



Consumers as Drivers of Corporate Responsibility

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Consumers as Drivers of Corporate Responsibility

Legend has it that King Arthur's Knights of the Round Table embarked on various quests for the Holy Grail, the cup from which Christ is said to have drunk at the Last Supper and a symbol of mystical union with God. These quests and their more prosaic modern day counterparts are often an elusive search for perfection. Many scholars and business practitioners are on a search for a "holy grail" in trying to identify the business case for corporate responsibility (CR). If there is not a business case for corporate responsibility then reliance must be placed on the normative (moral) case—that is, simply put, doing the right thing because it is the right thing to do. However, this poses a major if not insurmountable problem, at least for managers of publicly held companies when their desire to make responsible business decisions appears to be at odds with fiduciary duties to shareholders (Smith 2003). On the other hand, if there is a business case for corporate responsibility then we have a "win-win" where everybody gains, including shareholders.

The business case is often grounded in three key drivers: that consumers, employees and investors care in ways that create economic incentives for companies to give attention to corporate responsibility. As Starbucks explains in its 2001 Corporate Social Responsibility Annual Report (p. 3):

Consumers are demanding more than 'product' from their favorite brands. Employees are choosing to work for companies with strong values. Shareholders are more inclined to invest in businesses with outstanding corporate reputations. Quite simply, being socially responsible is not only the right thing to do; it can distinguish a company from its industry peers.

Much has been written on the business case for corporate responsibility. It is evident in the reports of many of the large companies that today extol the virtues of their CR activities to shareholders and other stakeholders. British American Tobacco, for example, in its 2003/04 Social Report, says: “Accepting corporate social and environmental responsibilities, and contributing in the ways that a business can, makes good business sense.” Presumably, this explains BAT’s role in establishing the Elimination of Child Labour in Tobacco Growing Foundation and its claim that it does not employ children in its operations. A survey of CR reporting by KPMG found that 74% of company CR reports identified “economic considerations” as a driver for corporate responsibility (reputation or brand, and market position/market share improvement specifically were identified by 27% and 21% respectively).¹

Various associations produce reports on the business case for corporate responsibility, such as Business for Social Responsibility (see: www.bsr.org), the World Business Council for Sustainable Development (www.wbcsd.org), and the International Business Leaders Forum (www.iblf.org) which, in its report Profits With Principles, shows “the quantifiable and enduring business advantage to ‘doing the right thing’.” Even governments are producing guides to the business case, with the U.K.’s Department of Trade and Industry supporting projects that explore the business case because the government sees CSR “as good for society and good for business” (see: www.csr.gov.uk)—the U.K. government even has a minister responsible for CSR.

However, attention to *the* business case for corporate responsibility can be misguided in two respects. First, there is no one business case other than at the most basic level (‘corporate

¹ KPMG produces a regular and comprehensive survey of corporate responsibility reporting. CR reporting has been steadily increasing since 1993, with more than 1600 company reports covered in KPMG’s 2005 survey; 64% of the G250 (top 250 companies of the Fortune 500) report on CR with 52% of the G250 producing separate reports and 41% and 33% respectively of the N100 reporting (the N100 are the top 100 companies in each of 16 countries). At the national level, the top two countries in terms of separate CR reporting are Japan (80%) and the UK (71%). See: KPMG, International Survey of Corporate Responsibility Reporting 2005, at:

responsibility can provide an enduring economic advantage for a company’). Second, because the business case is idiosyncratic, it varies markedly in both form and strength across companies, industries and other situational considerations. Without doubt, there are circumstances, and increasingly so, under which corporate responsibility is in the best economic interests of a particular company. However, because the business case for corporate responsibility is contingent upon a variety of circumstantial considerations, it is difficult to find a justification for many of the generalizations—and much of the hyperbole—about the business case, beyond wishful thinking. Vogel (2005, p. 45) has observed:

Unfortunately, a review of the evidence... finds little support for the claim that more responsible firms are more profitable. But this does not mean that there is no business case for virtue. It is rather to suggest that any such claim must be more nuanced. CSR does make business sense for some firms in specific circumstances.

With these caveats in mind, this chapter takes a critical look at the role of consumers in corporate attention to CR. The emphasis is in looking at what research and more anecdotal evidence suggests are the conditions under which consumers might serve as drivers of corporate responsibility.

In the next two sections, we turn to illustrative examples of “ethical consumerism,” survey data and a theoretical rationale that support the general idea that consumers care about issues of corporate responsibility and that this can influence their behavior as consumers and potentially, therefore, that of the companies from which they buy. We also examine various marketer initiatives that reflect a belief in ethical consumerism, from cause-related marketing to ethical branding. We then turn to more theoretical treatments and empirical research findings on, first, consumer support for prosocial corporate conduct (“positive ethical consumerism”) and,

www.kpmg.com/About/IAR2005/FurtherReading/CSRSurvey.html. Context (2005) found that 87% of the top 100 European companies and 45% of the top U.S. companies (by market capitalisation) produced CR reports.

second, consumer punishment of CR failings, most notably in consumer boycotts (“negative ethical consumerism”). We conclude with observations on when and how we might expect consumers to be a factor in the business case for corporate responsibility.

Consumer Boycotts as Ethical Consumerism

In Morality and the Market: Consumer Pressure for Corporate Accountability, Smith (1990, p. 7) wrote of ethical influences on consumer behaviour (“ethical purchase behaviour”) and how they might serve as a form of social control of business, with consumers exercising “purchase votes on social responsibility issues”. Novel then, this idea is taken for granted today. It goes by a variety of names—“conscience consumerism,” “ethical consumerism,” the “green consumer”—but the idea is essentially the same, that consumers care about issues of corporate responsibility and this will influence their purchase and consumption behaviours and this, in turn, provides incentives for companies to be socially and environmentally responsible.

Smith’s thesis (1990, pp. 184-196) relied theoretically on consumer sovereignty as the rationale for capitalism. Although the concept is often ideologically laden (e.g., “the consumer is king”), there is certainly some measure of consumer authority in highly competitive consumer markets. Smith suggested that the domain of consumer sovereignty could extend beyond the more immediate characteristics of the product to include corporate responsibility practices of the producer. In support, he drew on the most clearly identifiable and deliberate form of ethical consumerism (at that time): pressure group organized consumer boycotts. Smith cited evidence of consumers in relatively large numbers boycotting companies over social responsibility issues; for example, as many as one in four U.K. consumers were said to be boycotting South African produce over apartheid and the pressure on Barclays Bank in its home market (coupled with its North American aspirations) was ultimately a key factor in the bank’s decision to withdraw from

South Africa (it was the largest bank there). Vogel's (1978) Lobbying the Corporation offered similar evidence in its account of boycotts in the U.S. over civil rights and the Vietnam War.

Historically, the boycott is attributed with some spectacular successes. The colonialists' boycott of British goods led to the repeal of the Stamp Act by the British government in 1766 (Friedman 1999). Wolman (1916) and Laidler (1963) described how the consumer boycott was the key to unionisation in the United States at the turn of the twentieth century. Gandhi organized boycotts of British salt and cloth, as part of a strategy of non-violent direct action that ultimately gave rise to Indian independence in 1947 (Bondurant 1965). Rosa Parks' refusal to give up her seat on a city bus to a white man triggered the Montgomery bus boycott of 1955, a boycott that nearly bankrupted the bus company and was supported by more than 90% of blacks until bus segregation was ended in the city. Friedman (1999) describes this as the most influential consumer boycott in American history, having marked the beginning of the modern civil rights movement in the U.S. and launched Rev. Martin Luther King, Jr., as its leader.

The late 1960's boycott of Dow Chemical's Saran Wrap because of Dow's manufacture of napalm didn't end the Vietnam War, but Dow did discontinue napalm production (after allegedly having submitted a deliberately uncompetitive tender) and the boycott tainted the firm's reputation for years (Vogel 1978). Around the same time, public support for the California grape boycott enabled the formation of a union for American farm workers and forced substantial concessions from the growers (Brown 1972). As these examples show, the boycott often has been used by the relatively powerless to assert their rights (Sharp 1973).

More recent evidence of large-scale support for boycotts, if not boycott successes, include the Greenpeace-inspired boycott of Shell over its attempt to dispose of the Brent Spar oil platform in the Atlantic Ocean, a boycott that reportedly led to a 50% decline in sales at some

German Shell stations during the height of the protests (Moldoveanu and Paine 1999). Commenting on the boycott after Shell abandoned sea disposal of the platform, The Economist (1995, p.15) suggested that “it may be no bad thing... for consumers to ask for a higher standard of behavior from the firms they buy from.” Shell’s problems were compounded by public reactions to reports of environmental harm as a result of its operations in Ogoniland, Nigeria and the company’s apparent failure to use its influence to prevent the execution by Nigerian authorities of Ken Saro-Wiwa, who had been protesting Ogoni rights. Criticism of Shell by environmentalists and human rights activists and the associated boycotts were said to be major contributors to a fundamental transformation in how the company strives to live up to its social and ethical responsibilities (Cowe 1999; Shell 1998). Environmentalists subsequently turned their attention to ExxonMobil, with a global boycott organized over its opposition to climate change theories. Over one million U.K. motorists were said to have participated in the boycott, according to research by MORI.²

Although boycotts often are associated with liberal causes, they can come from the right as well as the left and are not unique to Western democracies. Middle East sales of Danish dairy giant Arla (\$430 million annually) vanished almost overnight as a result of a boycott in early 2006, following the publication of cartoons that caricatured the Prophet Muhammad in the Danish newspaper Jyllands-Posten (Ettenson, Smith, Klein and John 2006).

Ethical consumerism is clearly demonstrated in these examples of consumer boycotts. However, while they confirm the existence of ethical consumerism and its potential effects on corporate responsibility, in many respects they are extreme cases. What of more everyday examples? Broadly defined, “ethical purchasers... have political, religious, spiritual, environmental, social or other motives for choosing one product over another... The one thing they have in common is that they are concerned with the effects that a purchasing choice has, not

² Source: www.stopesso.com/campaign/00000066.php Accessed 16/1/2007.

only on themselves, but also on the external world around them” (Harrison, Newholm and Shaw 2005, p. 2). How pervasive are such considerations in consumer purchase and consumption behaviour? To what extent can they be a driver of corporate responsibility?

Ethical Consumerism More Generally

Survey data suggest that up to 90% of consumers consider corporate responsibility in their purchase and consumption behaviours (Vogel 2005). For example, MORI (and others) reported high levels of consumer interest in corporate responsibility in the Millennium Poll, administered to 25,000 consumers in 23 countries (Enviroics 1999):

Around the world, 40% of the 25,000 respondents have thought in the past year about punishing a specific company perceived as not socially responsible; half of them—1 in 5 worldwide—have avoided the product of a company or spoken out to others against the company. Meanwhile, consumers were just as likely to “reward” a company perceived as socially responsible.

Vogel (2005) cited this study and a half-dozen more. Bhattacharya and Sen (2004, p. 9) report a 2002 Cone Communications study that found “84% of Americans say they would be likely to switch brands to one associated with a good cause, if price and quality are similar.” Survey numbers in these studies vary according to where the survey was conducted and whether respondents were asked if corporate responsibility was a factor in purchase, or if they had avoided products/companies with a social responsibility failing, or if they would pay more for products/companies associated with good CR practices. Nonetheless, survey findings are suggestive of widespread ethical consumerism.

However, for all these expressions of good intentions, the evidence for extensive practice of ethical consumerism is less readily available. Vogel (2005, p. 48) observed: “there is little evidence to support these assertions. There is a major gap between what consumers say they would do and their actual behavior.” The problem is the well-known demand effect in social

science research of social desirability bias—respondents providing a socially desirable response that they believe the questioner wishes or expects to hear. Consumers may well say in surveys that they do “the right thing” (why wouldn’t they?) but their “revealed preferences” (as economists put it) suggest they are more self-interested when it comes to purchase and consumption behaviors.

Thus, studies of ethical consumerism *behavior* suggest it is far less prevalent than surveys of attitudes and intentions—perhaps engaged in by only ten percent or less of the population. Vogel (2005) referred to a 2004 European study that found 75% of respondents indicating that they would modify purchase because of social and environmental criteria, but only 3% having done so and U.S. data suggesting only 10-12% of consumers making any effort to purchase more environmentally sound products, despite more than two decades of green marketing. Schwartz and Gibb (1999, p. 11) write that “green and socially oriented consumers may amount to only an average 10 percent of the market.” However, they add that “many more people make at least some of their purchasing and shareholding decisions on the basis of company reputation.” Thus surveys appear to overstate the influence of ethical consumerism, but data on sales directly attributable to social and environmental concerns understate the influence. Social and environmental factors may well be a consideration in purchase for many more than 10% of consumers, though this may not be evident from purchase behavior. As we discuss further below in relation to the academic literature, attention to sales (only) provides an incomplete account of how and why consumers respond to corporate responsibility.

Recent data and examples from the U.K. are also suggestive of growing support for ethical consumerism. For example, Fairtrade sales doubled in the U.K. between 2003 and 2005,

from £92.3m. to £195m., with Fairtrade coffee comprising £65.8m.³ A five-country study of 5,000 consumers by GfK NOP, comprising the U.S., U.K., Germany, France and Spain, found that U.K. shoppers emerged as the most aware of ethical consumerism and the most critical of ethical claims. A third of respondents overall told researchers they would pay a 5-10% price premium for “ethical products” (Grande 2007).

The Ethical Consumerism Report 2005, a U.K. survey produced by the Co-operative Bank, reported that 54% of people surveyed in 2004 agreed with the statement, ‘As a consumer, I can make a difference to how responsibly a company behaves.’ Only 17% disagreed with the statement (figures were 51% and 26% respectively, in 1999). Ethical consumerism is defined as “personal consumption where choice has been informed by a particular ethical issue—be it human rights, social justice, the environment or animal welfare” (p. 7). The report identifies nearly £26 billion of “ethical spending” in 2004 (up 15.4% on 2003), comprising £4 bn. on food (including organic and vegetarian products), £2.6 bn. on the ‘green home’ (e.g., energy efficient electrical appliances), £1.6 bn. on travel and transport, £7 bn. on personal items (e.g., clothing), and £10.6 bn. on ethical finance (e.g., ethical investments). Its calculations include boycotts (with an allowance made for double counting where somebody bought a Fairtrade alternative, say, instead of the boycotted product) and charitable contributions. However, even at £26 bn., this is reported to be still less than 2% of UK consumer spending.⁴ In some categories, the proportion is much greater, with expenditure on free-range eggs (£215m. in 2004) one of the largest categories with a 41% share, leading Simon Williams of the Co-operative Bank to dismiss

³ Source: www.fairtrade.org.uk/about_sales.htm Accessed 15/9/2006. For an assessment of fair trade marketing in Europe and the U.S. see Witkowski (2005).

⁴ The *Ethical Consumerism Report 2005* (p. 6) notes that “the role of the ethical consumer is to support and pioneer the early development of ethical products and services. Subsequently, with the help of Government intervention, they can make the next step. Typically, the ‘goods’ are incentivised (such as lead-free petrol), and ultimately ‘bads’ restricted/banned (leaded petrol). At this point, datasets ‘fall out’ of the Ethical Consumerism Report as they have become the market norm.”

the idea of targeting ethical consumers as niche marketing: “Four in ten eggs bought in the UK are now free range, despite the higher price... That is not a niche” (quoted in Edwards, 2005, p. 28).

Marketer Responses

Sales of free range eggs in the UK might speak to the potential of ethical consumerism to extend to a relatively large proportion of a given market. However, historically, niche marketing has been the norm, with marketers targeting a relatively small segment of ethical consumers. Classic examples of companies founded on ethical consumerism are Ben and Jerry’s (ice cream), Stonyfield Farm (dairy products) and the Body Shop (cosmetics). While all three are highly successful companies, they are still relatively small and Ben and Jerry’s and the Body Shop have recently been acquired by much larger competitors. For example, Body Shop profits in the year ending February 2006 were £29 m. (\$54 m.) on sales of £772 m. (\$1.42 billion), just prior to its acquisition by L’Oreal, the largest cosmetics company in the world with sales twenty times those of the Body Shop. Nonetheless, ethical branding is a growing activity with companies either developing brands where ethical values are central to brand meaning or differentiating existing brands by emphasizing ethical values as an important but not necessarily central part of brand meaning. In the latter case, ethical branding can provide a critical point of differentiation where the consumer sees little difference between competing brands.

Ethical branding where ethical values are central to brand meaning includes, for example, Innocent, the Toyota Prius and The Co-operative Bank. Innocent drinks, market leader with over 60% of the £100 million rapidly growing smoothie market in the UK (2005), says somewhat modestly, “we want to leave things a little better than we find them.” It claims to do this through “100% natural products that are 100% good for people” (its smoothies are not made from

concentrate), ethical procurement, ecologically sound packaging, reduced/offset carbon emissions, and 10% of profits to countries where the fruit is sourced.⁵

The Toyota Prius, the world's first mass-produced gas (petrol) and electric hybrid vehicle, was introduced in Japan in 1997 and entered the U.S. market in 2000, soon gaining a loyal following among environmentally conscious consumers. It offered the appeal of "driving a car as well as a revolution."⁶ However, it can hardly be described as a niche product. In 2005, with U.S. sales exceeding 100,000 units, it was Toyota's third best-selling vehicle, behind the Camry (the best-selling vehicle in the U.S.) and the Corolla. Sales of the Prius worldwide exceeded half a million vehicles in April 2006.⁷

The Co-operative Bank is part of the Co-operative Group, the UK's largest consumer co-operative (with origins in Robert Owen's Co-operative Movement). It has an advertising campaign theme of "we're good with money" and a strap-line that says it is "customer led, ethically guided." Its website claims "your money will never be invested in unethical organisations" and reports that it turned away £10m. worth of business in 2005, saying: "This analysis demonstrates that through thick and thin we are prepared to turn away business for ethical reasons in line with our customers' concerns. Despite this scrutiny, the Bank's corporate business goes from strength to strength with a growing proportion of business customers coming to the Bank because of our ethical positioning." A quarter of the bank's corporate customers join the bank because it is prepared to turn away business inconsistent with its ethical policy.⁸

Simon Williams of The Co-operative Bank says "there are many respects in which The Co-operative Bank is just like other banks. There is one important difference; we are the only

⁵ Source: www.innocentdrinks.co.uk/ Accessed 18/1/2007.

⁶ Source: www.toyota.com Accessed 19/1/2007.

⁷ Source: www.prnewswire.com Accessed 19/1/2007.

⁸ Source: www.co-operativebank.co.uk Accessed 18/1/2007.

high street bank that gives our customers a say in how their money is managed—most importantly, by encouraging their input into the ongoing development of our ethical policy.” The original ethical policy was formulated in 1992 on the basis of survey research with target customers (identifying concerns with issues such as human rights, animal exploitation, and environmental damage) and the decision that the bank would “focus on the responsible sourcing and distribution of funds as its distinctive ethical message.” The current policy precludes, for example, providing financial services to tobacco companies, companies involved in animal experimentation, or speculating against the pound (sterling).⁹ Consumer deposits grew from £1 billion to £6 billion in the ten years following (Edwards 2005). It was named the most responsible company in the UK by Business in the Community, coming top of its Corporate Responsibility Index 2006.¹⁰

Ethical branding where differentiating existing brands by emphasizing ethical values as an important but not necessarily central part of brand meaning includes, for example, leading retailers such as Marks and Spencer, Tesco and Wal-Mart. Co-op Food, a grocery retailer that is part of the Co-operative Group, has for many years positioned itself as a “responsible retailer”, carrying Fairtrade products in all its stores as early as 1999 and its own brand fair trade range. Today, however, it is facing increasing competition as the big retailers begin to emulate the strategy. Commenting on this trend, the Financial Times observed that the evidence suggests that ethical consumption “has hit the mainstream and is here to stay” (Rigby 2006). It reported that Marks and Spencer switched all its tea and coffee to Fairtrade and started selling Fairtrade T-shirts, socks and jeans in 2006.

⁹ Source: www.co-operativebankcasestudy.org.uk/ Accessed 18/1/2007.

¹⁰ Source: www.bitc.org.uk/what_we_do/cr_index/past_index_results.html Accessed 18/1/2007.

In January 2007, Marks and Spencer announced a £200 m. five-year program to become the UK's greenest retailer, pledging to make the group carbon neutral and eliminate all waste to landfill by 2012 (Rigby and Harvey 2007). Tesco, the UK's largest retailer, swiftly followed by announcing that it would "carbon label" all its products, with labels recording the amount of carbon dioxide emitted during the production, transport and consumption of the 70,000 products it sells. Commenting on the move, chief executive Terry Leahy said: "The market is ready. Customers tell us they want our help to do more in the fight against climate change... We have to make sustainability a significant, mainstream driver of consumption" (Rigby, Harvey and Crooks 2007). It is interesting to note that, unlike the Marks and Spencer decision to only carry tea and coffee that is Fairtrade, the carbon labelling by Tesco will leave the decision to buy products with high, medium or low carbon emissions is left in part, at least, to the consumer. Wal-Mart, the world's largest retailer, no doubt with similar thoughts in mind to Tesco, as well as broader reputational concerns to address, has also announced that it is taking its "first steps towards sustainability" by reducing energy needs of all existing stores by 20% by 2009 and cutting total carbon dioxide emissions by 25% by 2012.¹¹

An interesting development of ethical branding is the "(RED)" brand, launched at the World Economic Forum meeting by rock star Bono in February 2006. This is a combination of what we might term "umbrella social-cause branding" with the more familiar idea of ingredient branding (think "Intel Inside"). It extends the long-standing idea of cause-related marketing to a family of brands under the (RED) umbrella, including American Express, the Gap, Motorola, Converse, Armani, and Apple. A proportion of profits from sales of the (RED) branded products

¹¹ Source: walmartstores.com/microsite/walmart_sustainability.html Accessed 19/1/2007.

offered by these companies goes towards the Global Fund to Fight AIDS, Tuberculosis and Malaria—over \$10 m. by September 2006 (see the Red Manifesto in Exhibit 1).¹²

Insert Exhibit 1 about here

An early pioneer of cause-related marketing was American Express with its 1983 program in support of restoration of the U.S. Statue of Liberty, where a penny was donated to the renovation for each use of the card and a dollar for each new card issued. Essentially, it is “a marketing program that strives to achieve two objectives—improve corporate performance and help worthy causes—by linking fund raising for the benefit of a cause to the purchase of the firm’s products and/or services” (Varadarajan and Menon 1988, p. 59). Clearly it reflects a belief by marketers that social causes will influence consumer behaviour. While this is not necessarily consumers as drivers of corporate responsibility, it is illustrative of consumer preference influenced by social concerns and, at least, as a potential driver of corporate philanthropy.

Research on Positive Ethical Consumerism

Consumer support for prosocial corporate conduct can be described as “positive ethical consumerism”. In some contexts, this has been referred to as a “boycott” where historically, for example, unions have used “fair” lists to identify companies friendly to the union and to be patronized in contrast to companies subject to boycott by the union (Friedman 1999). Consumer preference is influenced favorably by the perception that the company or brand is engaged in socially responsible behavior or the product itself is socially responsible. “Negative ethical consumerism”, by contrast, includes where consumers punish a company for perceived social

¹² Source: www.joinred.com/ Accessed 19/1/2007.

responsibility failings, including boycotts. Thus a consumer preference for Fairtrade products reflects positive ethical consumerism and results directly from the practices of the producer/marketer (see Figure 1). Positive ethical consumerism also might result from societal causes, such as a belief in the importance of buying domestically produced goods (perhaps encouraged by “Buy British” or “Buy American” advertising campaigns) or, more recently, anti-Western sentiment among Muslim consumers manifest in support for non-Western colas such as Mecca Cola or Quibla Cola (Ettenson, Smith, Klein and John 2006).

Insert Figure 1 about here

Among academic research of ethical consumerism, the studies by Brown and Dacin (1997) and Sen and Bhattacharya (2001) are particularly noteworthy. They build on an extensive literature conceptualizing ethical consumerism or examining it in exploratory studies or field research (e.g., Creyer and Ross 1996; Drumwright 1994; Kassarian 1972; Roberts 1996; Smith 1990, 1999; Strong 1996; Webster 1974). Brown and Dacin (1997) and Sen and Bhattacharya (2001) utilized the high degree of control possible in laboratory studies to go beyond demonstrating that ethical consumerism exists to examine when, why and how consumers respond to corporate social initiatives and corporate responsibility more generally. This provides a much more nuanced perspective on ethical consumerism than studies that look at sales alone.

Brown and Dacin (1997, p. 68) established that what a person knows about a company or “corporate associations” (e.g., corporate image) influence product evaluations and that there are two types, corporate ability associations and corporate social responsibility associations. They found that corporate ability associations appear to be more influential on product attribute

perceptions and the overall corporate evaluation than a reputation for social responsibility (largely operationalized in their studies, however, by corporate philanthropy rather than by core CR activities). Nonetheless, they found (1997, p. 80) that “CSR associations have a significant influence on consumer response to new products... negative CSR associations ultimately can have a detrimental effect on overall product evaluations, whereas positive CSR associations can enhance the product evaluations.” This was through their effect on corporate evaluation rather than an influence on specific product attributes.

Sen and Bhattacharya (2001) also looked at the relationship between a company’s CSR actions and consumers’ attitudes toward that company and its products. Their focus, however, was on key moderators of consumers’ CSR responses and the mechanisms underlying these responses. Their studies go some way towards explaining the heterogeneity in consumer responses to CR (operationalized in their empirical work by corporate record on diversity and on sweatshop labor issues). In this sense, they help explain some of the apparent disconnect between surveys reporting attitudes and behavioral intentions on ethical consumerism and actual behaviors, which can be markedly different (as discussed above).

More specifically, Sen and Bhattacharya (2001) found that positive and negative CSR information had an effect on company evaluations and on purchase intentions, with consumers’ company evaluations more sensitive to negative than positive information. However, this effect of CSR information on company evaluations is mediated by consumer perceptions of self-company congruence (i.e., overlap consumers perceive between the company’s character, as revealed by its CSR efforts, and their own) and moderated by their support of the CSR domain (the issue itself). So, for example, information on the Body Shop not testing products on animals

is likely to have a greater effect on consumers who more readily identify with the Body Shop because of its CR-related activities and who care about the issue of animal testing.

They found a more complex effect of CSR information on purchase intentions, with a direct effect and indirect effects, including the possibility of positive effects on company evaluations been counteracted by negative effects on purchase intentions. This can occur where consumers believe CSR is at the expense of product quality. Consumers' CSR-CA (CSR-corporate ability) beliefs can view what the company does as a trade-off (especially among consumers with low levels of support for the CSR issue) or, alternatively, as a win-win, with CSR enhancing corporate ability. The win-win view is possibly illustrated by Nike's decision to introduce monitoring of factories manufacturing its sneakers following reports of abusive labor practices. Phil Knight observed: "Good shoes are made in good factories; good factories basically have good labor relations."¹³ Quite conceivably, consumers could agree with this statement and believe that Nike shoes are of better quality as a result of this CR initiative.

Nonetheless, Bhattacharya and Sen (2004), consistent with Vogel (2005), are skeptical of surveys suggesting a high proportion of consumers have purchase intentions influenced by corporate responsibility. Their research suggests (2004, p. 18) that "if CSR plays a role at all in purchase, it matters at the margin and they are unwilling, even if they view the CSR initiatives positively, to trade-off CSR for product quality and/or price." Devinney et al. (2006, p. 35) also report a consumer resistance to sacrificing product quality (functional attributes of the product) in a six-country study: "although some consumers will pay more for products with positive social attributes, they will invariably only do so when functional attributes of those products meet their

¹³ Remarks by Phil Knight, founder & chief executive officer, Nike Inc. at the Annual Shareholder's Meeting, Oregon Convention Center, Portland, Oregon, September 22, 1997.

needs... consumers almost always choose the product with poor social but good functional attributes.” Bhattacharya and Sen (2004) do acknowledge that some consumers are willing to pay more for CR (also supported in research by Auger et al. 2003 and Kimeldorf et al. 2006), but research suggests this is likely to be a minority of consumers, if not a small niche (the Toyota Prius and free-range egg sales in the U.K., as discussed earlier, would appear to be exceptions).

Overall, Bhattacharya and Sen (2004) argue for a more sophisticated appreciation of how corporate responsibility influences consumers, noting in particular that a focus on behavioral outcomes (i.e., purchase) is myopic. In this sense it is useful to differentiate between direct effects (on sales) and the more indirect effects that still ultimately are of economic consequence for the company, such as positive word-of-mouth, increased loyalty, or greater “resilience” (a willingness to give a company the benefit of the doubt or forgive an apparent lapse in behavior; see Klein and Dawar 2004). This is aside from the effects on other parties, such as the consumers themselves or the social issues that benefit from corporate responsibility.

As important, these studies highlight the need for CSR influences on consumers to be understood as highly contingent upon company, consumer and issue-related factors in particular. Company factors include the CR issue/domain (and whether it is perceived to be relevant to corporate ability), the valence (positive or negative company performance) and level of CR-related activity, product quality, and price. Consumer factors include support for the CR issue/domain, consumer-company congruence, and CR-related beliefs, especially in relation to the effects of CR on corporate ability (also see Ellen, Webb and Mohr 2006 for consumer attributions regarding CR programs and their effects on purchase intentions). These factors, of course, assume that consumers are sufficiently knowledgeable about the company CR activities—often this will not be the case (Elliott 2005, Smith 1990).

Research on Negative Ethical Consumerism

Negative ethical consumerism involves a refusal to purchase, often in the form of consumer punishment for perceived corporate responsibility failings, though it can extend to consumer preferences only indirectly reflecting corporate responsibility failings, if at all (e.g., vegetarians who avoid meat for ethical reasons). It can be part of organized protest, with a boycott called by a campaign group, consistent with Friedman's (1999, p. 4) definition of a consumer boycott as: "an attempt by one or more parties to achieve certain objectives by urging individual consumers to refrain from making selected purchases in the marketplace." Equally, if not more typically, there may be an informal boycott (perhaps suggested in media coverage of questionable business activities) or individual consumers deciding for themselves to refuse to buy certain brands and products because of ethical or corporate responsibility concerns (e.g., consumers who refuse to buy automobiles for environmental reasons). As with positive ethical consumerism, refusal to purchase may stem from the activities of an individual company (e.g., boycott of Nike over alleged labor abuses in its supply chain or Esso over its position on global warming) or from societal causes (e.g., Muslim boycott of Danish companies, including Arla Foods, because of cartoons of Muhammad in a Danish newspaper). (See Figure 1.)

Boycotts are relatively exceptional cases of negative ethical consumerism. However, because they are organized and deliberate, they do provide a good opportunity for researchers to better understand consumer refusal to purchase and ethical consumerism more generally (Klein, Smith and John 2004). Thus in looking at research on negative ethical consumerism, we will focus on boycotts and particularly consumer motivations for boycott participation and the factors in boycott success.

Various researchers have examined boycotts and attempted to offer explanations for their success or failure. Friedman's (1999) comprehensive study, drawing on more than 100 boycotts, employed instrumentality theory to develop an explanation for boycott success. He suggested that before initiating a boycott, campaign groups should ask themselves if: 1) consumers care about the boycott issues and objectives, 2) the boycott task is likely to be successfully executed, and 3) its execution is likely to lead to the desired consequences specified by the boycott objectives. Meanwhile, Garrett (1987) identified six factors in boycott participation: awareness of consumers, the values of potential participants, the consistency of boycott goals with participant attitudes, the cost of participation, social pressure, and the credibility of the boycott leadership. He proposed a theory of boycott success based on research of 30 boycotts between 1981-1984, suggesting that the determinants are economic pressure (due to lost sales), corporate image pressure (due to adverse publicity), and policy commitment (target's determination not to change the policy in question).

Smith's (1990) field research identified several factors that influence boycott effectiveness (defined as a significant reduction in sales) and boycott success (achieving the aims of the boycott organizers), including: the choice of target, the organization and strategy of the campaign group, and responses from consumers and others to the boycott call. More broadly, consumers must be concerned, willing and able to act in support of the boycott. Boycotts need not substantially reduce sales to be successful. Firms may comply with boycott demands in response to the moral pressure and concern for the firm's reputation, even absent any impact on sales. Similarly, Vogel (2005, p. 46) suggested that while a company's degree of social responsibility or irresponsibility has rarely affected sales, "many companies have changed their social or environmental practices in response to 'civil regulation' ... pressures from social activists, socially oriented consumers, shareholders,

and employees.” Thus the risk or a mere threat of a consumer boycott can be a driver of corporate responsibility (also see Friedman 1999; Garrett 1987).

Kozinets and Handelman’s (1998) ethnographic web-based study suggested that boycott participation represents a complex emotional expression of individuality and a vehicle for moral self-realization, findings that surely extend to other types of ethical consumerism. Sen, Gurhan-Canli and Morwitz’s (2001) social dilemma perspective on boycotts was the first attempt to empirically test a theoretical framework that explains an individual’s decision to participate in a boycott. They suggested that there is a fundamental question underlying a consumer’s boycott decision: is this boycott going to be successful? They found in laboratory studies that an individual’s participation in a boycott is influenced by his or her perception of the likelihood of the boycott’s success and, in addition, the individual’s susceptibility to normative social influences (social pressure) and the costs associated with boycotting.

Drawing upon the helping behavior and boycott literatures, Klein et al. (2004) took a cost-benefit approach to the decision to boycott and presented a conceptualization of motivations for boycott participation that was tested during a high profile boycott of a multinational firm (over factory closings). The perceived egregiousness of the firm’s actions was a powerful predictor of boycott participation. The more seriously wrong a consumer perceived the firm’s behavior to be, the more likely was that consumer to boycott. However, while consumers who viewed the factory closures as egregious were more likely to boycott the firm, only a minority did so. Egregiousness notwithstanding, most of the nationally representative sample (N = 1216) was *not* participating in the boycott: 95% of respondents were aware of the boycott, 81% disapproved of the factory closures (with 60% of the sample rating three or higher on a 4-point egregiousness scale), but only 19% of the disapprovers were boycotting and only 16% of all respondents were boycotting.

This shows, again, that high levels of concern about a social issue don't necessarily translate into ethical consumerism.

In addition to perceived egregiousness, the Klein et al. (2004) framework also incorporated four cost-benefit factors. They found that consumers need to believe that boycotting can “make a difference” (i.e., the extrinsic rewards from participating in an appropriate and effective response, such as potentially changing the firm's decision). Consumers were also motivated by “self-enhancement” (the benefit from intrinsic rewards of boycott participation, such as boosting self-esteem by responding to social pressure). This had a direct effect and also moderated the effect of egregiousness on boycott participation. Further, consumers also took account of “constrained consumption” (the cost of a preferred product foregone), as well as various “counterarguments” (the costs of boycott-induced harms and doubts about whether participation is really necessary). Many of these costs also moderated the effect of egregiousness on boycotting.

Thus the level of consumer support for a boycott is a function of consumers weighing up the various costs and benefits of participation as well as the perceived egregiousness of the target company's behaviour. Klein et al. (2004; also see Ettenson et al. 2006) suggest that boycott participation and impact are typically overestimated, though boycott targets may not realise the harm to brand image in the eyes of nonboycotters if managers focus only on sales effects of boycotts. However, they also suggest that long-term harm from boycotts may be underestimated, drawing on anecdotal evidence (e.g., longevity of the Barclays boycott—effects reported to be still evident with U.K. consumers twenty years later) as well as their studies.

In sum, boycott participation is shown by these studies to be complex and involve a heterogeneity of response, with multiple motives at work, not all of which reflect the issue at

hand (e.g., self-enhancement versus a desire to stop the target company engaging in behaviors not perceived to be socially responsible). It seems likely that the mixed motives in boycotts are evident in other forms of negative ethical consumerism and, perhaps, in positive ethical consumerism. For example, purchasing a Toyota Prius helps the environment but is also a highly visible symbol of its driver's green credentials (and research suggests that boycotts of products involving conspicuous consumption are more likely to be successful). Also likely to be common to other types of ethical consumerism are counterarguments (e.g., my reduced emissions from driving a Prius are too small to make a difference to climate change) and constrained consumption, the sacrifice inherent in denying oneself a product one would otherwise choose to have (e.g., the sports car performance I forsake to drive a Prius).

Conclusions

Corporate responsibility has never been more prominent on the corporate agenda and primarily because the business case is perceived to be much stronger. However, it is important that business not simply accept the generalizations of the generic business case, nor dismiss it as flawed, but look to when, where and how greater attention to corporate responsibility is demanded.¹⁴ Consumers are an important potential driver of attention to CR for many companies, along with employees, investors and others (e.g., regulators are particularly important drivers for pharmaceutical companies). However, they are likely to be more important for some companies than others. For instance, B2B companies that do not serve consumers directly may be less influenced by consumers, though consumer pressure can transmit up the value chain, as suppliers of wood products to DIY retail chains have learnt (Smith 2003) and CR concerns can be a factor in organizational buying regardless of consumer concerns (Drumwright 1994).

Consumer surveys typically overstate the influence of ethical concerns on consumer behavior. Nonetheless, the evidence is clear that some consumers are influenced in purchase and consumption decisions by ethical and corporate responsibility considerations and sometimes this is a sizable minority (e.g., free range eggs, Toyota Prius), if not a majority (e.g., major consumer boycotts, such as Montgomery bus boycott, Shell Brent Spar boycott). This may take the form of purchase refusal—what we are calling negative ethical consumerism—with boycotts being the most obvious example. Increasingly, however, it appears to be taking the form of purchase preference or positive ethical consumerism. Often, of course, the two forms are the opposite sides of the same coin, with the positive ethical consumerism a preference for a more socially responsible product resulting from a boycott of a competitor’s product (assuming the consumer doesn’t choose to deny himself or herself a product from the category altogether).

For any given company—or any given issue, to take the campaign group perspective—the likelihood of corporate responsibility affecting consumer behavior can vary tremendously. Academic research findings of positive and negative ethical consumerism highlight the heterogeneity and complexity of consumer response. As yet we do not fully understand consumer choice behavior in this context. Marketers often refer to the famous saying of Lord Leverhulme (William Hesketh Lever): “I know that half of my advertising budget is wasted, but I don’t know which half.” While we know that advertising works, we (still) struggle to know whether particular advertising campaigns will work (or why). In many respects, it is a similar scenario with ethical consumerism. Sustainability and CR related considerations do influence consumer behavior, but our understanding is limited of when, how and why.

¹⁴ As I have argued elsewhere (Ward and Smith 2006), companies should do more than passively wait for the business case to emerge—on more pressing social issues like climate change, they should proactively build the business case.

Ethical consumerism as a purchase preference or a refusal to purchase appears to be highly contingent. Research and more anecdotal evidence suggest it is dependent in particular upon the following:

- Company action on the corporate responsibility issue—how much it is doing in support of, or conversely, how egregious its conduct is on the issue (both in absolute terms and relative to competitor activity);
- Company-issue fit—salience relative to core activities of the company and reputation (e.g., action on carbon emissions is an obvious priority for energy companies but less relevant to professional services firms, for example, their impacts are likely to be much greater in other areas);
- Company communications of corporate social performance—quantity, quality and credibility of information provided, whether it is endorsed by third parties (e.g., media, campaign groups, auditors of social reports) and recognizing the potential for backlash against companies that overstate their performance (i.e., greenwash);
- Consumer concern for the CR issue—do they know and care sufficiently about the issue? (and possibly sufficient to act contrary to their more immediate self-interest);
- Consumer perceived effectiveness—can they make a difference? (will ethical consumerism help tackle the issue? are there enough other like-minded consumers?);
- Consumer sacrifice involved (higher price, lower quality, greater inconvenience, denial of product the consumer would otherwise choose to have);
- Consumer scope for self-enhancement—does the ethical consumption behavior make consumers feel better about themselves? (e.g., via conspicuous consumption, because of social pressure);

- Consumer recourse to counterarguments (e.g., possibility of free-riding on ethical consumerism of others; sense of being too small to make a difference).

For all these reasons, consumer concern about or support for a CR practice may not translate into an effect on purchase behavior. However, this does not mean that there are not other less immediate or less tangible effects that companies need to consider, relative to reputation, brand image, willingness to pay a price premium, word-of-mouth, loyalty, or resilience. In this sense, sales are only the tip of the iceberg.

It is also important to consider the effects of ethical consumerism on consumers and the issue itself. For example, if sales are affected, conceivably the company would continue with a good CR practice or stop a bad one. However, even where there isn't any response by the company, awareness is raised which might benefit a campaign group and consumers have become better informed (there may even be a form of consciousness-raising). These potential benefits for consumers and the issue could exist even if sales are not affected.

Increasingly it seems that consumers see themselves as citizens in their consumer role, especially through positive ethical consumerism (Fitzgerald and Cormack 2006). But there are multiple potential drivers of corporate responsibility and other stakeholders to which companies must attend, including employees, who may also be concerned citizens in that role too.

Figure 1

Types of Ethical Consumerism

		RESPONSE	
		Negative	Positive
CAUSE	Firm		
	Society		

Adapted from Ettenson, Smith, Klein and John (2006).

Exhibit 1: The (RED)TM Manifesto

All things being equal, they are not.

As first world consumers, we have tremendous power. What we collectively choose to buy, or not to buy, can change the course of life and history on this planet.

(RED) is that simple an idea. And that powerful. Now, you have a choice. There are (RED) credit cards, (RED) phones, (RED) shoes, (RED) fashion brands. And no, this does not mean they are all red in color, although some are.

If you buy a (RED) product or sign up for a (RED) service, at no cost to you, a (RED) company will give some of its profits to buy and distribute anti-retroviral medicine to our brothers and sisters dying of AIDS in Africa.

We believe that when consumers are offered this choice, and the products meet their needs, they will choose (RED). And when they choose (RED) over non-(RED), then more brands will choose to become (RED) because it will make good business sense to do so. And more lives will be saved.

(RED) is not a charity, it is simply a business model. You buy (RED) stuff, we get the money, buy the pills and distribute them. They take the pills, stay alive and continue to take care of their families and contribute socially and economically in their communities.

If they don't get the pills, they die. We don't want them to die. We want to give them the pills. And we can. And you can. And it's easy.

All you have to do is upgrade your choice.

Source: www.joinred.com/manifesto.asp

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