DEMOGRAPHIC CHARACTERISTICS OF ETHICAL CONSUMERS

by

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Abstract

Changes in consumer preferences have frequently created markets for new products. Recently these changes in consumer preferences have been brought on by people we term as “ethical consumers.” These consumers demand is driven by the extrinsic characteristics of the products they purchase. In this thesis we analyze consumer demand theory for its application to ethical consumers, we determine the demographic factors that influence the emergence of the ethical consumer, and we classify ethical consumers by the categories of extrinsic factors influencing their consumption decisions.

We explore the theory of Abraham Maslow’s Hierarchy of Needs. Our theory tells us that as people reach the self-actualizing stage in Maslow’s Hierarchy they have the income and education to make their purchase decisions based on how it will effect others and the environment. We found higher income levels and educational attainment to be characteristics of our ethical consumer. We also found that the reasons these ethical consumers are purchasing ethical products fall into five categories, environment, social justice, biodiversity, and religious.

This paper develops a theory on Ethical consumers, determining the demographics of the consumer and their motivations for their ethical purchases. Future research may look at using this information to create a demand theory for ethical consumers.

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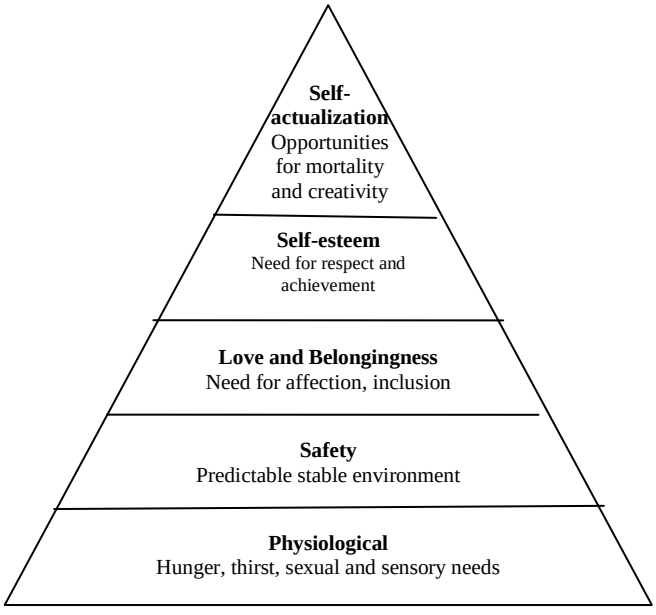
CHAPTER 1 - Introduction into Ethical Consumer Demand

1.0 Introduction

Maslow (1954) determined that human needs are hierarchical. In his theory of human Motivation, he identified five tiers of needs, beginning with physiological needs and ending with self-actualization (Figure 1-1). Physiological needs encompass food, air, water and other basic resources that are necessary for keeping the body alive. "A human being missing everything in life will most probably hunger for food more than safety, love, and esteem," notes Maslow (1954, p.82). When human beings are dominated by a certain need their whole philosophy of the future tends to change. For example, for a chronically hungry man, Utopia can be defined very simply as a place where there is plenty of food.

Figure 1-1 Maslow's Hierarchy of Needs Triangle



If physiological needs are satisfied, a person will advance on to the second tier, safety needs. The healthy, normal, fortunate adult in our culture is largely satisfied in his safety needs. "The peaceful, smoothly running, 'good' society ordinarily makes its members feel safe enough from wild animals, extremes of temperature, criminals, assault, murder and tyranny" (Maslow, 1954, p.87). In our food industry this would be feeling free from food terrorism, and include good food safety standards as well as establishing and implementing good processes to secure the food system. The government helps achieve this security level through regulation and implementation of Good Manufacturing Practices (GMPs), Standard Operating Procedures (SOPs), and Sanitation Standard Operating Procedures (SSOPs) by food companies.

If both physiological and safety needs have been satisfactorily met, then the need for love and affection and belongingness will emerge. Now more then ever before a person will feel the absence of friends, companions, and children and will long for affectionate relations with people. A person will want to attain such a place more than anything else in the world that he may even forget that he was once hungry and did not want love.

The fourth tier in Maslow's theory is esteem needs. Esteem needs are classified into two sets, first is the desire for strength, for achievement, for adequacy, for confidence, and the second is for reputation or prestige, recognition, attention. Satisfaction of these needs leads to feelings of self-confidence, worth, strength, and capability. A person consumed by these needs will spend hundreds of thousands on a sports car just to get the attention.

If one is able to achieve all of these, it is inevitable that he will eventually need more. This is when a person becomes self-actualizing. That is, "the desire to become more and more of what one is, to become everything one is capable of becoming" (Maslow, 1954, p. 92). The clear emergence of these needs rests upon prior satisfaction of the physiological, safety, love and esteem needs. Those who are satisfied in these needs are basically satisfied people, and it is from these that we may expect the fullest (and healthiest) creativeness.

Maslow classifies self-actualizing individuals as those that have human kinship, social interest, compassion, humanity, etc. They are the people who are not hungry or worried about their safety, they have people to love and be loved, and no longer crave esteem. These people have the education to know the impact their consumption has on the environment and the people around them. These self-actualizing consumers have been shown to care about human rights, the environment, biodiversity and animal welfare, among other things. As a result, we refer to these consumers as ethical consumers.

Ethical consumers are choosing their consumption of food and other products to reflect their concerns about these issues. For example, some of them are choosing to consume products that are certified as "fair trade" because this certification symbolizes the fair treatment of the people who produced them. Similarly, some are choosing to purchase food products only from suppliers who can guarantee that those products have been produced using only the best management practices that have little or no impact on the

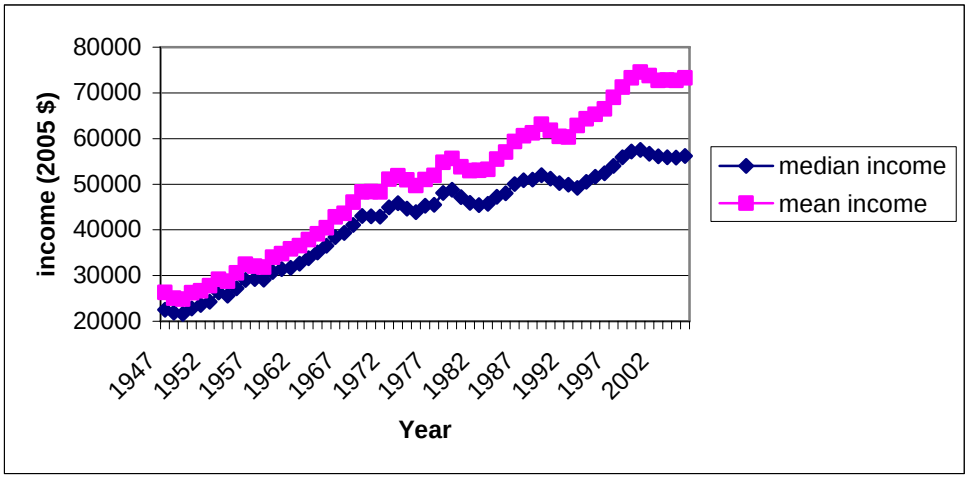
environment. This has led to the emergence and success of food retailers such as Whole Foods Markets and similar oriented stores.

From the foregoing, we may say that ethical consumers demand products based on their extrinsic characteristics having assumed their intrinsic characteristics as a given. We define extrinsic characteristics as those characteristics that are external to the products themselves but involved in their production and/or processing. Thus, a turkey that is grown on pasture has extrinsic characteristics that make it different from a turkey that is grown in a cage from the perspective of a consumer interested in animal welfare. The intrinsic nutritional and taste characteristics of these turkeys may be same but the production method—i.e., pasture versus confinement—creates a distinguishing factor in the eyes of the self-actualizing consumer concerned about animal welfare. Similarly, bread baked by artisanal bakers may have extrinsic value to consumers interested in the maintenance of small bakeries and their effect in communities even when that bread has the same nutritional and taste characteristics as that coming from a large commercial bakery.

Maslow's hierarchy may help explain the trends in consumption that is emerging in developed countries. With income increases that allow people to address the lower level needs, we believe that people are beginning to care more about "becoming more, reaching the limits of their potential" (Amanor-Boadu and Schnitz, 2008). Figure 1-2 shows the trend in the median and mean household incomes in the U.S. over the last 60 years. The figure shows that income is increase in the U.S., providing a possible

explanation for the emergence of the self-actualized consumer who is purchasing products based on their extrinsic production and/or processing characteristics.

Figure 1-2 U.S. Household Income Median and Mean



Data Source: U.S. Census Bureau

We recognize that only about 11% of per capita income (PCI) is required for food in the U.S. market that leaves a significant amount of PCI for achieving other things. As incomes increase people are moving into self-actualization. This increase has been seen not only in income but in the level of concern about climate change as well (Stauffer, 2006). "The concern among certain members of society about how their consumption decisions influence these environmental changes has also increased" (Harrison et al, 2005, p.55). These trends are not unrelated to the increasing interest in animal welfare and social justice and their impact on people's consumption decisions (Amanor-Boadu, 2007). They are also being influenced by an increasing number of people believing that they can contribute to the solutions they desire by making changes in their own consumption patterns and decisions. For these people, consumption of any product—food or non-food—is based on both the intrinsic characteristics of the product (Lancaster,

1966) and its extrinsic characteristics (Amanor-Boadu and Schnitz, 2008). We call the consumer whose consumption decisions are thus influenced an ethical consumer.

We hypothesize that the framework presented in Maslow's hierarchy of needs provides a foundation to develop explanations of ethical consumers' behavior and the associated evolution of this trend in the marketplace. We argue that understanding the antecedents of these trends offers opportunities for stakeholders in the food industry to develop strategic responses to help maximize their effectiveness in meeting consumer needs.

1.1. The Research Question

The questions this research seeks to address are as follows:

1. What are the characteristics of consumers who fit the description of ethical or self-actualizing consumers?
2. Are they truly different from others that may be labeled as traditional consumers?

1.2. Objectives

The overall objective of this thesis is to improve our understanding of the ethical consumer by indirectly evaluating how behavior of people we believe are self-actualizing differ from those who are on lower levels of Maslow's hierarchy. Although the span of products consumed by ethical consumers is broader than food, we have chosen to limit ourselves to food and food products for traceability. Our specific objectives are as follows:

1. Review the demand literature and assess its application to the ethical consumer.

2. Classify categories of extrinsic factors influencing the consumption decisions of consumers who are believed to be self-actualizing.

3. Determine the demographic factors that influence the emergence of ethical consumers.

1.3. Methods

Our attempt is to develop a framework to understand the characteristics of consumers who demand products by their extrinsic characteristics as defined in the foregoing sections. We use an extensive literature review to achieve the foregoing research objectives. The literature review encompasses both academic and popular literature on information concerning markets ethical consumers are involved in. We use this information to classify ethical consumers by factors influencing their consumption. We use secondary data from various organizations to test our hypothesis about the factors influencing ethical consumers.

1.4. Outline of Report

We present the results of the literature review in the next chapter, providing an overview of the factors influencing the emergence of new consumer demand. We describe our major findings and methods in greater detail in Chapter 3. We present the results and analyses of our hypotheses in Chapter 4. Chapter 5 contains the conclusions of our research and suggestions for future research.

CHAPTER 2 - Review of the Consumer Demand

2.0 Introduction

Economists assume that the purpose of consumption is satisfaction. This has been the focus of much research through the years. In this section, we present an overview of the food areas that interest ethical food consumers.

2.1 Emerging Food Areas

There has been an emergence in Ethical food products. The government sees the increase in these ethical areas and has got more involved by implementing policy standards for these new food products. People are beginning to see the emergence of these areas as well. As shown in the following sections issues causing the demand for these products are on the rise as well as membership in ethical associations.

2.1.1 Organic

Organic agriculture was defined by the National Organic Standards Board at its April 1995 meeting in Orlando, FL as an ecological production management system that promotes and enhances biodiversity, biological cycles and soil biological practices that restore, maintain and enhance ecological harmony (Organic Trade Association, 2007). One requirement for organic is that the product is free of genetically modified organisms (GMO-free). Pesticide free is another requirement of food that qualifies as organic. U.S.

federal law under the Federal Insecticide, Fungicide, and Rodenticide Act defines a pesticide as:

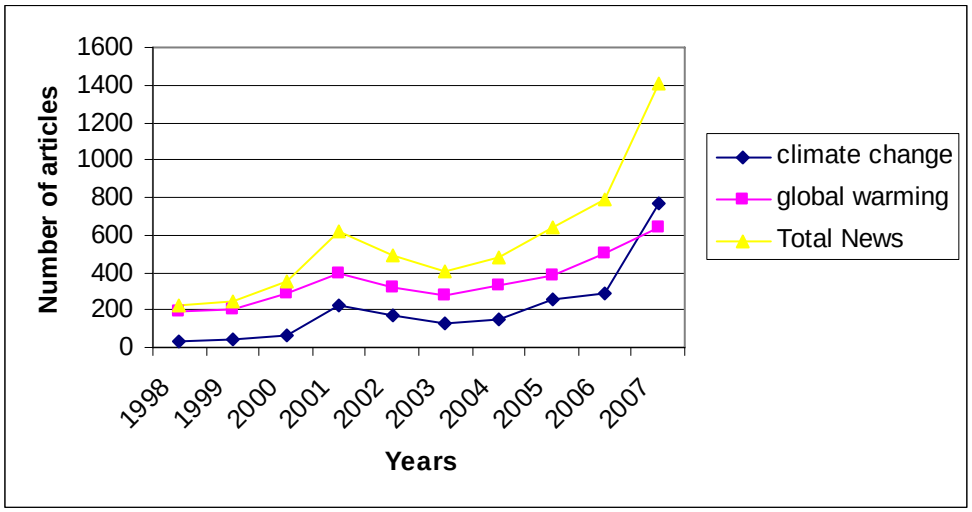
> "any substance or mixture of substances intended for preventing, destroying, repelling, or mitigating any insects, rodents, nematodes, fungi, or weed, or any other form of life declared to be pests, and any substance or mixture of substances intended for use as a plant regulator, defoliant, or dessicant" (Lang, 1993).

Having pesticide free food means producing the food without the use of pesticides. Natural could also be considered a requirement of organic food, however, FDA has no formal definition for natural (Hughlett, 2008). The USDA which regulates meat and poultry defines natural products as those that have no artificial flavors or colors, or synthetic ingredients or chemical preservatives, and they are "minimally processed" (Hughlett, 2008).

Understanding the definition of organic, let us consider the case of two cans of corn: one is organic corn and is being sold for $3 and the other is traditional and is being sold for $1. All characteristics are the same except for the way in which these products were produced. Some demand theories say buy the non-organic, because the same nutrition value and satisfaction is obtained for a third of the price, yet some of our rational consumers buy the $3 organic corn. The number of people making these same purchasing decisions is increasing, the U.S. organic food industry grew 16.2% overall to reach $13.8 billion in consumer sales in 2005, representing a penetration rate of 2.5% of total U.S. food sales which had increased from 0.8% in 1997 (Economic Research Service, 2006). Global sales of organic food and drink have increased by 43% from U.S. $23 billion in 2002, to sales reaching $33 billion in 2005 (Willer Yussefi, 2007). This

trend of purchasing for organic extrinsic environmental benefits is defiantly growing. In society consumers are becoming more educated and reading more. The news media is catering to this education by publishing more articles about issues such as the environment. Figure 2-1 shows the increase in the number of publications about environmental news between 1998 and 2007.

Figure 2-1 Total Environmental Concern in the News



Data Source: GALE database

2.1.2 Local Food

Another case in which we should consider is when consumers pay a premium for produce from local food markets. The definition of local or regional is flexible and is different depending on the person in question. Some see "local" as being a very small area the size of a city while other refer to the borders of their nation or state. All the intrinsic factors of the local market products are the same as the products from the super market the

difference is who is being paid to farm the products. The demand for local food is increasing in an effort to build more self-reliant food economies

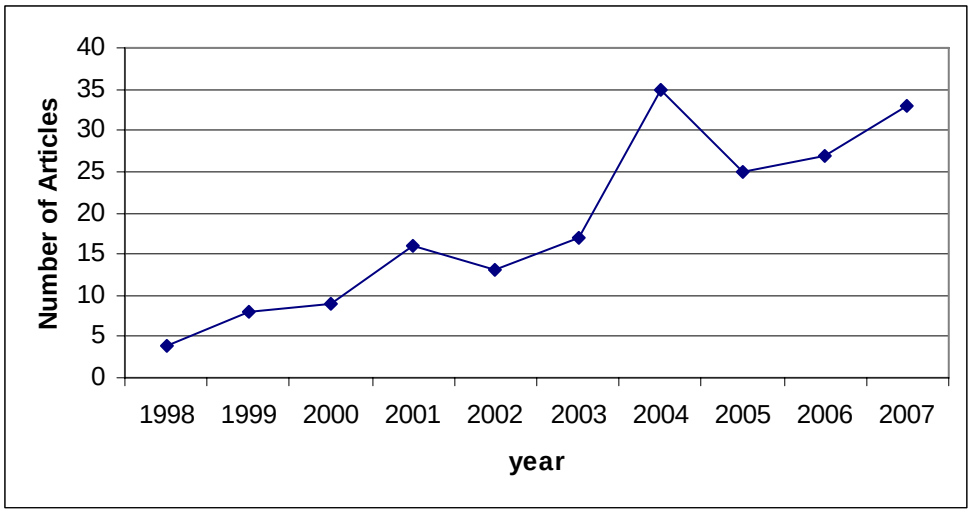
2.1.3 Fair trade products

People are not just concerned about local producers, they are concerned about producers in other countries, a practice known as fair trade. Currently the most widely recognized definition of fair trade is the one by FINE, an informal Association of the four main Fair Trade networks Fairtrade Labeling Organizations International, International Fair Trade Association, Network of European World shops and European Fair Trade Association they define fair trade as:

> A trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of marginalized producers and workers – especially in the South. Fair Trade organizations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practices of conventional international trade" (Fairtrade Labeling Organization, 2006).

Demand for fair trade products is increasing around the world as people become more concerned about how their consumption decisions affect other people. Fair trade has caught more attention recently as indicated by the frequency with which it appears in the news. For example a search of key news media using key words "fair trade" yielded results showing a dramatic increase appearance since 1998 as shown in Figure 2-2.

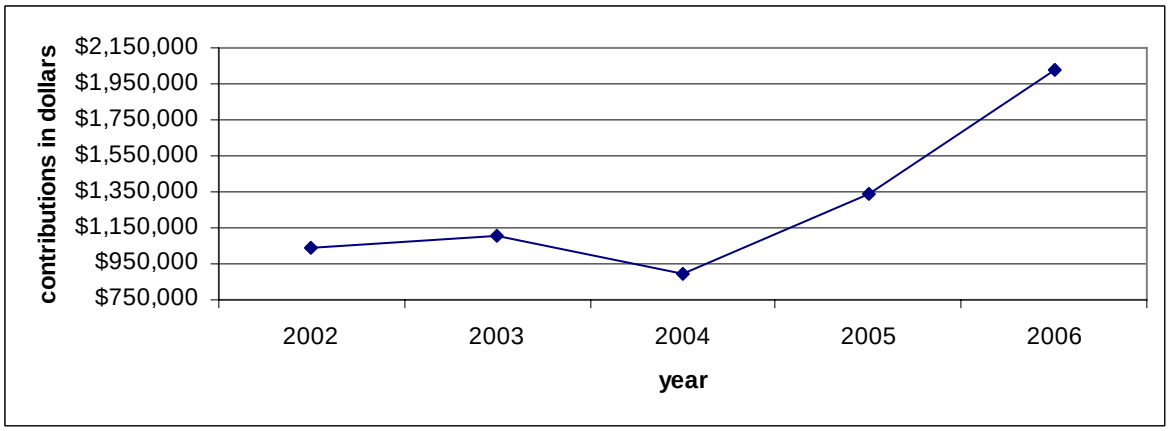
Figure 2-2 Fair trade in the News



Data Source: GALE database

Not only has fair-trade issues increased in the media, but people have also become concerned enough with fair trade to support the Fairtrade association. Shown in Figure 2-3 is membership contributions to the Fairtrade association between 2002 and 2006. We note that contributions have more than doubled between 2004 and 2006.

Figure 2-3 Fair trade membership contributions



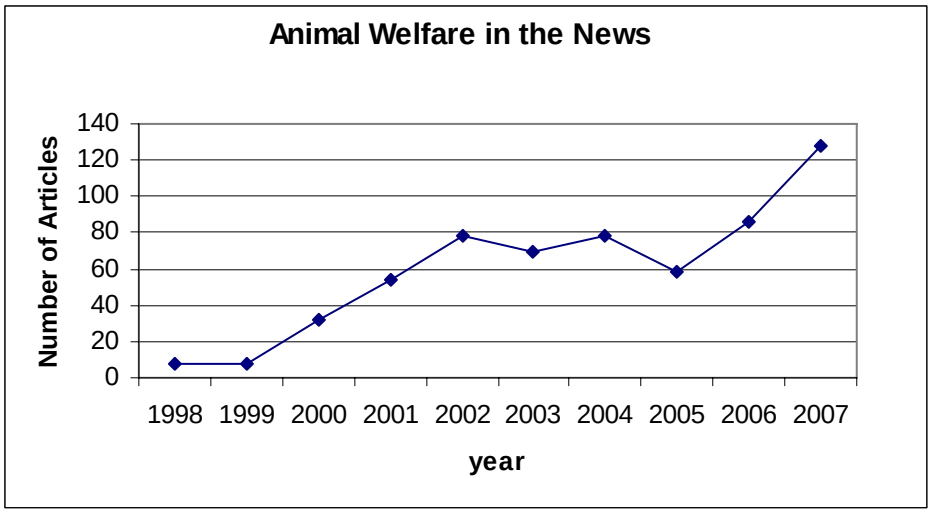
Data Source: Fairtrade Labeling Organizations Annual Report

2.1.4 Humane Food

The demand for humane food products has increased right along with these other ethical products. What do we mean when we classify food as “humane” food? It is products produced with the animal’s welfare in mind. These producers meet higher animal care standards than many producers. Because it is considered a natural way of life for many animals, grass fed is considered a requirement for some products to be considered humane food. The American Grassfed Association defines grassfed products from ruminants, including cattle, bison, goats and sheep, as those food products from animals that have eaten nothing but their mother's milk and fresh grass or grass-type hay all their lives.

Humane food has recently caught mass media attention with the largest beef recall in U.S. history when the U.S. Department of agriculture recalled 143 million pounds of beef in February 2008 (CNN, 2008). The principle reason for the recall was not the same as historical cases of product recall such as food born illness or disease it was because of the way animals at slaughter were treated. As shown in Figure 2-4 the occurrence of animal welfare issues in the news is increasing, more than doubling between 2005 and 2007.

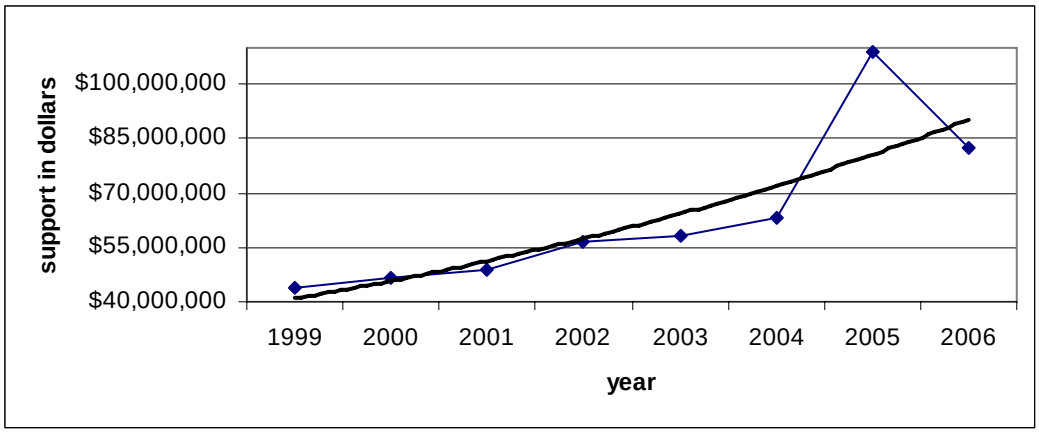
Figure 2-4 Animal Welfare in the News



Data Source: Gale database

People have been active in their concern about animal welfare and humane food as there has been an increase in contributions to the humane society, a large animal welfare organization, since 1998 as shown in Figure 2-5. As shown by the trend line in Figure 2-7 the growth rate of contributions (what may be interpreted as concern about animal welfare) has been increasing at a rate of 11.3% between 1999 and 2006. The R^2 of the exponential estimate is 0.80.

Figure 2-5 Humane Society of United States Contributions with trend line



Data Source: Humane Society Annual Reports

2.2 Conclusion

As we have shown from the literature that the concern about ethical issues such as animal welfare, fair-trade, and the environment are all on the rise. All of these products, animal welfare, fair-trade, local and organic, are receiving premiums and consumers are demanding more of these products even though all intrinsic qualities are the same as traditional commodity products. We consider these people that make their purchasing decisions based on moral values "ethical consumers" as defined in Chapter 1. In Chapter 3 we discuss our models and data used in order to develop a better understanding about these ethical consumers.

CHAPTER 3 - Models and Construction

3.0 Introduction

We begin this chapter with our discovery of the classification of ethical food categories. We then present the hypothesis of our research. We conclude with the description of our data along with the models we use to explain the behavior of ethical consumer framework.

3.1 Ethical Product Classification

We have found that people migrate through Maslow's hierarchy. People that have reached self-actualization tend to have enough income to be satisfied in their lower tier needs and are able to pay premiums for products such as organic and fair trade, they also have the education to know the impacts of their purchases. When making their purchase decisions these self-actualizing consumers may have different ethical reasons for purchasing their products. We have classified four main ethical categories of consumption for products being purchased by self-actualizing consumers. When looking at some of the products being purchased for their extrinsic characteristics we can show which products are being purchased for their ethical production technology in our matrix of the ethical products and their categories found in Table 3-1. Outlined in the following matrix are the four principle reasons consumers make ethical purchasing decisions. They are environmental, social justice, biodiversity, and religious. The shaded areas indicate products that fall under each of these ethical categories for their production technology, including processing, packaging, and shipping.

Table 3-1 Ethical Product Matrix

	Organic	Local	Heritage	Animal Welfare	Fair Trade	Sustainability	Religion
Environment							
Social Justice							
Biodiversity							
Religious							

Our first category, concern for the environment, is not a new issue, it has been a movement for centuries. The rise of grassroots environmentalism within the environmental movement illustrates the transformation of environmentalism as an ideology into a full-fledged social movement (Silveria, 2007). Modern environmentalism is based in part on the cleanup and control of pollution (Silveria, 2007). Prices of agricultural commodities produced with environmentally sound production techniques are likely to be higher than conventionally produced commodities; the key issue is whether consumers would be willing to pay a premium large enough to cover additional costs for products produced with technology not harmful to the environment (Moon et.al., 2002).

People concerned about the environment may purchase organic, local, animal friendly, or sustainable products. Organic may be considered environmental because of the minimal pesticide application during production. Local products are bought because of the minimal transportation from producer to consumer. Animal friendly may be bought by

environmental consumers because grass-fed animals are allowed to spread their waste over the entire pasture area providing a natural source of fertilizer. Sustainable products may be consumed by our environmental consumers because of the recycled packaging used in some sustainable products. As this shows ethical consumers concerned about the environment have a wide array of ethical products to choose from and some of these products may fall under other ethical categories showing our case that just because consumers buy the same product does not mean they have the same ethical motivation.

An example of consumers buying a product with differing ethical motivation is animal friendly. As we just stated animal friendly products are bought by some consumers because of their environmental aspects while others buy it for social justice reasons. Social justice is another area people are becoming increasingly concerned with. Social justice does not only cover animals it includes people. Fair-trade is included in this category because of the benefit to foreign producers through the purchase of these products. Local products insure social justice for local producers. Included in our animal welfare category are those products labeled animal friendly as well as those with a grass fed label, this is because grass fed is the way nature intended many animals. Religion comes into the social justice category only in the processing sector. This is due to standards placed by many religions on the way that animals are treated during slaughter. Our analysis of this ethical category shows that not all ethical consumers are the same. Some people buy local or animal friendly for their environmental benefits while others purchase them for their social welfare aspects.

Our third extrinsic product category is biodiversity. Biodiversity reflects the number, variety and variability of living organisms, it includes diversity within species, between species, and among ecosystems (Green Facts, 2007). Included under biodiversity are organic food products, local food products, and heritage food products. Even consumers within the same ethical category may differ. For example, consumers concerned with biodiversity purchase organic products in hopes of maintaining the ecosystem, local food is purchased by consumers to preserve the diversity of local products, and heritage consumers are concerned about biodiversity to maintain diverse breeds.

Our fourth category, religion, may not be an ethical category, but people purchase products in this category for their extrinsic characteristics. Religious reasoning has been the extrinsic source behind the purchases of many people for centuries. As stated in Chapter 2, people practicing certain religions must purchase certain food products that meet standards that are different then every day products.

As the foregoing shows there may be many reasons for consumption based on the extrinsic characteristics of products. Ethical or self-actualizing consumers are concerned with a wide array of ethical categories including environmental, social justice, biodiversity, and religion. So, Maslow's self-actualizing consumer may in fact be driven by numerous factors and as such exhibit different characteristics. Regardless of other differences it is obvious that consumer constrained by economic differences at lower levels of Maslow's hierarchy would find it difficult to consume on the basis of ethical factors. We have shown that products may fall under more than one of these

ethical categories causing consumers to purchase the same product for different reasons. We have also shown in the foregoing that consumers that are concerned about the same ethical category may purchase products within that category for very different reasons. This all allows us to conclude that our ethical or self-actualizing consumers purchase ethical products for very different reasons.

3.2 Hypothesis

From the foregoing it would seem like certain demographic characteristics influence the ethical consumption decisions of consumers. Their utility is defined by not only the intrinsic characteristics but also the extrinsic characteristics of products. For example, the benefits of driving a hybrid car may be external to the driver/owner really. Hybrid cars are more expensive than gasoline-only vehicles. People buy them because they believe driving hybrid vehicles are good for the environment (Eartheasy, 2008). So, although hybrid cars reduce the cost per mile a consumers travels, the primary motive for most people is how their decision helps the environment (Carty, 2005). When people make their purchase decisions based on extrinsic factors such as their influence on the environment you have what we term as our ethical consumer. The consumer of a hybrid car has already satisfied the first four tiers on Maslow's triangle. They are relatively satisfied in their physiological, safety, love, and esteem needs. They have now advanced on to the self-actualizing stage of Maslow's hierarchy they believe that their actions improve the climate because they cut down on their CO_2 production. But hybrids are more expensive then the traditional car. This implies that ethical awareness is a function of education, income, and psychographic characteristics. They buy the hybrid car

because they have acquired enough income to afford a hybrid car and they have the education to know the impact their purchases can have.

We believe that ethical consumers have a higher income and the amount spent on food depends on where you are located on the Maslow hierarchy. This belief stems from Organic Foods (2008) publication of "The Top Ten barriers to Organic and Local Food Access." In this article it is stated that financial restrictions are the greatest barrier to organic and local food consumption, this is because some individuals depending on government assistance are restricted in the food that they purchase. We believe education includes awareness. In dealing with ethical consumers this would be the awareness of the impact that their purchases decisions have on people and the environment around them. According to the Organic consumers (2008) "Top Ten Barriers to Organic and Local Food Access" people may lack the knowledge on how to prepare fresh foods, and may not understand the meaning and benefit of fresh, organic, and local. Therefore we assume income and education influence consumption. Our first hypothesis is then:

> Hypothesis 1: The higher consumers' incomes are the more likely they are to pursue self-actualizing consumption behavior.

Recall that Maslow's hierarchy of needs rests on people proceeding sequentially through the levels. In all then income is a fundamental state to secure physiological, safety, love, and esteem needs.

As people become more secure in their income needs they are more able to appreciate the effects of their actions/consumption on their environment or their health therefore:

> Hypothesis 2: The higher the education level of consumers the more likely the consumer will consume food products on the basis of their ethical benefits.

Our third hypothesis deals with the age of the ethical consumer. We believe age impacts purchase decisions of consumers. We believe that older consumers will have established their ethical values and have the money to support those values, therefore for third hypothesis is:

> Hypothesis 3: Ethical consumers are likely to be older than traditional consumers.

The northern part of the country tends to have more advocacy groups than the southern part of the country. People in these advocacy groups will tend to shop at stores that are in line with their ethical value propositions. Therefore our fourth hypothesis is:

> Hypothesis 4: Ethical consumers in the northern part of the country are different in all variables, income, education and age, than the consumers in the southern part of the country.

We will test these hypotheses in the next chapter to determine the demographics of the ethical consumer beyond their income and education. We will be able to determine the location of ethical consumers by looking at areas that have similar characteristics to our ethical consumer. If our hypotheses hold then we will be able to conclude that as income and education increases and consumers become more secure in their physiological and lower tier needs, they shift their focus to more on extrinsic characteristics of products and services they consume.

3.3. Data and Models

Stores state their strategic interests to define what and how they will offer products and services to consumers. Consumers evaluate these to determine if the stores value propositions fit their own value orientations. People will then shop at stores where value propositions match their value orientations. Stores make assumptions about location based on their expectations about the demographic and psychographic characteristics of the local population. Morland et al (1983) found that the wealth and racial segregation of communities influenced the number of health food stores, gas stations and places to consume alcoholic beverages in an area. Therefore, we can isolate consumption characteristics of a particular location based on the stores located in these locations. This is particularly true when we are looking at grocery stores. Based on the foregoing, we test the effect of demographics on ethical consumption by looking at the case of two retail chains with very different value propositions: Wal-Mart Stores and Whole Foods Markets. An assessment of locations of these stores shows that on average they locate in different sectors in any city and the location is influenced by the demographics to match their value propositions. Therefore we identified 12 cities dispersed across the U.S. with both Whole Foods Markets and Wal-Mart Stores.

We identified the zip codes where the stores were located. We collected consumption data about the residents in the locations. We will use this data to test our hypotheses in Chapter 4. We will use statistical analysis to determine if there is a significant difference in the income and education levels and age of Whole Foods and Wal-Mart consumers.

3.3.1 Wal-Mart

According to Wal-Mart's website, their company's goal is to "save people money so they can live better." this is the vision Sam Walton had when he opened the first Wal-Mart more than 40 years ago. He built the foundation of Wal-Mart stores based on three basic beliefs: respect for the individual, service to their customers, and striving for excellence. Because of these goals and the wish to save people money we assume the customers of Wal-Mart are our traditional customers. In order to identify these consumers we chose 12 major cities dispersed throughout the United States. These 12 cities were Seattle, Portland, San Francisco, Phoenix, Denver, Kansas City, Austin, Chicago, Baton Rouge, Manhasset, Atlanta, and Fort Lauderdale. We found the zip code of a local Wal-Mart in each area and found the zip codes surrounding these Wal-Marts. We did this because we assume that the people that shop at these stores are primarily located in the surrounding areas. We then obtained data from the U.S. Census Bureau's 2000 census on the median household income levels, and educational attainment for these 60 locations. These data allow us to find the average household income levels and educational attainment for our traditional consumers.

We do recognize Wal-Mart's efforts to help increase awareness of environmental and other ethical issues. They are making progress towards being supplied 100 percent by renewable energy, to create zero waste, and to sell products that sustain our natural resources and the environment but unlike stores such as Whole Foods, this is not their main focus for attracting consumers, they are still focused on low prices.

3.3.2 Whole Foods Market

We assume that ethical consumers shop in stores they consider to be in line with their ethical belief. To this end we have defined Whole Foods Market as an "ethical store" Whole Food's motto is "Whole Foods, Whole People, Whole Planet" their goal is to sell the highest quality products possible. Whole Foods Market supports organic farmers, growers and the environment through their commitment to sustainable agriculture. They recycle, reuse, and reduce waste, and they recognize their responsibility to be active participants in local communities. These goals allow us to define the customers of Whole Foods Market as our ethical consumers. We identified the zip codes of 12 Whole Foods Markets, in the same cities as we found the 12 Wal-Mart locations, as well as four surrounding zip codes for each location. For these 60 locations we collected data on the median household income levels of the locations and the educational attainment. We used this information as data on our ethical consumers in testing our hypotheses. This will allow us to find the average income and education of ethical consumers.

3.3.3 Shortcomings in the Data

The principle literature of this approach is the assumption we are making of the people living in a particular zip code area. We are assuming that they are similar in their level of attainment in Maslow's Hierarchy. The implications of this assumption are that our results may be skewed, just because the majority of the people in an area are a certain type of consumer does not mean they all are. Another problem is that we are using secondary data so we can not determine for ourselves if all the consumers are similar.

One other limitation is that we are assuming if a consumer shops at a particular store, than they must have attained a particular level in their Maslow's hierarchy. This assumption creates the following implications: we are making the assumption that the people that shop at Whole Foods stores are ethical consumers.

By using the data on these cities from U.S. Census Bureau we are also assuming that the people that shop in the same city in which they live. We believe that people shop for lower-order products such as food close to their home (Amanor-Boadu, 2008). A major downfall is that the information is from the last U.S. census which is now 8 years old, and all the more recent data are U.S. Census estimates.

3.4 Conclusion

We have presented the data and models, in chapter 4 will use our data to test or hypotheses. We will first use data from the U.S. Census Bureau to test our first two hypotheses determine the demographic factors that influence the emergence of ethical consumer.

CHAPTER 4 - Analysis and Discussion

4.0 Introduction

As we have shown, the concern about issues such as the environment and fair trade are on the rise, bringing with it an emergence of the ethical consumer. We have also indicated that when consumers incorporate these characteristics into their purchase decisions, they are focused on the extrinsic qualities of products taking intrinsic qualities as given. When extrinsic factors influence consumption decisions, we argue these consumers are self-actualizing.

Our interest in the problem is on who these consumers are and what differentiates them from the consumers who do not make their decisions on these extrinsic factors. We have hypothesized that income and education are necessary for immigration of consumers to higher levels within the context of Maslow's hierarchy.

In this chapter we present the results of our analysis and our hypothesis using the data that we described in Chapter 3. We do recognize the limitations of that data, and thus we would support that our results be viewed as initial attempts at differentiating ethical consumers from traditional consumers in the generalized population. We have based our construction of the data on Amanor-Boadu (2008) in which he argued that consumers shop closest to their residencies for low-order goods such as groceries and our analysis is limited to food consumption.

4.1 Ethical and Traditional Consumers

Recall that Whole Food's Market's value proposition is about the supply of ethical products – organic, heritage foods, fair-trade, small farmers, etc. As a result of their scale economics disadvantage, their products are relatively more expensive. Yet they have continued to thrive by locating stores in clear proximity to people who care about the issues they have built their company on. So who are these people?

Wal-Mart's value proposition is its low prices. The company has become one of the world's largest corporation by extracting significant value for its scale and consistently prides itself in passing the savings on to its customers. These customers will be more sensitive to prices since that is the value proposition their company has modeled to them. For example, the company has suggested in its latest advertisement that it saves the average American family $2,500/year. Although, this claim has been disregarded because of its lack of any solid facts to support it, according to the National Advertising Division of the Council for Better Business Bureau (Kiley, 2008), it is obvious that the company's purpose is to target consumers who are sensitive to prices and income. As a result, Wal-Mart has located its stores in close proximity to consumers who fit the demographics it is targeting. This is particularly true of its Supercenter customers. This group of consumers is not yet at the fifth rung of Maslow's hierarchy and are more concerned about the intrinsic characteristics of the products they consume then their extrinsic characteristics.

4.1.1 Variable Statistics

We focused on three principle demographic characteristics for our consumers at the two stores: household median income, education, and age. We identified 12 cities that were large enough to have both a Whole Foods Store and a Wal-Mart Supercenter. We then took the zip code where the store is located and the four zips surrounding it to create our database for analyses. The result was 60 locations each for the two stores. The data was obtained from the Bureau of Census zip code tabulation.

Table 4-1 provides the summary statistics of the variables for the locations. The table shows that the median household income in Whole Foods Markets ranged from $22,357 to $200,001 with a mean of $58,486. The median household income is not distributed symmetrically around the mean because the skewness statistics is 2.17 and is more than twice the standard error of 0.309. The median household income in Wal-Mart stores (WMMI) ranged from $13,084 to $163,046 with a mean of $44,167. Like Whole Foods Market Income (WFMI) it is not symmetrically distributed around the mean because its skewness statistic (3.144) is more than twice the standard error. A minimum of about 59% of consumers in Whole Foods Market (WFHS) have completed high school compared to a minimum of 46.3% of Wal-Mart Stores (WMHS) consumers. The top end of high school education consumers was 99% in Whole Foods Market and 100% in Wal-Mart Stores. The mean high school percent was 89.2% in Whole Foods Market areas and 79.3% in Wal-Mart stores areas. Consumers in Whole Foods Market (WFBS) areas with a minimum of a bachelors degree range from 11.1% to 80.6% compared to 4.9% to 74.22% in the Wal-Mart stores (WMBS) areas. Our average Whole Foods Market (WFMA) consumers were older (36.3 years) than Wal-Mart Stores (WMMA) consumers

(33.7 years) at the median. Both of these variables were symmetrically distributed around the mean.

Table 4-1 Summary Statistics of the Variables

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
WFMI	60	22,351	200,001	59,486.12	31,345.111	2.172	0.309	6.330	0.608
WFHS	60	59.2	98.8	89.198	9.9623	-1.672	0.309	2.045	0.608
WFBS	60	11.1	80.6	50.452	17.4738	-0.340	0.309	-0.746	0.608
WFMA	60	24.9	51.4	36.293	4.7622	0.560	0.309	1.076	0.608
WMMI	60	13,084	163,046	44,167.32	23,293.703	3.144	0.309	12.642	0.608
WMHS	60	46.3	100.0	79.290	13.2703	-0.685	0.309	-0.436	0.608
WMBS	60	4.9	74.2	28.032	17.5754	0.942	0.309	0.073	0.608
WMMA	60	21.3	45.4	33.670	4.5368	-0.334	0.309	0.344	0.608
Valid N	60								

4.2 Hypothesis Testing

We had specified a few hypotheses earlier:

1. Ethical consumers have higher incomes than traditional consumers i.e. $I_E - I_T > 0$.

2. Ethical consumers are more educated than traditional consumers, i.e. $\rho_E > \rho_T$.

Where ρ is the mean proportion of consumers with at least a Bachelors degree.

3. Ethical consumers are older than traditional consumers, i.e. $A_E - A_T > 0$.

4. Ethical consumers in the Northern part of the country are different in all variables than those in the Southern part of the country, i.e. $X_N - X_S \neq 0$.

In the following sub-sections, we test these hypotheses with the data we have summarized on the basis of our assumptions.

4.2.1 Income Hypotheses

Maslow's hierarchy although psychological in nature is significantly influenced by the economic situation of the consumer. Low income consumers generally tend to be at lower rungs of the hierarchy because of their difficulty in meeting their basic physiological and safety needs. This is why we believe that the income of people shopping at Whole Foods Market will be higher than those shopping at Wal-Mart stores.

Table 4-2 shows the paired sample statistics for the Whole Foods median income (WFMI) and Wal-Mart median income (WMMI) respectively at $59,486 and $44,167. Their respective standard deviations are $31,345 and $23,294. Table 4-3 shows the paired sample correlation for Whole Foods Market and Wal-Mart stores are positively correlated (0.424) and significant at the 99% level.

Table 4-4 shows the paired sample test. It shows that the paired difference between Whole Foods Market Income and Wal-Mart Income was $15,318, with a standard deviation of $30, 098. The 95% confidence interval ranged from $7,544 to $23, 094 and the t-stat was 3.94, significant at the 99% level. This would lead us to conclude that if we define shoppers at Whole foods Market as ethical consumers because they are motivated by Whole Foods Market's value proposition of environmental protection, heritage food supply, fair trade and other ethical characteristics then their income is higher and significantly different from that of traditional consumers.

Table 4-2 Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	WFMI	59,486.12	60	31,345.111	4,046.636
	WMMI	44,167.32	60	23,293.703	3,007.204
Pair 2	WFHS	89.198	60	9.9623	1.2861
	WMHS	79.290	60	13.2703	1.7132
Pair 3	WFBS	50.452	60	17.4738	2.2559
	WMBS	28.032	60	17.5754	2.2690
Pair 4	WFMA	36.293	60	4.7622	0.6148
	WMMA	33.670	60	4.5368	0.5857

Table 4-3 Paired Samples Correlation

		N	Correlation	Sig.
Pair 1	WFMI & WMMI	60	0.424	0.001
Pair 2	WFHS & WMHS	60	0.304	0.018
Pair 3	WFBS & WMBS	60	0.291	0.024
Pair 4	WFMA & WMMA	60	0.213	0.103

Table 4-4 Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	Difference Upper	Difference Lower			
Pair 1	WFMI - WMMI	15,318.800	30,098.148	3,885.654	7,543.624	23,093.976	3.942	59	0.000
Pair 2	WFHS - WMHS	9.9083	13.9598	1.8022	6.3021	13.5145	5.498	59	0.000
Pair 3	WFBS - WMBS	22.4200	20.8647	2.6936	17.0301	27.8099	8.323	59	0.000
Pair 4	WFMA - WMMA	2.6233	5.8377	0.7536	1.1153	4.1314	3.481	59	0.001

4.2.2 Education Hypothesis

We had hypothesized that ethical consumers are more educated than traditional consumers. The rationale for this is based on the need for a center level of awareness about the externalities generated in the production of food and other products which causes the consumer to seek action trough a modification of her own consumption. The cognitive effect necessary for this level of reasoning we argue is found in the level of education received by the consumer.

Table 4-2, 4-3, and 4-4 provide the sample statistics, correlation, and tests for the two education hypotheses. We had expected that there will be no difference between the proportion of consumers at both stores with respect to high school education. However, the results in Table 4-4 show that there is almost 10% difference between the consumers in the two stores and it is significant at the 99% level. On the contrary, we have found there to be a difference in the proportion of consumers in Whole Foods Market stores with Bachelor's degree and Wal-Mart stores. Table 4-4 shows the difference of 22.4% was significant at the 99% level.

4.2.3 Age Hypothesis

Older consumers have usually established themselves in a career, have a family, and have determined their ethical values in life. They have usually already established their self-esteem and no longer need to spend their money on products to promote it. They are now more concerned about establishing a better place to live for their children. Younger consumers on the other hand may not have established themselves yet. We believe they may not have established their ethical values yet, and may not have advanced through all the hierarchy stages. Therefore, we hypothesized that consumers shopping at Whole Foods Markets are older than those shopping at Wal-Mart stores. Table 4-2 provides the sample statistics of our age variable. The mean age of Whole Foods customers as 36.29 and that of Wal-Mart consumers is 33.67. Table 4-4 shows our paired samples tests it shows that the difference between the mean age of Whole Foods consumer and Wal-Mart consumers is 2.62. As shown from Table 4-4, our t-statistic is 3.48, which is significant

at the 99% level. We conclude that ethical consumers tend to be older than traditional consumers. They have advanced through Maslow's hierarchy and reached the point of self-actualization. They know their ethical value propositions and shop at stores in line with those same values. They no longer are largely concerned about establishing their self-esteem but are concerned about securing a better place to live for themselves and their children.

4.2.4 Regional Hypothesis

In general consumers in the northern part of the country tend to be more involved in the advocacy of environmental, animal welfare, and human rights issues. For example, U.S. Climate Action Partnership has its headquarters in New York and Earth Justices is headquartered in Oakland, CA. We, therefore hypothesize that with the ethical consumer group, those in the North will be different from those in the South in their various demographic characteristics.

Table 4-5 shows our statistics and Table 4-6 shows the ANOVA table. For Table 4-5 we observe that the mean of the median income in the North was $56,173 compared to $61,852 in the South. The results in Table 4-6 show that the F-value is 0.474, implying that there is no statistical difference between income in the North and the South. Indeed, with the exception of the proportion of consumers with a minimum of high school education, the two regions were not statistically different in any of the variables. The F-value for the regional variable was 2.366 and was significant only at the 12.9% level. This leads us to reject the null hypotheses that there are regional differences within the

ethical consumer market place. This result will lead us to support that ethical consumers are ethical regardless of where they are.

Table 4-5 Regional Statistics

Location		WFMI	WFHS	WFBS	WFMA
1.00	Mean	56,173.76	86.884	47.588	36.324
	Std. Deviation	29,791.599	10.5570	16.7922	4.4808
	Kurtosis	1.959	1.178	-0.461	0.568
	Skewness	1.614	-1.420	-0.687	-0.271
	Std. Error of Kurtosis	0.902	0.902	0.902	0.902
	Std. Error of Skewness	0.464	0.464	0.464	0.464
2.00	Mean	61,852.09	90.851	52.497	36.271
	Std. Deviation	32,628.605	9.3167	17.9015	5.0180
	Kurtosis	8.858	3.896	-1.065	1.502
	Skewness	2.540	-2.057	-0.217	0.987
	Std. Error of Kurtosis	0.778	0.778	0.778	0.778
	Std. Error of Skewness	0.398	0.398	0.398	0.398
Total	Mean	59,486.12	89.198	50.452	36.293
	Std. Deviation	31,345.111	9.9623	17.4738	4.7622
	Kurtosis	6.330	2.045	-0.746	1.076
	Skewness	2.172	-1.672	-0.340	0.560
	Std. Error of Kurtosis	0.608	0.608	0.608	0.608
	Std. Error of Skewness	0.309	0.309	0.309	0.309

Table 4-6 ANOVA Statistics

			Sum of Squares	df	Mean Square	F	Sig.
WFMI * Location	Between Groups	(Combined)	470,216,000.880	1	470,216,000.880	0.474	0.494
	Within Groups		57,498,225,527.303	58	991,348,715.988		
	Total		57,968,441,528.183	59			
WFHS * Location	Between Groups	(Combined)	229.549	1	229.549	2.366	0.129
	Within Groups		5,626.041	58	97.001		
	Total		5,855.590	59			
WFBS * Location	Between Groups	(Combined)	351.454	1	351.454	1.154	0.287
	Within Groups		17,663.236	58	304.539		
	Total		18,014.690	59			
WFMA * Location	Between Groups	(Combined)	0.040	1	0.040	0.002	0.967
	Within Groups		1,337.997	58	23.069		
	Total		1,338.037	59			

4.3 Conclusion

Maslow's hierarchy states that consumers advance along a hierarchy of needs. In our research we believe those consumers that shop at Whole Foods Markets are ethical

consumers and have advanced along this hierarchy to reach the self-actualizing stage. Wal-Mart shoppers, we believe are traditional consumers who have not yet reached the self-actualizing stage. In this chapter we analyzed the demographics of the ethical consumers. We found our first hypothesis to be true that ethical consumers have higher incomes than traditional consumers. We found a difference between the proportion of consumers with a high school education in both groups as well as a difference between those with a bachelors degree. Our age hypothesis analysis led us to conclude that ethical consumers tend to be older than traditional consumers. With respect to our regional hypothesis we rejected our null hypothesis and found that ethical consumers will be ethical consumers regardless of where they live. In the next chapter we will conclude our research and give any implications of our research.

CHAPTER 5 - Conclusion and Summary

5.0 Introduction

This research was motivated by the increasing popularity of products that were being consumed on the basis of their extrinsic characteristics. We argued that existing demand theories could not explain this type of demand. However, we also argued that in order to develop a better appreciation of the factors that influence demand, we need to understand the demographic characteristics of the consumer.

We began with an analysis of the literature and realized that these ethical consumers sounded a lot like Maslow's self-actualizing consumers. This led to our research question: What are the characteristics of the consumers who fit in the category of ethical or self-actualizing consumers? Our objectives were to review the demand theory literature and assess its application to the ethical consumer, classify categories of extrinsic factors influencing the consumption decisions of consumers who are believed to be self-actualizing, and determine the demographic factors that influence the emergence of ethical consumers. We drew significantly from Maslow's hierarchy of needs to frame our theory in their research.

5.1 Review of Demand Literature

Our literature review encompasses consumer demand theories: Marshall, Hicks and Lancaster. We began by analyzing Marshall's Utility Maximization problem. Under this theory consumers make their purchase decisions based on price in which they maximize utility subject to a budget constraint. Hicks identified some limitations with the utility

maximization theory and proposed his expenditure approach to understanding consumers decision making. Lancaster added to both of these theories by stating that consumers based their decisions on not only price but on the intrinsic characteristics of the products as well.

5.1 Categories of Ethical Consumption

A review of the literature showed that ethical consumers were not homogeneous in their demand for products or their emphasis on various ethical products. Therefore, we developed a matrix that classified the different categories of ethical consumption. We review the rational for consumers demand for ethical products. We were able to develop a matrix of the ethical production technologies and the rational supporting consumption or demand. This allowed us to classify ethical consumers by the categories of extrinsic factors influencing their consumption decisions. These categories are environment, social justice, biodiversity, and religious. Local food is demanded by some consumers because of its environmental impact and by some for its social justice factors. As the case of local foods showed consumers may demand the same product for different reason. Some consumers may support the same ethical goal as in the case of social justice, but for very different reasons. For example, they may be concerned about animal wellbeing or human wellbeing. All ethical consumers are similar in one important aspect though: they are all aware of the impact of their consumption on the external world, be it animal welfare, human rights or the environment. This awareness makes them our self-actualizing consumers.

5.3 Ethical Consumer Demographics

In order to determine who these self-actualizing consumers are we look at their demographic characteristics. We assumed that consumers shop at stores that meet their value expectations. Thus, price sensitive consumers will shop at low cost stores while consumers interested in protecting the environment will shop at stores that offer products that claim to be environmentally benign products. Based on these assumptions, we focused on two stores Whole Foods market and Wal-Mart stores. We selected 12 major U.S. cities that were large enough to have both of theses stores. We also assume that consumers from the neighboring zip codes will shop at these stores. This gave a total of 60 observations for each stores in the 12 cities.

For each of these locations, we collected Census data on median age and income as well as percent of population with high school and bachelors degree education. We found that the educational attainment of ethical consumers was higher than, and statistically different from, that of traditional consumers. We also found that the income levels of ethical consumers was significantly different from that of traditional consumers. As a result, we argued that income and education were important in becoming self-actualizing. We also found that there was no statistical difference between ethical consumers who reside in the Northern part of the country and those who reside in the Southern part of the country. We also found that ethical consumers tend to be older than traditional consumers.

5.4 Future Research

This research has shown the demographic factors that distinguish ethical consumers from traditional consumers. However, this research is very preliminary in this emerging area of ethical demand theory. It does not address some the issues that are necessary in the explanation of ethical consumption behavior. For example, what proportion of income is spent by ethical consumers on food compared to traditional consumers and what factors could explain the transformation of a consumer into an ethical consumer.

There is a need for primary data research to asses the specific behavioral decisions that motivate people to demand specific products. It is difficult to show this using aggregate data. We believe that such a research effort will provide insight in the nature of the ethical consumer's objective function and the factors that define her optimization behavior.

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