising less.

The boycott data asks people to estimate the value of spend they attribute to various boycotting choices. Although there was a fall this year, quite big fluctuations up and down from year to year are not unusual.



Ethics and Sustainability at the Co-op

The story of ethical consumerism in the UK cannot be told without reference to Co-op. Since 1844, the co-operative movement has been built on values of clear social purpose and doing the right thing.

Our vision today is a continuation of this: to use the power of co-operation to create a fairer world.

We have a long history of taking the lead on the issues that matter most to our members, from being one of the first businesses recognising the need to tackle climate change to our many 'Fairtrade firsts', from our campaigning for social justice and work to protect human rights for workers, to animal welfare standards that go over and above legal requirements.

In the face of the climate change crisis global society is facing, in 2021 we launched a Ten-Point Plan that sets out our pathway to achieving net zero by 2040, 10 years ahead of international agreements. From products and packaging to power and pension fund investments, the plan details how Co-op will reduce the impact of operations and products across Food, Funeralcare, Insurance and Power businesses. The plan sets out targets, endorsed by the Science Based Targets Initiative, in line with the carbon reduction that is required to cap global temperature increases and meet the goals of the Paris Agreement. In October 2021, Co-op rebranded all its stores to raise awareness of COP26 with all its customers and members (see the front cover).

About this report

The Ethical Consumerism Report has been produced annually since 1999 and acts as a barometer of ethical spending in the UK.

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

Community and Charity expenditure includes a combination of charity shop sales and donations to charities involved in activities such as human rights or animal welfare. Local shopping includes consumer expenditure in what they consider to be 'local shops' within their community, e.g. independent stores.

Further information

The UK Ethical markets Report was researched and produced by Ethical Consumer Research Association and was sponsored by the Co-op.

Previous reports are available at:

www.ethicalconsumer.org/research-hub/uk-ethical-consumer-markets-report

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