

Draft Copy for ECMR 2017

Ethical Consumer Markets Report 2017

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Introduction from Triodos

[150 words + Photo of Bevis Watts]

Executive Summary

This year's Ethical Consumer Markets Report reveals that sales of ethical products in the UK are continuing, for the fourteenth year in a row, to grow faster than those of ordinary products.

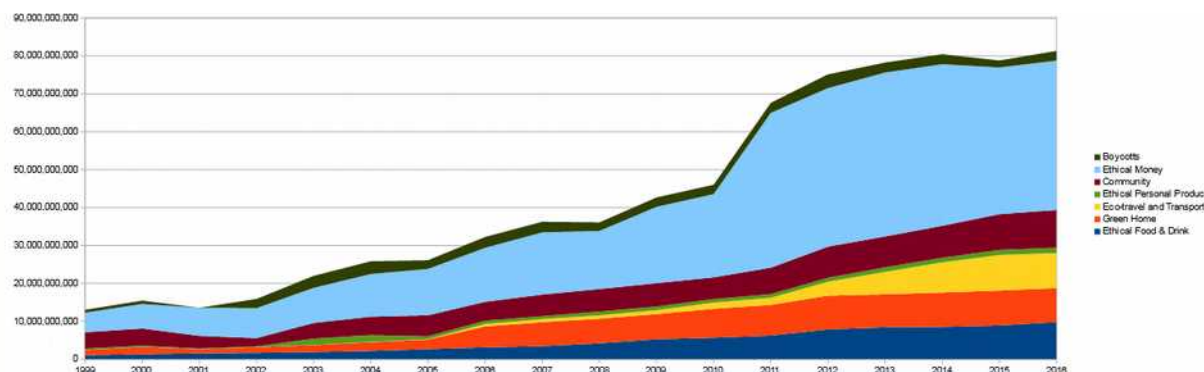
Much of this growth will be the fruit of previous years work by companies, as bringing ethical products to market can sometimes be a long and complex business. One star performer this year, Sustainable Fish, which grew by nearly 37%, is a case in point. Certifying a fishery as sustainable is not a simple business, and the MSC's work over 20 years is beginning to show real impact. 12% of the global marine wild catch is now certified to the MSC Fisheries Standard.

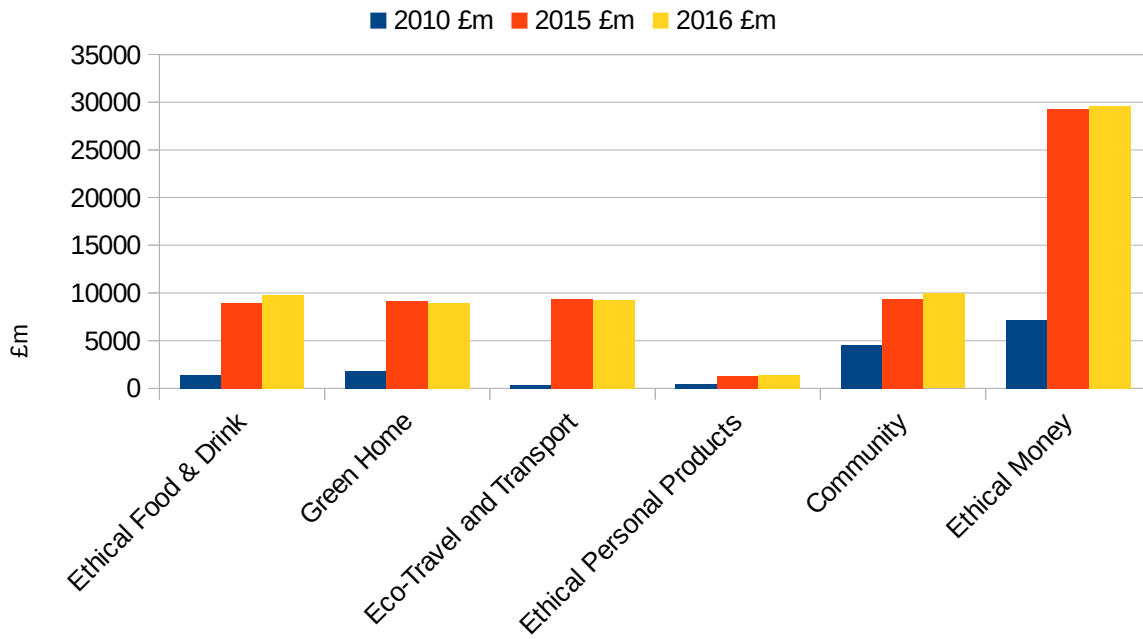
Other elements of this growth can be ascribed to a changing mindset amongst consumers. One set of results that have excited us this year is an apparent 30% growth of vegetarianism revealed in our YouGov survey (see page XX). If this trend is maintained, improved conditions for the environment and animals are likely to be very significant.

The UK government's removal of financial incentives around renewable energy installations and lower-impact cars, shows that we currently have a regulator choosing not to help ethical markets. In our 2017 report, it encouraging to see that, even when this is the case, consumers and businesses working together can continue to drive the growth of a more ethical economy.

Key Highlights from the Ethical Consumer Market

- Sales of ethical goods and services valued at **£81.3 billion**.
- The UK's Ethical market grew by **3.2%** in 2016, whilst inflation averaged 0.64%.
- Ethical Food & Drink sees a **9.7%** growth as conventional foods struggle.
- The value of consumer boycotts bounce back to over **£2.5 billion**.
- Ethical Money returns to growth after a poor showing in previous year.
- **42%** of us shop locally in 2017 spending an estimated total of **£2.7 billion**.
- A 30% increase in vegetarianism and an even **faster rise in veganism**.





Household Spend

Average ethical spend
£ per household, per year, 2000 and 2012



Adjusted for inflation?
Total ethical spend of £291 in 2000 would be worth £415 today

Populate from - S:\CONSULTANCY\Ethical Consumer Markets Report\Ethical Consumer Markets Report 2017\2017 Spend per household

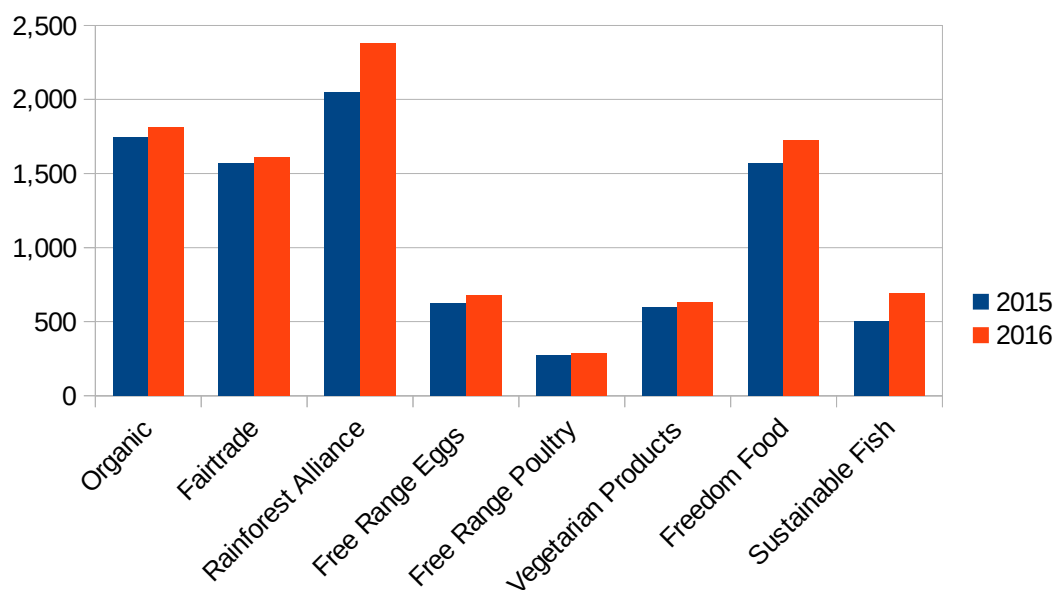
Ethical Food & Drink

Since 2008, our Ethical Food & Drinks sub-category has more than doubled in value and it currently stands at **£9.8 billion**. By its own very high standards, growth over the previous three years growth has been sluggish, averaging just 4.3%, meaning that 2016's year-on-year increase of **9.7%** shows a return to stronger performance in this sector.

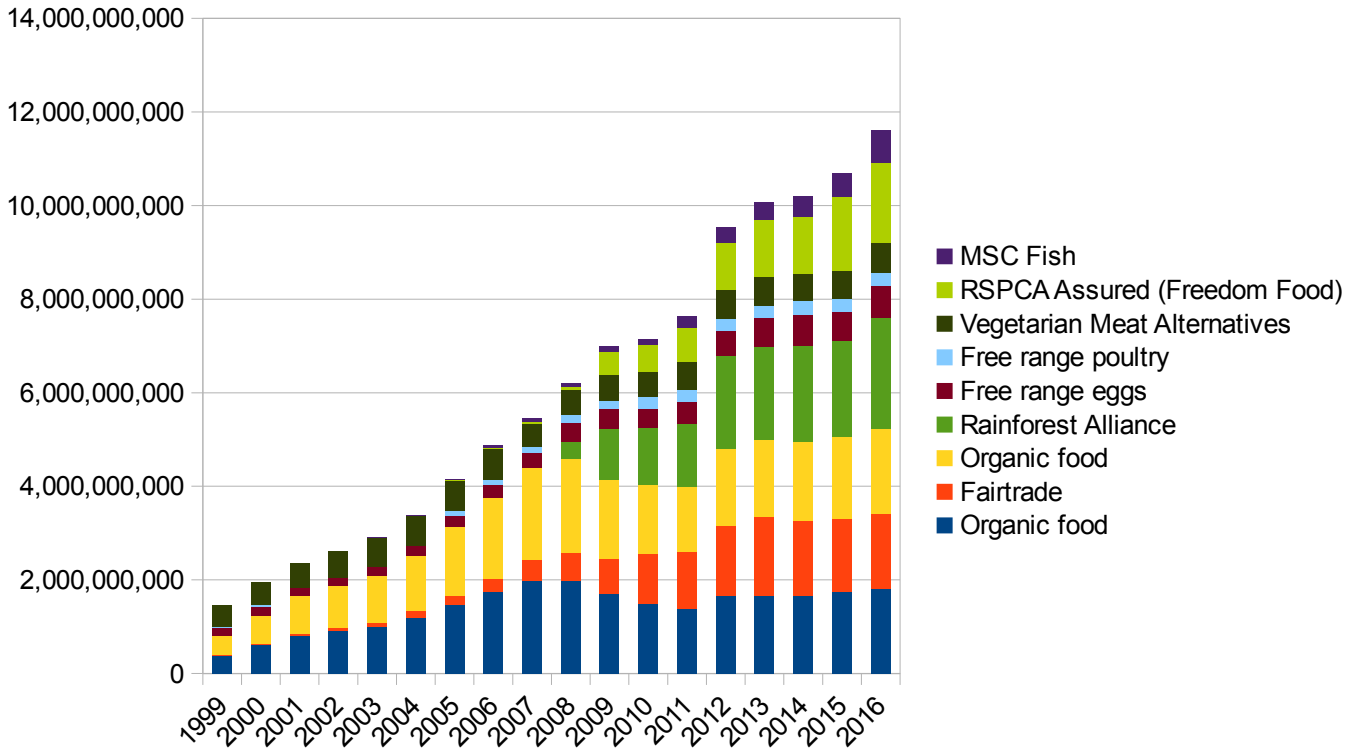
	2010	2015	2016	% Growth
Ethical Food & Drink	£m	£m	£m	2015-2016
Organic	1,475	1,744	1,810	3.8%
Fairtrade	1,094	1,572	1,608	2.3%
Rainforest Alliance	1,198	2,048	2,377	16.1%
Free Range Eggs	419	626	677	8.1%
Free Range Poultry	252	275	286	3.9%
Vegetarian Products	541	600	630	5.1%
RSPCA Assured (Freedom Foods)	573	1,570	1,726	10.0%
Sustainable Fish	121	507	694	36.9%
Subtotal	5,673	8,940	9,808	9.7%

Key Trends

- 1) **Growth is recorded across the board for the first time since 2008.** Ethical Food & Drink markets fared incredibly well during the 2016, recording their first year of growth across all categories since the financial crash.
- 2) **Surging certifications.** Three of our certification categories, Rainforest Alliance, RSPCA Assured and Sustainable Fish (MSC-certified) recorded strong growth in 2016. These results are in line with our YouGov survey which showed that 28% increase in the number of consumers buying goods because of the company's ethical reputation.
- 3) **Here come the vegetarians.** A steady 5.1% growth in vegetarian product sales masks a sharp increase in the number people changing their diet for ethical reasons, as shown by our YouGov survey data.
- 4) **Fairtrade return to growth.** After two years of decline, consumers have come back to Fairtrade goods. Although growth may not be as impressive as in other categories, this resilience sends a strong message to retailers and consumers.



Graph of Historic Market Share



Star Performers

Sustainable Fish

As we predicted in our last Ethical Consumer Markets Report, our Sustainable Fish dataset has continued its rapid growth in 2016. This year it surpassed our Free Range Eggs and Vegetarian Products categories in terms of estimated gross value.



The figures for this dataset are compiled with the help of the Marine Stewardship Council (MSC). Interestingly, the MSC produces an annual ‘League Table’ of sustainable seafood retailers (see this years table below), which shows that Sainsbury’s are in a league of their own in term of Sustainable Fish products.¹ Tesco’s more recent focus on Sustainable Fish has bolstered their position on MSC’s league table and contributed significantly to the substantial growth in this sector.

Supermarket	MSC products	Wild Fish Range	% of Range
Sainsbury’s	225	313	72%
Waitrose	112	168	67%
Tesco	96	295	33%
Lidl	86	132	65%
Aldi	74	107	69%
Coop	37	89	42%
M&S	21	156	13%
Asda	17	136	12%
Morrisons	3	156	2%

The operations of the MSC now extend to an impressive 12% of global marine wild catch, through their certification of 296 fisheries.²

Rainforest Alliance

After a year of stagnation (0% growth in 2015), our Rainforest Alliance category has sprung back to life. Its impressive **16.1%** growth in 2016 represents a £330 million increase in sales of Rainforest Alliance labelled products.



Looking forward, in June 2017, the Rainforest Alliance announced its merger with the Dutch certification scheme UTZ.³ The partnership is likely to consolidate the organisation's position as the largest certification scheme in our report.

Points of Interest

Vegetarian

Our Vegetarian Products category recorded modest growth of **5.1%** in 2016. However, our YouGov survey on ethical shopping indicates a bigger growth in ethically driven diets in the UK.



This is the second year which we have commissioned a more comprehensive YouGov survey on the ethical behaviours of UK consumers. This years' data showed a dramatic increase in the number of people changing their diet for ethical reasons. Responses to the question, "Which, if any, of the following have you done specifically for environmental/ animal welfare reasons in the last year?" were as follows:

	2017	2016	Increase
Avoided eating red meat	14%	9%	52
Bought free range meat or eggs	52%	39%	32
Tried to eat fish instead of meat	17%	13%	25
Not eaten any meat (i.e. I am a vegetarian)	9%	7%	30

If our survey data is representative for the whole of the UK it would mean that a staggering 4.6 million Brits are following a vegetarian diet. Although this figure is significantly higher than the official NHS estimates (1.2 million in 2013)⁴, other polls have shown similar results with research group Mintel estimating that 12% of Brits were veggie back in 2014.⁵

Fairtrade

The market for Fairtrade food and drink has finally grown, for the first time since since 2013. The growth was driven by the sheer volume of sales of Fairtrade products, which The Grocer suggests were up one third on the previous year.⁶

Fairtrade products were significantly cheaper in 2016. The average price fell around 14%.⁶ Lower costs will have increased Fairtrade's audience, to include those on smaller incomes or who are less keen on paying a large premium for Fairtrade. This explains why the value of sales growth was



not quite so striking, at just **2.3%**. But sales of all Fairtrade product markets nonetheless grew – with the exception of cocoa and chocolate.⁷

The biggest players in this market are the brands which decide whether to sport the logo and which can determine many of the key trends. For example, in 2016 Mars became Fairtrade certified. In doing so, it contributed £30 million to the market for Fairtrade confectionery – which grew an astonishing 74.8% in terms of volume sales.⁶ Mars' accreditation also helps account for the lowering of average Fairtrade prices, as a cheaper Fairtrade product. Unfortunately, this leaves the market extremely vulnerable to companies like Sainsbury's and Mondelez (owner of Cadbury) which are dropping the accreditation in 2017. We can only hope that new commitments to increase their Fairtrade certificate from Co-op, Greg's and Ben & Jerry's will be enough to maintain growth.⁸

Organic

Some may have expected Organic sales to decline in 2016. The post-Brexit downturn saw a decline in disposable income for most households, and in 2009 this caused Organic to have a crash of its own. But this time Organic has defied trends, continuing to grow during 2016. The Organic food and drink market grew to **£1.81 billion**, a year-on-year increase of **3.8%**.



Although it remains a niche market – accounting for only 1.5% of all food and drinks sales – Organic is now available in most major supermarkets, helping to account for its growth in recent years. Budget supermarkets like Lidl, Aldi and Costco are increasing their Organic ranges, and Tesco saw a 15% rise in the value of Organic in their stores (greatly outstripping trends overall).⁹ Clearly, Organic is reaching lower-budget shoppers, and Adrian Blackshaw, chair of the Organic Trade Board, has highlighted price falls and availability as key to Organic's revival.⁹

The rise of 'Free-From' Organic brands, advertising themselves as GMO- and chemical-free, suggests that health concerns will also be a key factor in consumer choice.⁹ The Soil Association reports a growing mistrust of normal producers.¹⁰ Our YouGov surveys over the past two years also suggest that an increasing number of consumers are considering animal welfare and the environment in their purchasing decisions.¹¹ Such demand is not just affecting spending on Organic at home: the food service industry spent 19.1% more on Organic products in 2016, compared to the previous year.¹⁰

Free Range Poultry

Free range and organic poultry still only accounts for a small proportion of the total poultry sales. The Guardian reported in July 2017, that 4.4% of birds sold in the UK were bred in free ranged or organic conditions.¹² This report shows that this market rebounded in 2016 after a poor showing the year before, recording an impressive year-on-year growth of **3.9%**.

As Brexit looms over the UK's agricultural industry, free range production standards are set to stand out even further from industry norms. There are currently 44 separate pieces of EU legislation which regulate animal welfare standards, both for agriculture in the UK and for food imports.¹³ But as the UK comes out of the EU, questions have arisen about the future of animal welfare laws;

particularly when you consider that the UK wants to establish bigger trade links with less regulated countries like the US.

The chief economist at the American Farm Bureau Federation, Bob Young, said that “any US trade deal would be contingent on the UK public stomaching imports of US foods that it has previously rejected: beef from cattle implanted with growth hormones, chlorine-washed chicken, and unlabelled genetically modified (GM) foods.”¹³

RSPCA Assured (Freedom Foods)

As a charity the RSPCA has been having a tough time over the last five years. The group has been heavily criticised by the countryside lobby and right-leaning media over its opposition to fox hunting and the badger cull.¹⁴ However in terms of their certified food sales, RSPCA Assured has grown significantly during that time.

The success of RSPCA Assured goods relies on customers recognising its logo and the standards which it embodies. In 2015 Freedom Foods rebranded to become RSPCA Assured. A move which seems to have improved consumer recognition of the label. The RSPCA released consumer research in July 2016 which showed that recognition of its logo stood at 33%, a 120% point increase from its 2015 baseline.¹⁵



Free Range Eggs

It should be noted that we have changed our methodology for calculating our Free Range Eggs category. We strongly believe that our new methodology offers a more accurate picture of this industry. It better accounts for the pricing disparity between Free Range/Organic Eggs and Caged/Barn Eggs.

This re-scoped method shows the average price per egg to be:

Type	Price	Market Share ¹⁶
Free Range/Organic	£0.18	57%
Caged/Barn	£0.10	43%

The Free Range/Organic Egg market share reported above is constant with our own consumer research which showed that 52% of UK consumers had bought free range meat or eggs in the last year. This represents a 32% increase from our results last year.

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Green Home

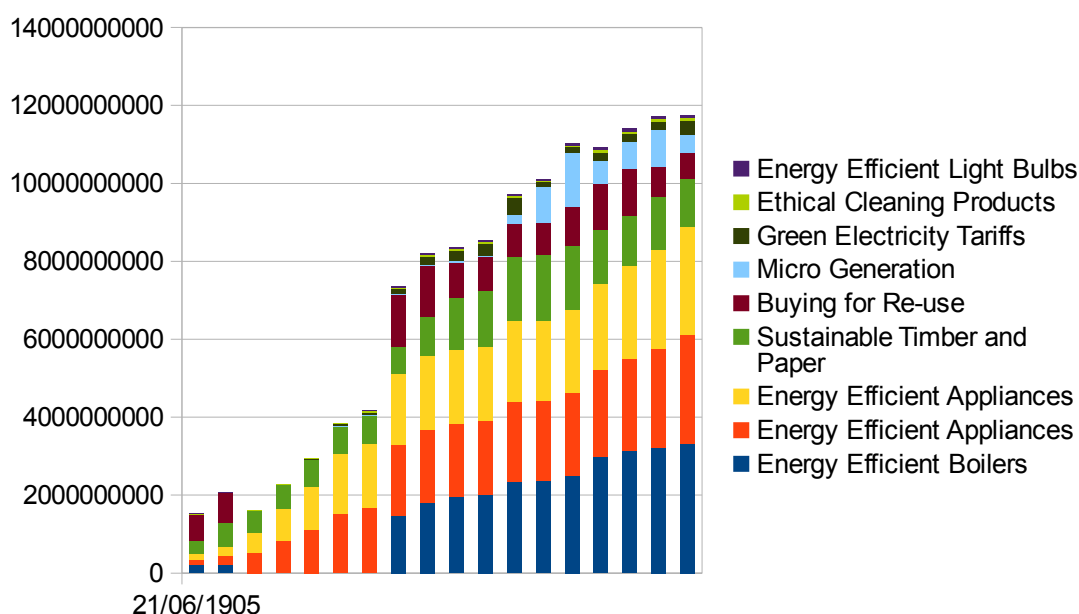
This report shows a turbulent year for our Green Home sub-category. Overall the sector has recorded a slight decline of **-2.3%**, but this statistic hides some star performers and some less encouraging trends.

	2000	2015	2016	% Growth
Green Home	£m	£m	£m	2015-2016
Energy Efficient Appliances	229	2,551	2,795	9.6%
Energy Efficient Boilers	214	3,206	3,305	3.1%
Micro Generation	n/a	925	476	-48.5%
Energy Efficient Light Bulbs	12	77	73	-4.7%
Ethical Cleaning Products	3	59	76	4.2%
Sustainable Timber and Paper	629	1,344	1,211	-9.9%
Buying for Re-use	759	791	682	-13.8%
Green Electricity Tariffs	6	218	337	54.7%
Subtotal	1,852	9,170	8,956	-2.3%

Key Trends

- 1) **Small green energy companies are plugging the gap left by the ‘Big Six’.** With green energy becoming more affordable, more Brits are choosing cleaner electricity.
- 2) **Micro Generation declined sharply in 2016 as government cuts to feed-in-tariffs significantly reduced the number of new installations.** Almost half as many new domestic solar panels were installed in the UK as the government move to make solar energy less financially rewarding for consumers.
- 3) **Consumers are increasingly looking for the most energy efficient appliances.** An impressive growth in household appliances sales has been driven by a sharp increase in the uptake of A++/A+++ rated goods.
- 4) **Young consumers drive forward Ethical Cleaning Products.** Many have reported a boom in the number of young costumers prioritizing the naturalness of the goods they buy.

Graph of Historic Market Share



Star Performers

Green Energy

Only about 1% of the domestic population is on a “green” electricity tariff.¹ However, our dataset shows very strong growth of **54.7%**, which represents an overall increase of £119 million in a single year.

All of the “big six” (EDF, British Gas, SSE, Scottish Power, E.ON & NPower) dropped their renewable tariffs a few years ago in response to Ofgem’s 2013 regulation limiting them to 4 tariffs each.²

In response the number of small electricity and gas suppliers has recently mushroomed, with fourteen new licensed domestic electricity suppliers becoming active in the last year.³ The big six are starting to lose their grip on the market, and while they still supply about 85% of customers, as recently as 2013, they supplied 97%.⁴

Recent evidence shows that “green” tariffs are now often similarly priced to standard tariffs. An analysis from June 2017 indicated that the cheapest “green” tariff is now just £8 more expensive than the cheapest deal on the market, compared to £110 a year before.⁵

Energy Efficient Appliances

Running home appliances such as fridge-freezers, tumble-dryers, washing machines and cookers accounts for a significant proportion of your energy bills. In fact, according to the Consumers’ Association’s Which,⁶ fridge-freezers account for a staggering 20% of electricity used in the average UK home.

In recent years there has been a significant increase in the number of A to A+++ rated appliances being sold in the UK. Energy Saving Advice estimates that an efficient fridge-freezer could save £35 per year on energy bills and £350 over its lifetime.⁷

The uptake by the British public has been impressive. A recent report by UK Energy Research Council found that “British homes now use 23% less gas and 17% less power than in 2008, in large part due to the use of more efficient appliances”.⁸ According to the report, this has been progressively improved by the continuous tightening of EU regulation.

Points of Interest

Micro Generation

In our last report there was a boom in the number of new solar PV installations in the UK. However, we speculated that this was largely due to the impending government cuts to feed-in-tariffs. As predicted, these cuts (which came into effect in February 2016) have dramatically decreased the number of new installations. Perhaps unsurprisingly nearly half the number of solar PV panels were installed, with this sector shrinking by **48.5%**. This has taken the total value of our Micro Generation dataset to its lowest level since 2010.



An article in The Guardian from April 2016 reported that the uptake of Micro Generation was said to have plummeted by three quarters when the government cut incentives. The impact of this shift in the market has seen several solar panel companies go bankrupt,⁹ resulting in the loss of almost half of all jobs in the solar industry.¹⁰

Ethical Cleaning Products

October 2015 saw a UK ban on animal testing on finished cleaning products but there is no ban on the animal testing for ingredients, so certification is still the only way for consumers to be sure their cleaning products are cruelty free.¹¹

Our dataset looks at products which carry the leaping bunny logo indicating Cruelty Free International (CFI) certification. Overall our data set shows a modest growth in the purchasing of ethical cleaning products of **4.2%**.

Looking forward there appears to be a swell of interest in CFI cleaning products, with discount store Aldi announcing in July 2017 that all its own-brand cleaning products have now gained CFI certification.¹²

Ecover, possibly one of the most famous of the 'eco' cleaning brands is now set to be taken over by large multinational, SC Johnson. While it remains to be seen what this means for the brand's green credentials, the Financial Times puts this takeover down to the fact that younger consumers are paying a lot more attention to the naturalness of their products than the previous generation.¹³

Sustainable Timber and Paper

Our Sustainable Timber and Paper dataset tracks sales of FSC-certified products which are sold by a whole host of different retail stores and is back in decline after a promising 2015. Last report, sales were up for the first time in three years. But in 2016 they fell by **9.9%**.

DIY stores are amongst the most important for FSC timber sales and account for a large part of this market. They often offer a wide range of FSC products, and some even have company-wide FSC commitments. The DIY retail sector has however struggled in recent years.¹⁴ According to the market research group Mintel, consumers are increasingly using supermarkets, discount, or online stores (like eBay and Amazon) in place of these specialist retailers.¹⁴

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Transport

After a bumper year in 2015, ethical transport sales took a turn for the worse in this report, with the market declining by **2.0%**. This is the first drop in our Eco-travel & Transport sub-category since we began tracking sales in 1999.

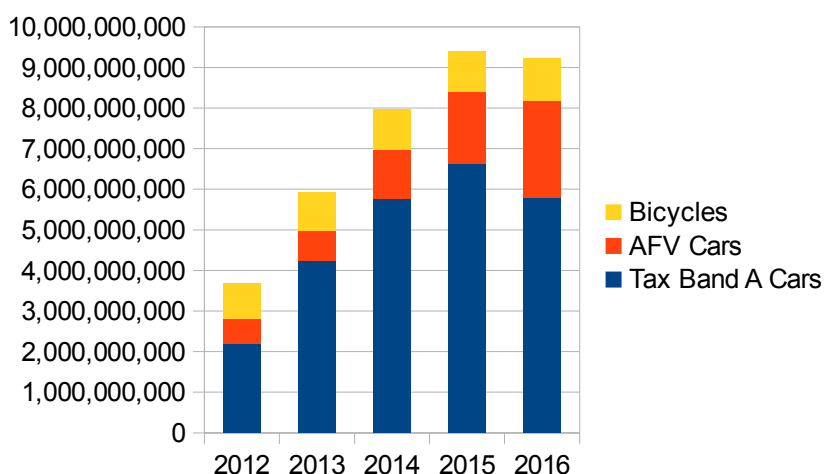
Overall, although 2016 can be seen as a check on growth; it should be remembered that our Eco-travel & transport sub-category has been achieving astonishing growth rates for the past five years. Between 2010-2015 the sector has grown at an average of 46.5%! And with charging stations continuing to spring up all over the country, the UK seems to be readying itself for an electric car revolution.

	2000	2015	2016	% Growth
Eco-travel & Transport	£m	£m	£m	2015-2016
Alternative Fuel Vehicles	n/a	1,782	2,377	33.4%
Tax Band A Cars	4	6,624	5,786	-12.7%
Bicycles	348	1,004	1,058	5.4%
Subtotal	352	9,410	9,221	-2.0%

Key Trends

- 1) **Sales of Tax Band A cars slump as consumers opt for Alternative Fuel Vehicles (AFVs) instead.** 2016 was another impressive year for sales of AFVs. We have created a new category to track growth in this exciting sector.
- 2) **Bicycle sales continue to grow as Olympic success and healthy lifestyles drive consumer interest.** Research group Mintel see a bright future for the UK's bicycle sector, referencing the growing appetite for e-bikes and high participation rates.

Graph of Historic Market Share



Points of Interest

Cars

As you can see from the table, the decline in this sub-category was entirely owing to a reduction in sales of Tax Band A cars. 46,855 fewer of these more fuel efficient vehicles were registered in 2016, which dragged our Tax Band A car sector down by **12.7%**.



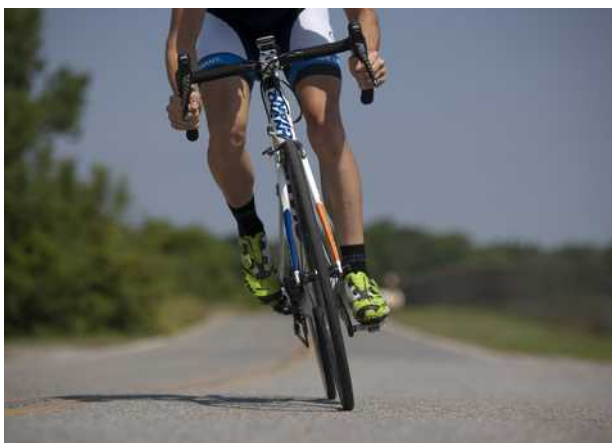
However, there was some positive news for ‘environmentally-conscious’ AFVs,¹ which not only saw a 22% increase in the number of newly registered cars, but also saw their market share increase to 3.3%.² This sector has been performing well for a number of years now so we have made the decision to record its growth in its own category.

As we have created a new category for AFVs, we felt it necessary to include a graph of the sectors’ historic performance from when we began tracking it back in 2012:

	2016	2015	2014	2013	2012
Number of alternative fuel vehicles registered	88,909	72,768	51,739	32,715	27,841
Value AFVs	£2,376,795,639	£1,781,965,903	£1,215,416,055	£726,758,595	£601,341,800
Growth/Decline	33.38%	46.61%	67.24%	20.86%	

Bicycles

The economic outlook for bicycles looked much brighter. The sector saw its biggest year of growth since 2013, with sales increasing by **5.4%**. According to the research group Mintel this rise can be directly attributed to Team GB’s success at the Olympic games in Rio and the increased consumer interest in highly priced e-bikes.³



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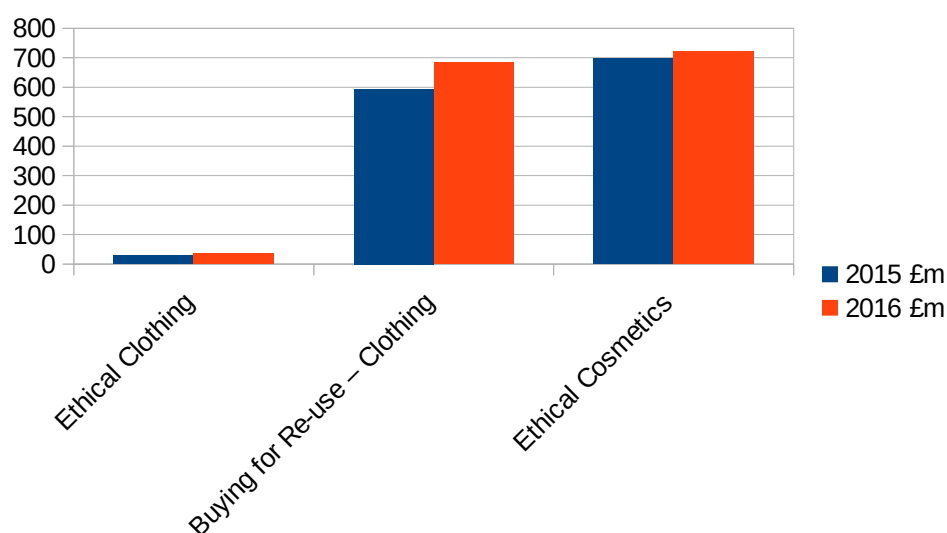
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Ethical Personal Products

	2010	2015	2016	% Growth
	£m	£m	£m	2015-2016
Ethical Personal Products				
Ethical Clothing	63	29	36	22.4%
Buying for Re-use – Clothing	321	594	685	15.1%
Ethical Cosmetics	525	699	721	3.2%
Subtotal	909	1,323	1,442	9.0%

Key Trends

- 1) The Ethical Clothing sector springs back to life after seven years of decline.** Last year we adjusted our methodology for calculating the size of the ethical clothing sector in the UK. Our new dataset only tracks sales of ethical clothing goods which carry an ethical certification logo.
- 2) Our YouGov survey results show an increase in purchases of second hand clothes.** On average consumers claimed to be spending over £60 per year on second hand clothing.
- 3) Ethical Cosmetics celebrates nine straight years of positive growth.** The success of alternative cosmetic companies such as Lush continue to energise this sector.



Star Performer

Ethical Clothing

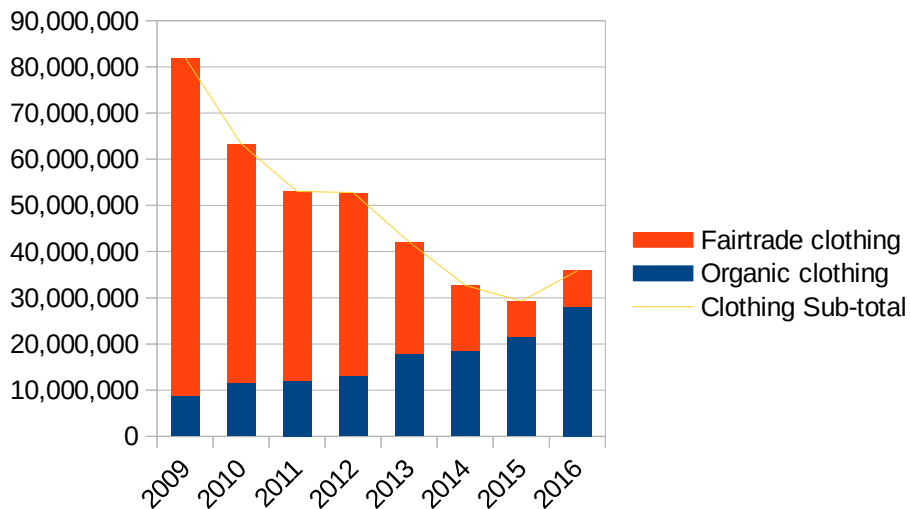
Sales of ethically certified clothes have increased significantly since our last report, by **22.4%** in 2016.

In previous years we have included data provided by the Textile Exchange in our calculations. Their statistics not only accounted for clothes which bore certification logos, but also included sales of organic cotton which ended up in unlabelled apparel. However, the group no



longer accurately publish this particular statistic, choosing instead to report on the Soil Association's growth rates.

Removing this piece of data took a large part of our total for Ethical Clothing away but our hope is that the new methodology will provide a more accurate picture of the growth trends in the industry. After recalculating this category with the new methodology, it has shown the health of certified clothing sales to be struggle in recent history. In fact, 2016 was Ethical Clothing's first year of growth since 2008.



Point of Interest

Ethical Cosmetics

According to the results of our YouGov survey, 23% of UK consumers avoided buying certain cosmetic products for ethical reasons in the last year, up from 17% in 2016. The continuing growth of our Ethical Cosmetics sector supports these findings as consumers look away from products and businesses which engage in environmental damaging and socially abusive practices.



References

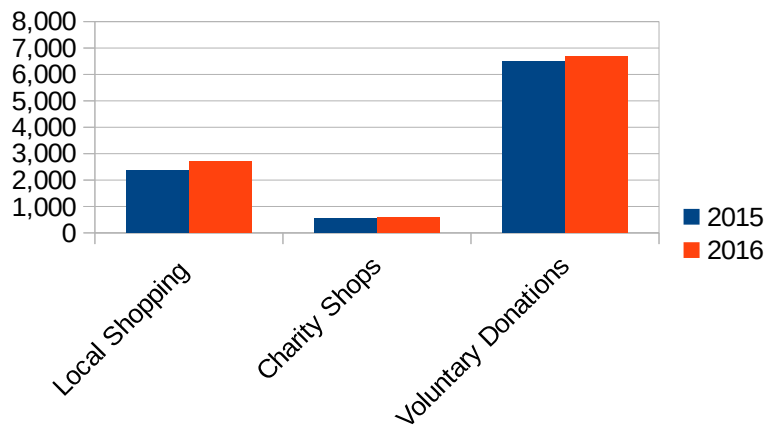
1 Consumers being misled by labelling on 'organic' beauty products, report shows, The Guardian, 24 April 2017, viewed 10 November 2017, available at: <https://www.theguardian.com/environment/2017/apr/24/consumers-being-misled-by-labelling-on-organic-beauty-products-report-shows>

Community

	2010	2015	2016	% Growth
Community	£m	£m	£m	2015-2016
Local Shopping	2,330	2,375	2,691	13.3%
Charity Shops	359	542	557	2.7%
Charity Donations	3,040	6,496	6,677	2.8%
Subtotal	5,729	9,413	9,926	5.4%

Key Trends

- 1) **UK consumers return to local high streets.** With the rise of online shopping and fast fashion, it is heartening to see that consumers are increasingly choosing to shop in their local communities.
- 2) **Charity Shops record their tenth consecutive year of growth.** All but one charity shop in our database recorded retail sales increases in 2016.



Star Performer

Local Shopping

The 5.4% growth recorded in our community sub-category was driven by Local Shopping, with results from our YouGov survey suggesting that more and more of us are shopping locally for ethical reasons. Nearly half of respondents told us they chose produce or goods that have been made or grown in their local area. These results represent a 16% increase from our findings last year.



Which, if any, of the following products have you bought for environmentally friendly reasons in the last 12 months? (Please select all that apply)

Local food produce or goods (i.e. food or goods that have been grown/ made in your local area) 42% 36%

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We are hopeful that this is an indicator of resistance to the Amazon-led cohort of online giants which are attempting to take over our retail sector. Shopping locally represents an ideal protest to Amazon's ethically repugnant business model of fast retail and tax avoidance. By promoting small

businesses and locally produced goods, supply chains can be simplified and money can be kept in local communities.

When this data is extrapolated and applied to the UK population as a whole it shows that 21.8 million of us shop locally, spending a respectable **£2.7 billion** a year. However to provide some context, the UK's online retail market reached a total of £133bn in 2016.¹

Point of Interest

Charity Donations

Our community sub-category is weighted mostly towards Charity Donations, which grew by a decent **2.8%** in 2016. The Charities Aid Foundation (CAF) produce an annual report on charitable giving in the UK, which found that 26% of donations are given to medical research charities.² CAF also stated that Brexit had yet to have any tangible impacts on charitable donations which has remained consistent through-out the year despite Brexit fuelled economic uncertainty.²

References

1 UK online retail sales hit £133bn in 2016, up 16% year-on-year: stats, Econsultancy, 17 January 2017, viewed 20 November 2017, available at: <https://econsultancy.com/blog/68709-uk-online-retail-sales-hit-133bn-in-2016-up-16-year-on-year-stats>

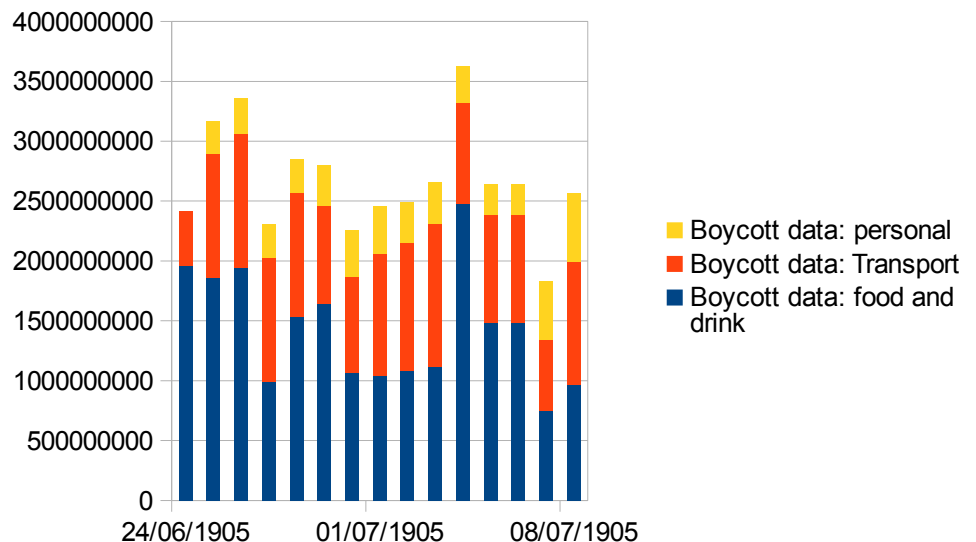
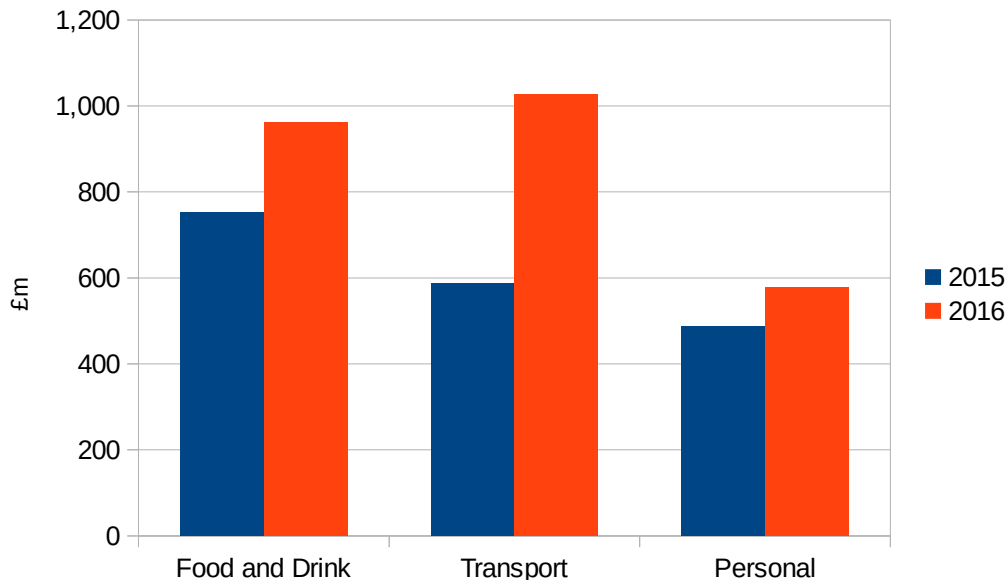
2 The CAF UK Giving Report 2017, CAF, 2017, viewed 09 November 2017, available at: <https://www.cafonline.org/about-us/publications/2017-publications/uk-giving-report-2017>

Consumer Boycotts

The YouGov survey, commissioned by this report, was answered by 2,030 people and gives us an impression about the prevalence and impact of boycotts in the UK. We asked respondents if they had boycotted products and/or services from any of the following industries for ethical reasons; Food & Drink, Transport and Personal Products (cosmetics and toiletries). We also asked them how much money they thought they had withheld from these sectors. An impressive 48% of people said they had boycotted one of these over the last 12 months.

By extrapolating these findings and applying them across the whole UK adult population we have been able to estimate the total amount of money withheld from corporates owing to boycotts in these sectors.

	2000	2015	2016	% Growth
Boycotts	£m	£m	£m	2015-2016
Food and Drink	587	752	961	27.8%
Transport	112	588	1,026	74.5%
Personal	174	486	577	18.7%
Subtotal	873	1,826	2,564	40.4%

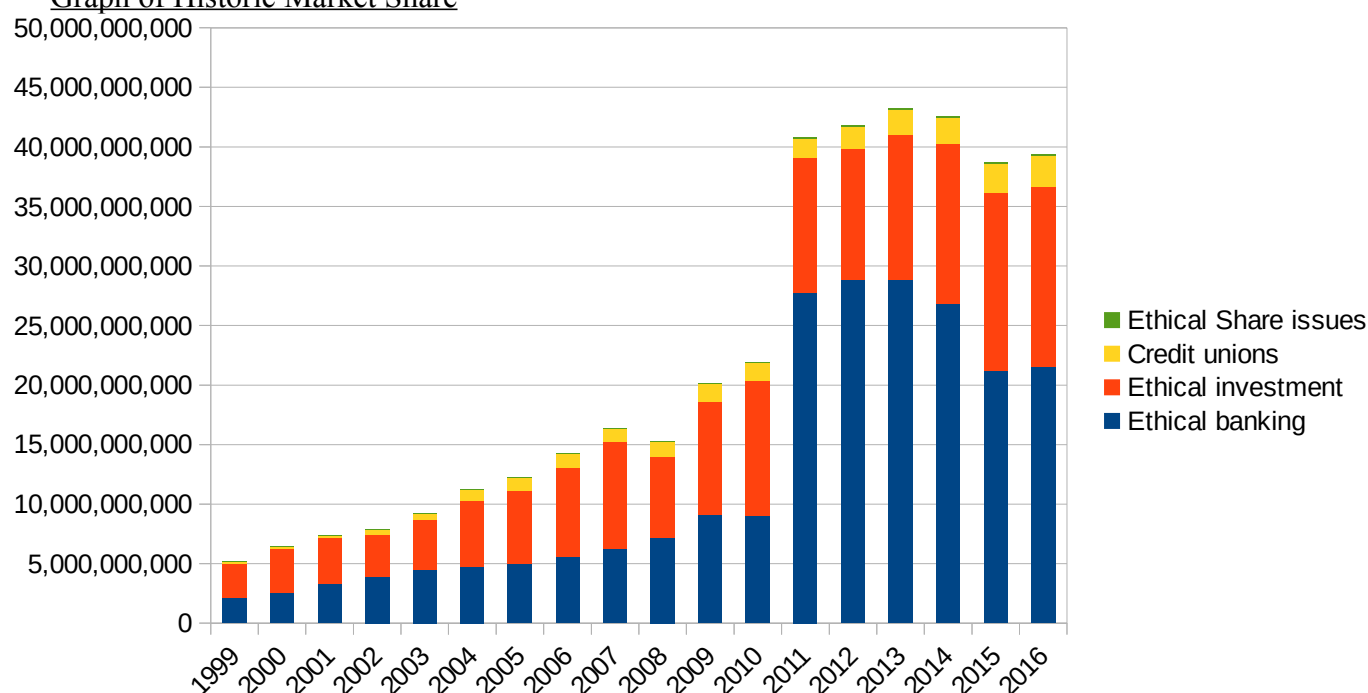


Ethical Money

Although its **1.7%** growth rate over 2016 seems low, it represents a stabilisation of the Ethical Money market after the 9% decline in 2015.

	2000	2015	2016	% Growth
Ethical Money	£m	£m	£m	2015-2016
Ethical Banking	2,594	21,212	21,480	1.3%
Ethical Investment	3,702	15,000	15,200	1.3%
Credit Unions	183	2,356	2,549	8.2%
Ethical Share Issues	4	135	142	5.4%
Subtotal	6,483	38,703	39,371	1.7%

Graph of Historic Market Share



Key Trends

- 1) **Banking recovers from its 20% decline in 2015.** Ethical banking recovered as the Co-op Bank become more stable in 2016. Growth at other ethical banks, including Triodos, was very strong.
- 2) **Ethical Investment rates slow down.** Following three straight years of double digit growth, our Ethical Investments category falters slightly in 2016.
- 3) **Credit Unions continue to grow well.** Since 2008 our Credit Union dataset has been booming, although they are still a little known institution.

Points of Interest

Ethical Banking



Growth in the ethical banking sector looks unimpressive, but much of this is due to the fallout from the Co-op bank's continued problems. Without the Co-op bank the figures are very strong, at 39.57%.

This has been the case for several years running, with the previous year showing a fall of over 20%, but without the Co-op bank, growth of 21%.

In absolute terms the Co-op bank still dominates the sector, with almost half of the total amount deposited in ethical banks being deposited there. However, that is gradually changing.

One of 2017's biggest pieces of news was the launch of Triodos's current account, which has dramatically changed the options for ethical reasons in the sector. Other providers such as Ecology Building Society and Charity Bank do not offer current accounts.

According to Mintel, the total amount of retail deposits in banks in the UK at the end of 2016 was about £1.4 billion¹, which means that ethical banking represented only about 1.5% of the whole retail banking sector.

Ethical Investment

Investments in Ethical Investment funds showed low growth this year, at only slightly over 1%. Such funds still represent less than 2% of the total UK investment fund market.²

This points to a lack of knowledge among investors, as there is now extensive research showing that socially responsible investment funds do not do any worse financially, and often do better.³



Research released this year by the positive savings and investment platform Ethex confirms this—more than half of the UK population surveyed said that they were interested in positive investment, but felt that they did not know enough about it. Nearly 40% admitted that they didn't know what return they might make. The research also found that while most people who currently invest in ethically positive things are older and wealthy, it was people under 40 who were the most interested in the concept.⁴

One of the major recent changes has been the growth of carbon divestment. A 2015 analysis found that carbon divested investment funds outperformed conventional ones.⁵

References

1 Deposits and Savings Accounts – UK – June 2017, Mintel, June 2017, viewed 21 November 2017

2 Green, Social and Ethical Funds in Europe 2016 release, Vigeo Eiris, 2016, viewed on 19 November 2017

3 Eg. Rob Bauer, Kees Koedijk & Roger Otten, 2012, International Evidence on Ethical Mutual Fund Performance and Investment Style, Financial Economics

4 Understanding the positive investor 2017, Ethex, 2017, viewed on 19 November 2017, available at: https://www.ethex.org.uk/understanding-the-positive-investor-2017_1923.html

5 Fossil fuel-free funds outperformed conventional ones, analysis shows, The Guardian, 10 April 2015, viewed on 19 November 2017, available at:

www.theguardian.com/environment/2015/apr/10/fossil-fuel-free-funds-out-performed-conventional-ones-analysis-shows

Consumer Opinion Survey

The Ethical Consumer Markets Report combines market size measurement with a YouGov opinion survey of general ethical consumer behaviour. We ask respondents a series of questions about their shopping behaviours. 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 2,030. Fieldwork was undertaken between the 30th and the 31st of October 2017. The survey was carried out online. These figures have been weighted and are representative of all UK adults (aged 18+).]

Personal Boycotts

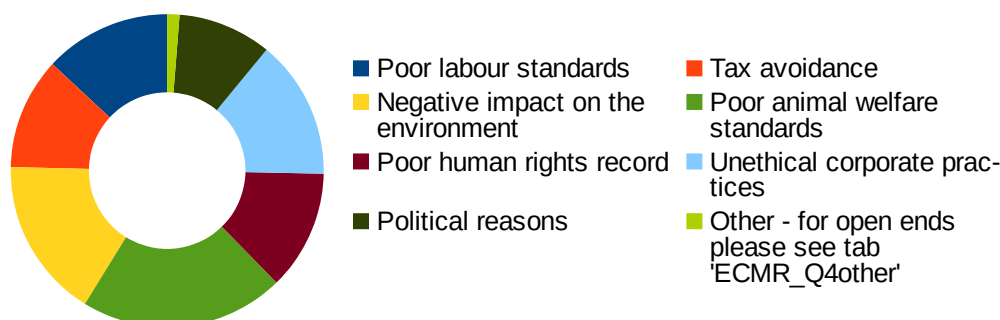
Many large campaign groups have moved away from the use of boycotts as a campaign tool and towards supporting accreditation schemes like Fairtrade and the Marine Stewardship Council.

Despite this:

- Much of the UK population are currently operating personal boycotts over ethical issues. According to our survey, 58% of the UK population have chosen not to buy a particular product or shop at a particular outlet because of concerns about its ethical reputation
- The most popular types of personal boycott operated by shoppers in the UK in October 2017 was against businesses with poor animal welfare standards (31%), a negative environmental impact (24%) and unethical business practices (21%).
- There was a 70% rise in the number of people boycotting for political reasons, which some respondents attributed to the impact of Brexit.
- Respondents in Scotland were the most likely to conduct boycotts, an amazing 64% in fact.

Unweighted base	2030
Base: All GB adults	2030
Poor labour standards	19%
Tax avoidance	17%
Negative impact on the environment	24%
Poor animal welfare standards	31%
Poor human rights record	18%
Unethical corporate practices	21%
Political reasons	14%
Other - for open ends please see tab 'ECMR_Q4other'	2%
Don't know/ can't recall	10%

When consumers who claimed to boycott were asked which issues drive their decisions. Their replies were as follows:



Ethical Diet Choices

57% 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.

It is also worth noting the year on year increases in the number of people avoiding red meat, following a vegetarian diet and choosing fish over meat.

Which, if any, of the following have you done specifically for environmental/animal welfare reasons in the last year? (Please select all that apply)

			Increases
Avoided eating red meat	14%	9%	52
Bought free range meat or eggs	52%	39%	32
Tried to eat fish instead of meat	17%	13%	25
Not eaten any meat (i.e. I am a vegetarian)	9%	7%	30
Not eaten any meat or animal products such as eggs and milk (i.e. I am a vegan)	2%	1%	104
Other	4%	3%	39

Other Ethical Activities

87% of respondents told us that they were doing things in their lives specifically for social/ environmental/ animal welfare reasons in the last 12 months, below are some of the stand out figures from these findings:

- 69% of people recycled at least every week
- There was a 34% increase in the number of people talking to their friends and family about unethical companies
- Also, almost 30% more of us are avoiding using their private cars and choosing to walk, cycle or use public transport
- Women were much more likely to conduct ethical activities than men, outperforming men in all of our categories.

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, DVLA, Ecoiva, RSPCA Assured, FSC, GfK Marketing Services, Kantar Worldpanel, Irish League of Credit Unions, Lush, Mintel, MSC, Rainforest Alliance, SMMT, Vigeo Eiris, The Fairtrade Foundation, The Soil Association, YouGov.

The 2017 Ethical Consumer Markets Report was compiled by Mackenzie Denyer with assistance from Rob Harrison, Joanna Long, Josie Wexler, Clare Carlile and Francesca de la Torre at Ethical Consumer. Thanks also to Adele Armistead at Moonloft for design and layout.

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