

# The Socially Conscious Consumer? Field Experimental Tests of Consumer Support for Fair Labor Standards

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## ABSTRACT

In surveys consumers say that they care deeply about whether the products they buy are made in workplaces with fair labor standards rather than in sweatshops. But the existing market for such ethically differentiated goods is small and there is no clear evidence that consumers would actually choose ethically labeled products over counterparts if given the choice. We provide new evidence on consumer behavior from a large-scale field experiment conducted with Gap Inc. in 111 Banana Republic factory stores. We find that labels with information about fair labor standards had a substantial positive effect on sales among a segment of shoppers even in outlet stores where customers are predominantly concerned with prices. The labels increased sales of a more expensive women's item by 14%. The labels had no discernable impact on sales of lower-priced items.

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## I. INTRODUCTION

Most consumers say that they care about whether the products they buy have been made in workplaces with fair labor standards and express concerns about condoning unsafe and unfair “sweatshop” conditions in global supply chains. People express outrage when they hear about firms manufacturing products in facilities using child labor, and admiration for firms that improve standards for factory workers. Consumers have a limited variety of ways to act on these types of impulses by buying ethically differentiated products. The Fair Trade certification program offers a mechanism by which shoppers can raise farmer incomes and encourage fair labor standards on farms in developing countries when they purchase coffee, tea, chocolate, and other commodities. The Goodweave certification initiative allows consumers buying hand-woven rugs to help eliminate the child labor in the rug industry. But the existing market for such ethically differentiated goods is small and there is no clear evidence that consumers would actually choose ethically labeled products over counterparts if given the choice, and perhaps pay a premium for labeled products, in order to promote change.

The issue is important for a number of reasons. Firms need to know whether improving labor standards in their supply chain is a profitable way to differentiate their products and their brand. Labor and human rights groups need to know whether devoting resources to establishing certification and monitoring programs – that firms can use to facilitate this type of differentiation and consumers can use to guide their choices – is an effective long-term strategy for improving labor standards abroad. Governments need to know whether these types of voluntary initiatives should be encouraged as an effective mechanism that allows citizen-consumers to vote with their shopping dollar to influence the behavior of firms and address problems which, for a variety of reasons, can be difficult for developing country governments to solve via regulation.

What we need to know is the strength of latent consumer demand for ethically labeled products. Though growing rapidly, sales of such products still represent a small segment of the markets in which they have a presence, and there is an ongoing debate about the potential for continued growth. Skeptics tend to dismiss the phenomenon as a passing fad, subject to the fickleness of consumer tastes, or a product of empty public relations and marketing campaigns

by big-name brands (Vogel 2005, 2008; Peharia and Deshpande 2009). Supporters see more potential for long-term growth and positive impacts (Elliott and Freeman 2003). It is difficult to resolve this debate by parsing consumer responses to survey questions about hypothetical scenarios and choices. Most people are likely to say that they care about fair labor standards in factories even if such sentiments would not motivate them to alter their actual shopping behavior and decisions about how to spend their own money.

Here we report new evidence on consumer demand for apparel products labeled with information about fair labour standards from a large-scale field experiment conducted with Gap Inc. in Banana Republic Factory Stores. We find that labels with information about fair labor standards had a substantial positive effect on sales among one segment of shoppers in these outlet stores - women shoppers interested in a higher priced item. Among customers shopping for lower priced women's and men's items, labels with information about labor standards (or information about other product attributes besides price) had no statistically significant impact on sales. The key finding is that, even in a setting in which customers are focused on prices and so are far less likely to respond to information about ethical product attributes than those in other (retail) contexts, we can identify a segment of shoppers willing to support fair labor standards by voting with their shopping dollar.

This is one of the first papers to report results from a field experiment in which the researchers test important product attributes using random assignment to estimate demand effects among buyers in a multi-store retail setting. Previous related empirical research in applied microeconomics has relied almost exclusively upon estimating models of demand using observational data with a variety of techniques applied to account for the endogeneity of distribution and marketing approaches used by firms (Nevo 2010). Our tests demonstrate the advantages and opportunities provided by the field experimental approach in this area of research. The tests also add important new evidence to complement the growing theoretical literature on the extent and implications of altruism in markets (Fehr and Schmidt, 1999; Andreoni, 2001; Benabou and Tirole, 2006) and provides new evidence of a specific type of altruistic behavior among consumers that is a critical issue in debates about corporate social responsibility (Baron 2003; Baron and Diermeier, 2007; Besley and Ghatak 2007).

## II. LABELING AND CONSUMER DEMAND FOR FAIR LABOR STANDARDS

Several prominent ethical product labeling initiatives, including the Fair Trade and Goodweave programs as well as those managed by the Rainforest Alliance, Forest Stewardship Council, and Marine Stewardship Council, contain explicit provisions aimed to ensure that certain minimum labor standards are met in workplaces and on farms that produce the labeled items. The Fair Trade program, the largest and most prominent ethical certification and labeling initiative, also contains some of the strongest labor standards provisions.<sup>1</sup> Fair Trade certified farmers receive a guaranteed minimum price for their crops and a price premium (above the minimum or the current market price, whichever is higher), and certification prohibits forced and child labor and discrimination based on race, religion, or gender, restricts the use of potentially hazardous chemicals, and requires that larger enterprises meet specific standards with respect to wages and working hours and facilitate collective bargaining by workers.<sup>2</sup> The non-profit Fairtrade Labelling Organizations (FLO) oversees Fair Trade certification globally and has developed standards for a range of agricultural products, including coffee, tea, cocoa, and cotton. Fair Trade labeled goods are an increasingly common sight in supermarkets, cafes, and restaurants across the United States and Europe.

This type of ethical product labeling has some obvious attractions. It is a voluntary, market-based approach, so producers and retailers can opt in or out depending on whether they think it will benefit them, and consumers can choose whether or not they wish to support any particular program by buying the labeled products. As with other types of third-party certification and labeling, the Fair Trade program can be seen as a way to remove a market

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<sup>1</sup>The Rainforest Alliance, Forest Stewardship Council, and Marine Stewardship Council initiatives focus primarily on environmental sustainability standards, although each requires that certified producers meet national standards pertaining to minimum wages, working hours, and working age. The Goodweave program, formerly known as Rugmark, certifies that no children are employed in facilities manufacturing hand woven rugs in Indian and Nepal (fees from producers and importers are used to fund school programs in communities in which these facilities are located).

<sup>2</sup>The Fair Trade program concentrates primarily on small, family-owned farms and requires that these farmers organize into cooperatives that decide democratically how to distribute or invest the fair trade premium paid on each contract. Larger farms with permanent hired labor can also obtain certification in some commodity sectors (e.g. tea and bananas) providing that these enterprises satisfy national legal standards pertaining to wages and hours of work and that a democratic worker organization is established and meets with employers to approve all decisions about how to distribute the fair trade premium. See [http://www.fairtrade.net/generic\\_standards.html](http://www.fairtrade.net/generic_standards.html).

inefficiency that exists due to incomplete information on the part of consumers about the manner in which goods are produced (Elliott and Freeman 2003, 47-48).<sup>3</sup> It remains unclear, however, whether Fair Trade and similar ethical labeling initiatives can reach a market size large enough to have a substantial impact in developing nations. Total sales of Fair Trade goods in the United States in 2008 amounted to roughly \$1.1 billion. This represents only about one fortieth of the U.S. market for certified organic products and less than \$4 per person annually.

A large market for ethically labeled products may not currently exist, but this does not by itself imply an absence of demand. Surveys indicate that a large majority of consumers say that they prefer, and are willing to pay substantially more for, products they can identify as being made in ethical ways. A much-cited 1999 survey conducted by the Program on International Policy Attitudes, for example, found that 76% of respondents said they were willing to pay \$25 for a \$20 garment that was certified as not being made in a sweatshop (PIPA 2000). Another survey conducted by the National Bureau of Economic Research in the same year found that roughly 80% of individuals said they were willing to pay more for an item if assured it was made under good working conditions (Elliott and Freeman 2003, 29-35). A growing set of studies has provided additional evidence of peoples' willingness to pay for ethical attributes of products and ethical behavior by firms (e.g., Auger et al. 2003, 2008; Dickson 2001; Green and Blair 1995; Mohr and Webb 2005; Loureiro and Lotade 2005; De Pelsmacker et al. 2005; Hertel et al. 2009).

The survey results are almost certainly biased toward support for ethical goods. Survey respondents are being asked to state openly whether they support ethical causes in a context in which voicing support is costless and voicing opposition may be socially unpleasant in terms of the interaction with the interviewer. The preferences consumers reveal in a real market setting when they are actually spending their money may be very different from the preferences they declare in surveys. What we need is direct evidence on how consumers actually behave when they encounter ethical labels while making purchasing decisions. To date only a small number

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<sup>3</sup>In the simplest models, lack of information about the ethical quality of goods leads to welfare losses as consumers who prefer goods with high ethical quality cannot identify (and thus adequately reward) high-quality producers, and the latter are driven from the market by low-quality producers who face lower costs (Bonroy and Constantatos 2003; 2008). Fair Trade labeling has also been modeled as product differentiation that increases consumer welfare by introducing more variety (e.g., Becchetti and Solferino 2005).

of empirical studies have examined relationships between observed sales and/or prices of goods and their ethical characteristics. A study by Teisl, Roe, and Hicks (2002) examined scanner data on U.S. retail sales of canned tuna and found that market share (relative to other canned seafood and meat) rose substantially after the introduction of the “dolphin-safe” label in April 1990. In another study, Galarraga and Markandya (2004) gathered data on retail prices of coffee sold in supermarkets in Britain and estimated that coffee with a “green” label (they combined Fair Trade, organic, and shade-grown labels in this category) earned an average premium of around 11% over alternatives. Elfenbein and McManus (2010) found a price premium for items sold in eBay’s “Giving Works” program, in which sellers direct a portion of the sale price to charity, compared with prices for similar items sold on eBay. While these studies are consistent with the claim that there is substantial consumer support for ethically labeled products, because the observed outcomes reflect pricing and distribution decisions by sellers as well as consumer behavior, it is difficult for this type of approach to provide clear inferences about consumer responses to the labels. In addition, there have been no studies of this type that address the issue of fair labor standards and product labeling.

A small number of field experiments have addressed whether and how consumers alter their spending behavior when given the opportunity to distinguish ethically labeled products from alternatives. Arnot, Boxall, and Cash (2006) conducted tests with a university coffee vendor, adjusting prices for a fresh-brewed Fair Trade certified coffee and a similar tasting alternative. Examining sales on different days, the researchers concluded that demand for Fair Trade coffee was less sensitive to price than was demand for the alternative coffee. In another study, Kimeldorf et al. (2004) placed two identical groups of athletic socks in a Michigan department store and labeled one group as being made under “Good Working Conditions.” The findings were mixed: when the two types of socks were sold at the same price, only 43% of customers bought the labeled socks; when the labeled socks were sold at prices higher than the non-labeled socks, about 25% of consumers bought the labeled type. In another experiment conducted in a retail store in New York City, researchers employed a “Fair and Square” label describing ethical labor standards in facilities making a brand of towels and a brand of candles (Hiscox and Smyth 2006). Compared with similar brands of towels and candles sold in the

store, sales of the labeled brands rose when the labels were put in place, and sales rose further with price increases of 10-20% above pre-test levels.

These field experiments had design limitations that made it impossible for the researchers to isolate the effects of the ethical labels from potential time-variant and other confounding factors. The experiment we report below was designed specifically to overcome these problems and to gather new, direct evidence on how consumers behave when encountering an ethical label referring to fair labor standards and making real spending decisions in real stores.

### III. RESEARCH DESIGN

#### A. Model of Consumer Behavior

To ground the empirical work in a theoretical model, we introduce a standard model of consumer behavior in which individuals may derive utility from a variety of characteristics of goods (Lancaster 1971; Gorman 1980). Consumers maximize their utility when choosing from of a set of alternative products available in a particular market. Each consumer’s utility from buying a particular good depends on the observed product characteristics, which may include labeling that provides information about labor standards in the facilities that produced the item. In general, consumer  $i$ ’s utility from buying the  $j$ -th good in market  $t$  is given by:

$$U_{ijt} = U(x_{jt}, \xi_{jt}, \nu_{it}; \theta) \tag{1}$$

where  $x_{jt}$  is a vector of observed product characteristics,  $\xi_{jt}$  indicates product characteristics that are unobserved by the researchers,  $\nu_{it}$  are unobserved differences in consumer tastes, and  $\theta$  is a vector of model parameters that includes how sensitive consumers are to each of the observed product characteristics. Consumers may differ in how they evaluate the different product characteristics. Our test is designed to measure average responses among consumers when one key product characteristic - labeling about fair labor standards - is manipulated experimentally for specific products.

We make no specific assumptions about the motives of consumers willing to pay more for fair labor standards labels. The simplest type of assumption is that these consumers derive a “warm glow” satisfaction from supporting a program that is helping workers - this

type of assumption is adopted in existing models of markets for ethically labeled goods (e.g., Richardson and Stahler 2007; Baron 2009a). However, there are other motives that could generate a preference for purchasing ethically labeled products and our study is not designed to assess the relative importance of alternative motivations (see the discussion in Section V below).

In the theoretical literature on product labeling it has become common to refer to the standards under which a good is made as “credence” attributes. These are distinct from other types of product characteristics in that they cannot be directly assessed by the consumer examining or using the item (see Nelson 1970, 1974; Darby and Karni 1973; Roe and Sheldon 2007).<sup>4</sup> Other product characteristics, such as price, size, and color, can be evaluated by consumers before they purchase the good and are known as “search” attributes. Still other characteristics, including product quality, durability, and taste, can be assessed by consumers after they have purchased the good and begun using it and are commonly termed “experience” attributes. Although these experience attributes are not known to consumers at the point of purchase, they will be revealed to them by use of the product and firms can attempt to send credible signals about them by offering guarantees, for example, and by using advertising to establish brand reputations. The information asymmetry problem is mitigated because consumers can punish firms for poor quality by making no further purchases of their products (Akerlof 1970; Shapiro 1983; Palfrey and Romer, 1983). In the case of credence attributes, however, which are never directly observed by consumers before or after purchasing the product, firms find it much more difficult to make credible assurances. Firms that have incurred higher costs to produce goods with these characteristics can make claims about them to consumers, but competing firms can incur no additional costs and make similar claims.

This problem can be addressed via certification and labeling of specific credence attributes of goods (e.g., Fair Trade standards) by an independent third party (e.g., FLO), which effectively transforms the credence attributes into search attributes (Caswell and Mojduszka

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<sup>4</sup>Familiar examples of credence attributes include Fair Trade standards for farmers, organic standards for production of food and fiber, exclusion of genetically modified organisms from foods, dolphin safe methods for catching tuna, humane treatment of animals on farms, and various forms of environmental management standards adopted by firms to help to sustain forests and fisheries, including Forest Stewardship Council and Marine Stewardship Council.

1996). The value of these labels to firms and consumers will depend in part on the degree to which consumers regard the particular third party certifier as trustworthy. Our tests were not designed to assess the importance of third-party certification, however, or the trustworthiness of different types of certifiers and label authors in the eyes of consumers.

### *B. The Setting and Products*

To investigate consumer demand for fair labor standards we conducted a randomized field experiment in 111 Banana Republic Factory Stores located across 38 states in the U.S. for a period of four weeks between May and June 2010. Banana Republic Factory Stores are owned and operated by Gap Inc., one of the largest apparel companies in the world and the largest apparel retailer in the U.S. The Banana Republic Factory Stores are discount outlets that offer items designed for the *Banana Republic* brand, one of the five primary brands owned by Gap Inc. (the others are *Gap*, *Old Navy*, *Piperlime*, and *Athleta*), at reduced prices. *Banana Republic* offers fashion apparel at higher price points than the other, more casual company brands. But the Banana Republic Factory Stores emphasize affordability at least as much as style. The stores are located in suburban and ex-urban outlet malls that cater to price-sensitive customers looking for good deals. Almost all marketing messages used by stores in outlet malls, including their window and display signs, refer to price discounts and savings. We assume that this type of setting, in which shoppers are primarily interested in finding a good deal, provides a hard test for any type of product labeling that aims to convey information about any product attributes other than price. We discuss the consequences of these features of the setting for external validity in Section V below.

The experiments focused on three products: a women’s linen suit (including a blazer, skirt, and trousers) sold at \$130; a women’s yoga pant sold at \$18, and; men’s fashion t-shirts sold at \$12. These products were part of a larger set of new items introduced in the stores in May 2010 and accompanied with display signs with the title “What’s New Now.” The display signs provided an opportunity for experimenting with different labeling messages under the title. The three specific products - linen suit, yoga pant, and t-shirts - were selected for the tests because they included both women’s and men’s items, covered a range of prices, and were introduced in

all stores at the same time. The items were also produced in factories audited for compliance with the company’s Code of Vendor Conduct (COVC). The COVC seeks to safeguard workers’ rights in the factories where Gap Inc. branded products are made. It contains a set of social and environmental criteria that cover topics such as minimum wages, maximum hours, health and safety standards, discrimination (based on race, age, gender, and several other attributes), and it mandates that workers be free to organize and bargain collectively.<sup>5</sup>

### *C. Labeling*

For the test, the Gap Inc. marketing and global responsibility teams designed two versions of the “What’s New Now” display signs for each of the three test products: one version of the sign carried a message emphasizing the fashion attributes of the product, the other version conveyed a message that focused instead on how the product was made and the company’s commitment to promoting fair and safe working conditions. Apart from the difference in the content of the message, the two different versions of the signs were identical for each test product in all respects. The display signs for the linen suit, yoga pant, and t-shirts are shown in Figures 1, 2, and 3 respectively. (Note that here, and in the tables that follow below, we use “fashion” and “fairness” as shorthand for the two different versions of the sign.) The signs, approximately 20 by 30 inches in size and double-sided, were placed on stands on the display tables that carried the test products in the designated stores for the four week duration of the test. Notice that each product was identically priced across all stores during the test period.

The particular fair labor standards label we tested can be regarded as a weak form of treatment for two important reasons. First, the information about fair labor standards supplied by the label takes the form of a statement by the company itself and is not verified or certified by an independent third party. To the extent, then, that customers were concerned about the company engaging in “fairwashing” or misrepresentation to promote sales, and so discounted the credibility of the claims being made, we should expect a weaker effect than would be the case if the label carried a seal of approval from an independent, non-profit humanitarian group, such as FLO, that had actually inspected the workplaces. Second, the information about fair

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<sup>5</sup>The COVC is available at: [http://www2.gapinc.com/GapIncSubSites/csr/documents/COVC\\_070909.pdf](http://www2.gapinc.com/GapIncSubSites/csr/documents/COVC_070909.pdf).

labor standards is conveyed only on the display signs and is not supplied via labels or hangtags attached to each individual item as is typically the case, for example, with Fair Trade labeled products. To the extent that customers ignore the display signs, or forget them once they have picked up items and moved elsewhere in the store, we should expect a weaker effect than would occur if labels were actually attached to the products and were more difficult for customers to miss when the items had been removed from the display and examined.

#### *D. Randomization*

The experiment followed a three-group, block-randomized design. We first matched stores into eight blocks based on similarities with respect to key characteristics such as the store size and historical sales, using store-level data provided by Gap Inc. Then within each block we randomized the assignment of each store to one of three experimental groups - one group of stores received the sign with the fashion message, one received the sign with the message about fair and safe working conditions, and a third group was instructed to display the products without a sign. Moreover, all stores received instructions to arrange the test items in a similar way, apart from the differences in the labeling. Figure 4 shows the location of the stores in our sample by experimental group. The stores cover 38 states in the U.S. overall and are clustered around large population centers.

Table 1 provides summary statistics for the store sample. We report the mean covariate values in each of the three store groups for a range of pre-treatment characteristics. As expected given the random assignment, the three store groups are very similar on all core characteristics including size, regional distribution, as well as a set of key socio-demographic characteristics of the store catchment areas (defined as the zip code areas of the store locations<sup>6</sup>). Table A.1 in appendix A contains a formal multivariate balance check where we regress a trichotomous treatment variable that indicates the assignment to one of the three groups on the full set of covariates and show that none of the variables enter as significant and together they are jointly insignificant (p-value = .71). Overall this suggests that the randomization successfully

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<sup>6</sup>Data for the 5-digit zip code areas for each store are from the 2000 U.S. Census. Notice that data on historical total store sales are omitted from Table 1 for confidentiality reasons. However, historical total store sales are well balanced across the three groups as can be seen by the balance checks in Table A.1 where this measure is included.

orthogonalized the store groupings with respect to confounding factors, such that we can attribute differences in the sales during the test period to the effect of the messages as opposed to differences in other unobserved characteristics that may affect sales.

#### IV. RESULTS

To estimate the effects of the alternative messages on sales, we estimate the following semi-elasticity regressions for each test item:

$$\log(s_i) = \mu + \tau_1 \textit{Fairness}_i + \tau_2 \textit{Fashion}_i + \sum_{j=2}^J \alpha_j + \varepsilon_i$$

where  $s_i$  indicates unit or dollar sales of the test item in store  $i$  during the four week experimental period,  $\mu$  is an intercept, *Fairness* and *Fashion* are dummy variables that are coded as one for stores in the fairness or fashion message group respectively and zero otherwise such that  $\tau_1$  and  $\tau_2$  estimate the elasticity of sales with respect to the different messages,  $\alpha_j$  are a full set of block level fixed effects to accommodate the block level randomization ( $J$  is the total number of blocks), and  $\varepsilon_i$  is a stochastic error term. We estimate all regressions with robust standard errors and also include the store size (square footage of sales area) and the total store dollar sales in the previous year as additional covariates.

The regression results are shown in Table 2. The estimates in models 1-3 refer to the effects on dollar sales, while results for models 4-6 refer to the effects on unit sales. Model 1 indicates that for the women’s linen suit, the fairness message increased dollar sales by about 14 % on average with a .90 confidence interval of [2%; 26%] (p-value=.06) compared to sales in the control group stores where the suit was sold without a message. This effect is similar for unit sales (model 4). We find no such effect for the fashion message - the coefficient on the treatment indicator is small and insignificant (p-value=.29) suggesting that the difference is consistent with no effect on sales, and the effect of the fashion label is similarly insignificant for unit sales.

For the lower priced test products, the women’s yoga pant and the men’s t-shirts, neither type of message had a statistically significant impact on the sales. Both treatment indicators enter insignificant at conventional levels in the estimates for dollar sales (models 2-3) and unit

sales (models 5-6), suggesting that we cannot reject the null hypothesis that these messages had no effect on sales.<sup>7</sup>

Overall the results suggest that most outlet shoppers do not pay attention to marketing messages that convey information about product attributes other than price. This seems to be especially clear for those shopping for lower priced items - presumably the segment that is most price-sensitive. These customers seem to be there for the purpose of finding good deals and information about attributes other than price does not have a significant influence on their purchasing decisions.

What is more surprising, however, is that even in this outlet setting there is a segment of shoppers who respond positively to a message conveying information about fair labor standards in factories making apparel. Among female customers shopping for a higher priced item - the linen suit - the message about labor standards had a substantial positive effect on sales.

## V. CONCLUSION

Most consumers, when asked in surveys, say they would prefer to buy products being made in workplaces with fair labor standards rather than alternatives. Firms are now offering consumers a variety of ways to advance similar types of ethical and political causes when they are shopping. They can make purchases that support research on particular diseases, supply clean water for poor communities in developing countries, promote sustainable management of fisheries and forests, and help to improve livelihoods for farmers in the developing world. A growing theoretical literature has sought to address this phenomenon and explain why more firms are voluntarily adopting socially responsible practices, including ethical and environmental product certifications and labeling (see Baron 2003; 2009b; Baron and Diermeier 2007; Besley and Ghatak 2007). The potential long-term importance of the phenomenon hinges on the strength of latent consumer demand for ethically certified and other cause-related products, however, and on this we lack clear evidence.

To investigate underlying consumer demand for fair labor standards, specifically, we have examined new evidence on actual consumer behavior from a large-scale field experiment. We

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<sup>7</sup>Notice that, due to missing data, two stores are dropped from the analysis for the yoga pant. Multiply-imputing the missing sales numbers leaves the results unaffected.

conducted the test in a particular setting, outlet stores, where we expected that ethical product labels were unlikely to have large effects. As we noted above, outlet malls and stores are known for attracting particularly price-sensitive buyers hoping to find good deals, and the products on offer - including brand-name apparel - sell at prices that are lower than their standard retail prices. Shoppers venturing out to outlet malls are likely to have the explicit goal of saving money by finding bargains, and thus much less likely to pay attention to any messages that are not associated with that one goal compared to shoppers in other (retail) contexts who may be less focused on price (and thus more attentive to other product characteristics). There is a large body of research in applied psychology and consumer behavior indicating that consumers tend to approach shopping in different contexts with different and specific types of goals in mind - for example, they focus on thrift in an outlet store context and when shopping for staple items used at home, but they focus on status and image when shopping for luxury items in other contexts - and marketing has the largest impact on purchasing behavior when it relates directly to these goals (e.g., Bettman et al., 1998; Fishbach and Dhar, 2005).

The key finding from the experiment is that, even in a setting in which customers are focused predominantly on product prices and are far less likely to respond to information about ethical product attributes than in other (retail) contexts, we can identify a substantial segment of shoppers willing to support fair labor standards by voting with their shopping dollar. Among customers shopping for lower priced women's and men's items, labels with information about labor standards (or information about other product attributes besides price) had no statistically significant impact on sales. But the labels had a substantial positive effect on sales among one segment of shoppers - women shoppers interested in higher price items.

Our study does not directly examine the motivations of consumers who responded to the fairness label. Ethical consumers may be driven by an intrinsic motivation that reflects satisfaction from contributing to the well-being of others, but one may distinguish usefully between satisfaction derived from specific outcomes (e.g., the overall benefits provided for others) and the "warm glow" satisfaction derived simply from giving to a cause (Andreoni 1989). The existing models of markets for ethically labeled goods typically assume a simple "warm glow" motivation for consumers favoring labeled goods (e.g., Richardson and Stahler 2007; Baron

2009a). Becchetti and Rosati (2005) assume instead that ethical consumption is motivated by a general aversion to inequality, as theorized by Fehr and Schmidt (1999), between rich country consumers and poor country workers. Alternatively, individuals seeking approval and esteem from others may give to a cause in order to demonstrate their virtue in a public way (see Hollaender 1990; Willer 2009).<sup>8</sup> It is also possible that consumers attracted to ethically labeled goods may be motivated by a desire for product quality, and interpret ethical production standards as a signal that brand will not skimp on quality (Fisman et al. 2006; Siegel and Vitaliano 2007; Elfenbein et al. 2010). Additional experimental studies could examine the relative importance of these various types of motivations by manipulating the informational context in relevant ways.

One final point is that our study also does not directly examine individual-level variation in ethical consumption and support for fair labor standards. Existing research on determinants of support for ethically labeled products is based on survey data and the findings are mixed or inconclusive as to whether and how such support is associated with age, education, social status, and income (e.g., Stolle et al. 2005; De Pelsmacker et al. 2005; Loureiro and Lotade 2005). The most robust finding to date seems to be that women are more likely to report supporting and participating in politicized consumption than men (Stolle and Micheletti 2005; Micheletti 2003; Goul Andersen and Tobiasen 2003). Our findings are consistent with this claim, but do not provide conclusive evidence. Defining the market for ethically certified products more clearly in terms of socio-demographic segments is something that could be pursued in future tests designed to capture individual-level data on purchasing behavior.

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<sup>8</sup>A growing body of evidence from experimental studies indicates that people are more likely to act in pro-social ways in public settings than in private settings (see Andreoni and Petrie 2004; Ariely, Bracha, and Meier 2009; Rege and Telle 2004).

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## TABLES

Table 1: Descriptive Statistics for Store Sample

Store Group:	All	Message:		
		None	Fashion	Fairness
Store Size (Sq Ft)	8,546	8,564	8,374	8,703
Store Age (Days)	2,200	2,371	2,090	2,137
Region (%):				
Midwest	20.9	24.3	18.9	19.4
North East	20.9	24.3	27.0	11.1
South	23.6	21.6	16.2	33.3
West	34.5	29.7	37.8	36.1
Catchment Area:				
In Labour Force (%)	65.7	66.0	65.9	65.2
Mean Commuting Time (min)	25.2	24.3	26.0	25.3
Median Household Income (\$)	49,080	48,742	48,312	50,215
Total Population (#)	23,814	24,241	22,039	25,198
Foreign Born (%)	9.4	9.1	8.4	10.6
BA Degree (%)	24.4	24.1	23.7	25.4
Stores	110	37	37	36

*Note:* Averages for covariates that are all measured pre-treatment. The catchment area refers to zip code area of store location.

Table 2: Effects of Messages on Sales

Model No.	(1)	(2)	(3)	(4)	(5)	(6)
Product:	Womens Suit	Womens Yoga Pant	Mens T-Shirt	Womens Suit	Womens Yoga Pant	Mens T-Shirt
Dependent Variable	Dollar Sales (Log)			Unit Sales (Log)		
Fairness Message	0.14 (0.07)	0.01 (0.17)	0.00 (0.08)	0.14 (0.08)	-0.04 (0.15)	0.00 (0.09)
Fashion Message	0.08 (0.08)	0.28 (0.18)	0.01 (0.09)	0.07 (0.08)	0.23 (0.16)	0.00 (0.10)
Total Store Sales (Log)	0.58 (0.23)	0.70 (0.28)	0.72 (0.24)	0.57 (0.22)	0.75 (0.27)	0.73 (0.26)
Store Size (log)	-0.32 (0.29)	1.06 (0.81)	-0.25 (0.29)	-0.34 (0.32)	1.07 (0.73)	-0.23 (0.31)
Constant	-0.62 (4.56)	-15.65 (8.02)	-4.34 (4.51)	-3.27 (4.55)	-18.74 (7.59)	-6.40 (4.78)
Block Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Stores	109	106	109	109	106	109
R <sup>2</sup>	0.50	0.33	0.69	0.48	0.36	0.68

*Note:* Regression coefficients shows with robust standard errors in parenthesis. The dependent variable is the log of dollar/unit sales of the test items per store during the four week experimental period.

# FIGURES

Figure 1: Fairness and Fashion Message for Womens Suit

Fashion Message	Fairness Message
 <p>what's new. now.</p> <p><i>the capri suit</i></p> <p>The perfect summer suit, right here, right now. Slim lines, crisp linen, ultra-flattering. Makes a great first impression.</p> <p>pick me... we look good together</p>	 <p>what's new. now.</p> <p><i>the socially conscious capri suit</i></p> <p>This suit is a part of our commitment to promoting fair and safe working conditions. Feel good about what you wear.</p> <p>pick me... we look good together</p>

Figure 2: Fairness and Fashion Message for Womens Yoga Pant

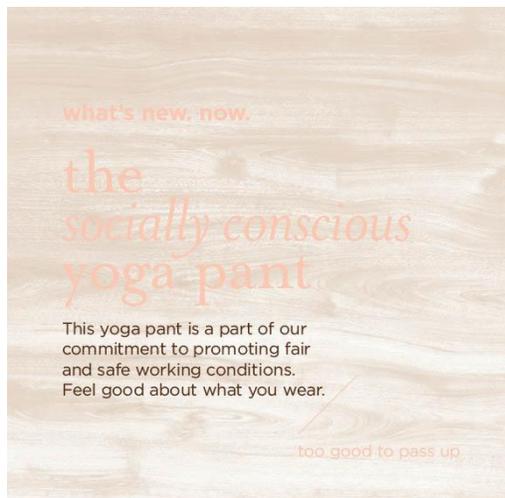
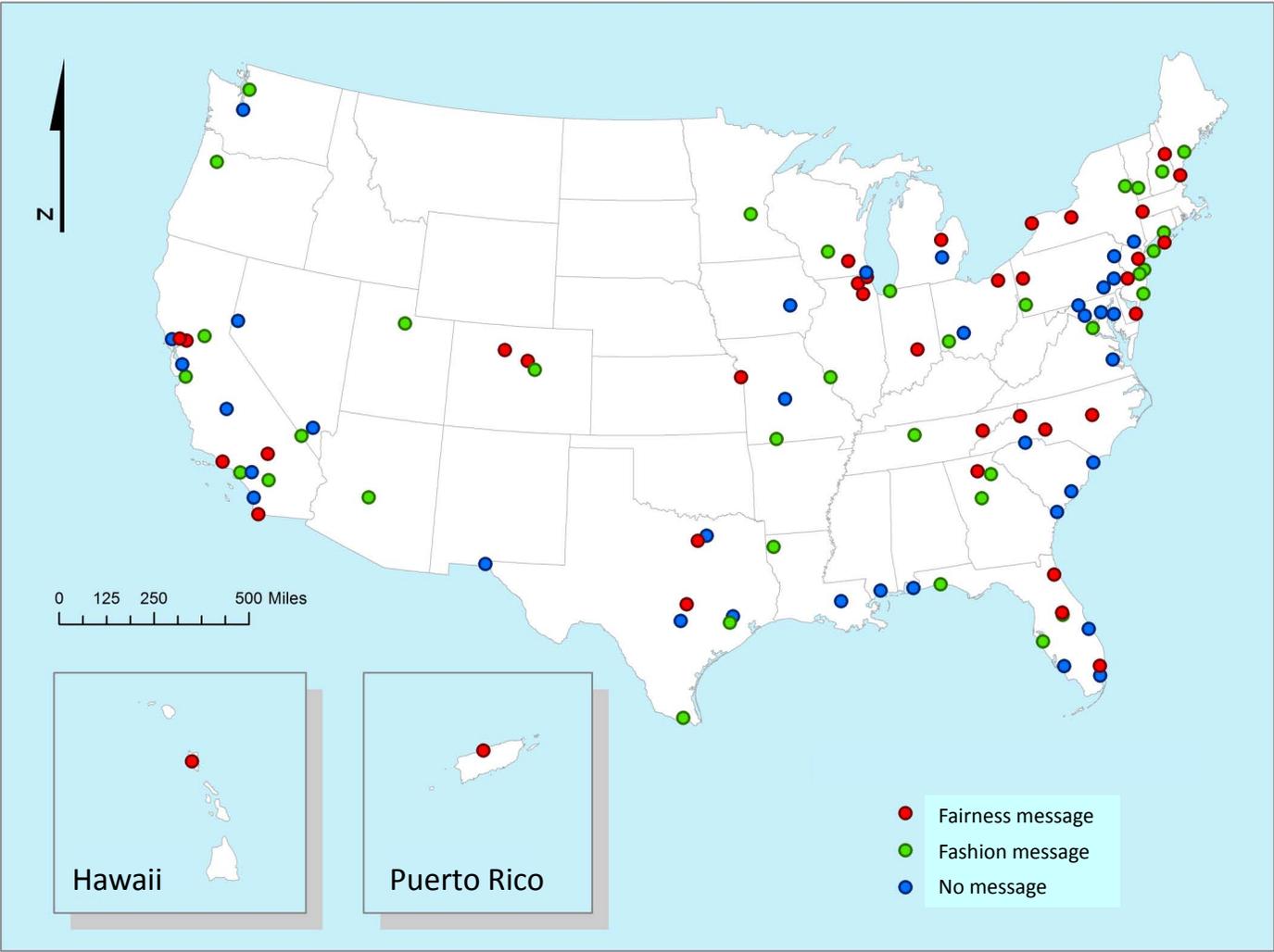
Fashion Message	Fairness Message
 <p>what's new. now.</p> <p><i>the yoga pant</i></p> <p>We love the balance of style and all-day comfort in our yoga pant. They're not just for yoga anymore.</p> <p>too good to pass up</p>	 <p>what's new. now.</p> <p><i>the socially conscious yoga pant</i></p> <p>This yoga pant is a part of our commitment to promoting fair and safe working conditions. Feel good about what you wear.</p> <p>too good to pass up</p>

Figure 3: Fairness and Fashion Message for Mens T-Shirt

Fashion Message	Fairness Message
 <p>what's new. now.</p> <p><i>the island wash</i> graphic t-shirt</p> <p>Unique color range made of 100% organic cotton. Wear alone or under a shirt for a hint of color.</p> <p><a href="#">get good to good.org</a></p>	 <p>what's new. now.</p> <p><i>the socially conscious</i> island wash graphic t-shirt</p> <p>These t-shirts are part of our commitment to promoting fair and safe working conditions. Feel good about what you wear. Made of 100% organic cotton.</p> <p><a href="#">get good to good.org</a></p>

Figure 4: Sample with Treatment and Control Stores



Note: Map shows stores in our sample. There are two treatment groups and one control group.

APPENDIX A: BALANCE CHECK

Table A.1: Trichotomous Balance Checks

Value of Dependent Variable:	2 (Fashion)	3 (Fairness)
Total Store Sales 2009 (\$, Log)	-0.157 (0.605)	-0.111 (0.545)
Store Size (Sq Ft, Log)	-1.649 (1.421)	1.043 (1.481)
Store Age (Days, Log)	-0.497 (0.310)	-0.310 (0.313)
Midwest	-0.531 (0.624)	-0.197 (0.600)
North East	-0.019 (0.550)	-0.675 (0.578)
South	-0.541 (0.614)	0.257 (0.554)
In Labour Force (%)	0.019 (0.030)	-0.015 (0.027)
Mean Commuting Time (min)	0.086 (0.054)	0.029 (0.049)
Median Household Income (\$, Log)	-1.285 (1.310)	0.275 (1.187)
Total Population (#, Log)	-0.228 (0.211)	-0.083 (0.237)
Foreign Born (%)	0.006 (0.020)	0.004 (0.020)
BA Degree (%)	0.003 (0.025)	0.002 (0.023)
Constant	33.69 (18.110)	-7.244 (17.386)
Joint Significance Test:		
Wald $\chi^2$	19.71	
p-value	0.71	
Stores	107	

*Note:* Multinomial probit coefficients shown with standard errors in parenthesis. The dependent variable is a trichotomous treatment variable that is coded as 1 for stores in the control group, 2 for stores in the first treatment group one with the “Fashion” message, and 3 for stores in the second treatment group with the “Fairness” message.