

Rising Powers and Global Standards



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“New” middle class consumers in Rising Powers: Responsible consumption and labour standards

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“New” middle class consumers in Rising Powers: responsible consumption and labour standards

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ABSTRACT

In this article we explore how the unprecedented expansion of new middle class consumers in Rising Powers is likely to influence the extent and meaning of responsible consumption through private labour standards. We find that these middle class consumers are likely to engage in discretionary spending even at relatively low levels of income. Unfortunately, existing research does not allow us to predict the extent to which this discretionary spending will be used for responsible consumption. We develop a simple matrix to explore where and when private standards are more likely to effectively stimulate responsible consumption, and we put forward some hypotheses for future research.

INTRODUCTION

Private standards are increasingly recognized as a key global governance mechanism that co-shapes development opportunities and constraints (Blowfield, 2007; Knorringa, 2011; Nadvi and Sinkovics, this volume). Leading global brands use private standards to reduce risks and transaction costs, and to differentiate themselves from competitors. For consumers, standards transmit information about a product’s technical specifications, its compliance with health and safety criteria, and the ‘quality’ of the labour and environmental conditions under which it has been produced and sourced (Nadvi, 2008: 325). In this paper we focus on labour standards as a prime example of an extrinsic type of standard—or credence good—where consumers cannot deduce the actual implementation of, for example, decent wages for local workers from the physical end product (Linnemann et al., 2006; Tirole, 1988). However, when a standard delivers on its promise, and is trusted by consumers, labour standards can connect the desire to improve employment conditions in the Global South with fulfilling consumer demands for social responsibility.

Research on the meaning and implementation of labour standards tends to focus on how lead firms—especially those with brands to protect—manage (perceived) consumer demands for responsible behaviour in their supply chains. Next, civil society organizations feature in this debate as watchdogs and catalysts, who are quite often able to ‘punch above their weight’ (Gereffi et al., 2001) by claiming to speak on behalf of concerned consumers. In broader multi-stakeholder initiatives, state actors also sometimes play an active role. Consumers usually feature more in the background, as a rather amorphous (though differentiated) mass that can be manipulated by other, better organized and more strongly incentivized actors, such as firms, civil society organizations and states. A notable exception is the study by Ponte and Gibbon (2005), who use, among others, the work by Callon et al. (2002) to make explicit the fact that lead firms and consumer activists do not simply determine consumer behaviour. Instead, many different societal actors influence consumer perceptions about what constitute (minimum levels of) ‘quality’ and ‘responsibility’, and individual consumers also co-shape their own behaviour.

Moreover, especially from a longer-term perspective, in rapidly changing societies, such as the Rising Powers, with swiftly expanding numbers of new middle class consumers, it becomes even more important to delve into where and when consumers are more likely to be inclined towards responsible consumption. After all, it can make a lot of difference whether most people in a society are desperately poor, or whether more and more people can afford to consider other attributes of products besides their price. Additionally, and at least partly irrespectively of income levels, norms and values in societies about the minimal expected level of ethical behaviour change over time, as is exemplified by how, in the last two centuries, the thinking on child labour has evolved (Appiah, 2010; Sen, 2009).

While the global middle classes are growing ‘... twice as fast as the overall world population ...’ (World Bank, 2007), and the proportion of consumers from the Global South in that global middle class will soon numerically dominate, we do not know whether their inclination towards responsible consumption will be similar to that of middle class consumers from Organisation for Economic Co-operation and Development (OECD) countries. Moreover, we do not know to what extent successful

OECD strategies to mobilize consumers, on Fair Trade for example, will resonate with middle class consumers from the Global South. Finally, we do not know in what ways (changes in) norms and values in Rising Powers will influence the requirement for firms to have a societal license to operate, nor do we know the extent to which Rising Power states will react to 'violations' of such a 'floor' for expected responsible behaviour.

Therefore, the question is not only whether the new middle class consumers from the Global South will increase or decrease the amount of responsible consumption, but also how they will influence the meaning and content of what is considered to be responsible consumption. We recognize that the social concerns of individuals and groups in a society can also be expressed through very different and perhaps complementary and mutually reinforcing 'channels', such as political participation as citizens (eg, Renouf, 2010). However, for this paper our basic assumption is that the rapidly growing portion of the global middle class that is made up of consumers from Rising Powers is likely to significantly influence the reach and content of private labour standards as a tool for enhancing responsible consumption.

The next steps are as follows. First, we present different definitions of new middle class consumers in the Rising Powers. Second, we review the literature on the convergence or divergence in the globalized consumer behaviour of heterogeneous middle classes in the 'West' and in the 'Rising Powers'. These sections show that, even at levels of income that are considered low in the 'West', new middle class consumers in 'Rising Powers' are likely to base their consumer behaviour on more than just price considerations. However, we know very little about how the new middle class consumers from the Rising Powers will exercise their discretionary consumption behaviour, as almost all existing consumer behaviour research is based on western, educated, industrialized, rich and democratic (WEIRD) consumers (Henrich et al., 2010). Third, we zoom in on the more specific issue of responsible or ethical consumer behaviour among new middle class consumers. We develop a simple typology on combining the inclination to consume responsibly with the ability to afford responsible behaviour, and we develop two testable hypotheses for further research, on where and when public and private standards are more likely to boost responsible consumption patterns. While our emphasis in this paper is on where and

when responsible individual consumer behaviour is more likely to manifest itself, we recognize that it usually requires change agents, such as consumer activists or development NGOs, to mobilize such latent social concerns. In the conclusion we synthesize the hypotheses for further research that come out of the earlier sections.

DEFINING ‘NEW’ GLOBAL MIDDLE CLASSES

The rise of a global middle class is perhaps one of the most radical transformations in human history, but it is also a relatively silent one. The centre of global production rapidly shifted away from OECD countries in the last quarter of the twentieth century; today we are witnessing the much slower—but equally important—movement of the centre of global consumption, for the first time in recent history, away from the west (Kharas, 2010). In the last two decades, rising incomes in many parts of the developing world, but most notably in China and India, have lifted more than one billion human beings out of poverty in Asia alone, and estimates suggest that another billion people will join the ranks of this new global middle class by 2030 (Asian Development Bank, 2010).

While most recent studies refer to a ‘global middle class’, it is worth asking whether what is taking shape is effectively a global middle class, or rather several different middle classes. The first term implies a rather strong assumption about the composition and cohesiveness of the group. The existence of a global middle class suggests that the different national middle classes look roughly the same, but most of the definitions use a purchasing power parity (PPP) approach, so what we call middle class in Bangladesh looks radically different to the middle class in Mexico or Germany. Moreover, a global middle class would suggest some sort of common interest among the members of this middle class, which seems unlikely. What is ‘global’ about the rising middle class is that, however it is defined, the number of people belonging to it is so large that the phenomenon has become global in scale. This also implies a shift away from the current situation, in which most of the world’s middle class population is concentrated in a relatively small number of countries, to a more globally dispersed middle class.

The size and characteristics of this middle class are a matter of some debate. The first broad types of definitions are based on income. These too can be divided into relative and absolute. Relative definitions include that of Easterly (2001), who defines the middle class as the population belonging to the second, third and fourth quintiles of the income distribution, and that of Birdsall et al. (2000), who include people earning between 75 and 125 per cent of the median income in a country. More recent research uses absolute definitions that are generally based on poverty lines. Banerjee and Duflo (2008) define the middle class as those whose daily per capita income is between US\$ 2 and US\$ 4, while the Asian Development Bank (2010) uses a larger bracket (US\$ 2–20). Kharas (2010) uses expenditure rather than income, defining the middle class as those who spend between US\$ 10 and US\$ 100 daily, and Ravallion (2009) uses a hybrid approach that puts the global middle class between US\$ 2 [is this income?] per capita per day—the median value of the poverty line of seventy countries—and US\$ 13—the poverty line of the United States. Other studies put the bar slightly higher. A recent study by Goldman Sachs uses an income bracket of US\$ 6,000–30,000 per person per annum (around US\$ 16–82 per day) to define a middle class (Wilson and Dragusanu, 2008), and a 2007 World Bank report uses a standard that is much more in line with the western conceptualization of the middle class: an annual household income of US\$ 16,000–68,000 (World Bank, 2007).

Most of the economic definitions described above agree on the fact that the ‘new’ global middle class is quantitatively different from the middle classes of industrialized western societies. This is not only because the income brackets are much lower (an income of US\$ 2–4 per day would be considered well below the poverty line in the United States or Western Europe), but also because these new middle classes are emerging in a very different setting from the relatively safe and stable socio-political environments of developed countries.

For the purpose of our paper, a key feature of the ‘new’ global middle class is that it is in fact a combination of at least two different classes. One group is much more firmly established in middle class jobs and behaviour, while the other group periodically or continuously risks falling back into relative poverty. For the most part, the new middle class is only slightly above the poverty line, and the boundary between the two may be tenuous. A whole layer of the population at the threshold of incomes is

vulnerable to moving out of the middle class—and back into poverty—in the case of economic crisis (Birdsall et al., 2000; Ravallion, 2009). Furthermore, the (small) disposable income of the new middle classes may not be enough to change consumption patterns radically, so the consumer habits of the members of the emerging middle class may actually be very similar to those of poorer consumers (Banerjee & Duflo, 2008). Rather than an income difference, what appears to set the middle class apart from the poor is the predominance, among the former, of stable, salaried employment, which the latter lack. It is regular salaried employment, rather than entrepreneurial spirit, which seems to be the defining characteristic of the emerging middle class (Banerjee & Duflo, 2008).

In sum, the emerging global middle class—a large proportion of which is located in the Rising Powers—is characterized by its heterogeneity. It is distinct from the middle classes in advanced economies not only in terms of income, but also in the sense that its members are not—either behaviourally or economically—very far from poverty. We shall explore the implications of these particular traits in the following sections.

CONSUMER BEHAVIOUR IN THE RISING POWERS: CONVERGENCE OR DIVERGENCE?

The emergence of a global consumer class is likely to have far-ranging repercussions on global production and consumption patterns. The exact nature of those repercussions will depend, to a great extent, on how those consumers behave. Will consumer behaviour in emerging economies become more like what we see in industrialized nations today? Are consumers likely to demand the same sorts of things—and more importantly, will their motivations to do so become more homogenous? To what extent, in short, are we likely to experience increased convergence towards what has been called a ‘global consumer culture’ (Alden et al., 1999; Merz et al., 2008)? An underlying assumption of this idea is that economic globalization, the increased global connectivity through telecommunications technology and the expansion of international brands work together to shape a consumer that responds to similar stimuli and motivations, largely based on western ideas of pleasure, success, style, taste, and so on. For example, the booming consumer preference for modern retail formats has been one of the driving forces behind the

rapid rise of supermarkets in developing countries—particularly in East and South Asia—over the last decade (Reardon et al., 2010).

One of the difficulties with investigating such broad trends is that consumption behaviour depends both on material possibilities—for example as measured by income—and on a host of socio-cultural factors (Maheswaran and Shavitt, 2000). Obviously a low income restricts overall purchasing ability, but recent research has shown that, even within a constrained budget, price is not the only factor considered by people making purchases (see, eg, D’Andrea et al., 2006).

The surge in the global middle class of consumers must thus be read both as (1) an economic transformation, involving an increase in purchasing ability and discretionary income, and (2) a socio-cultural transformation, involving a change in beliefs, attitudes, norms and motivations. Recent and current growth patterns have given us a relatively good understanding of the first of these transformations: the available evidence points to substantial increases in per capita income in most developing countries, and projections suggest that the trend will continue—and extend to other countries—in the foreseeable future (Kharas, 2010). However, the second issue—that of socio-cultural change, including consumer attitudes and motivations—is understood to a much lesser extent, and the projections in this regard are much more contentious. Research from diverse disciplines appears to show evidence of *both* an increased westernization of lifestyles worldwide and the greater resilience of local cultures (Cleveland et al., 2007). How exactly is this interaction between income and culture likely to play out?

There is no question that consumption patterns change with increased wealth. The composition of expenditures tends to shift from basic to discretionary goods, and usually these changes become expressed first of all in food consumption patterns. First, the proportion of income dedicated to food decreases as income increases. There is well-established evidence for this so-called Engel’s law: caloric intake has increased steadily in developing regions (where the initial levels were lowest) over the last decade, while essentially reaching a plateau in richer countries (Foresight, 2011). Second, food expenditures tend to shift from predominantly cereals and starchy tubers towards meat, fruits, vegetables, and processed food. This dietary transition is already

well underway in Latin America and many parts of Asia. Consumption of meat and dairy products in developing countries has been rapidly catching up with levels seen in industrialized nations (Delgado, 2003), and the projections suggest that currently developing countries will become the largest consumers of animal protein within the next twenty years (Bruinsma, 2009).

Some of these changes are happening faster, and on a larger scale, than anywhere else, in China and India. A recent report on consumer expenditure in China, based on National Bureau of Statistics data (Hansakul, 2010), shows these shifting consumption patterns, both between income groups and across time. In 1992, food and other basic needs accounted for the largest proportion of expenditure among all urban consumers, but differences across income groups were evident: food alone accounted for close to 60 per cent of the expenditure of low-income consumers, in contrast to around 45 per cent for the highest-income group. In recent years, the consumption for all income groups in China has shifted markedly away from food and towards housing, transport, and other discretionary items such as recreation, education, and clothing. By 2008, food spending as a share of overall expenditure had declined to around 45 per cent for low-income households, and to just under 30 per cent for the highest-income group (Hansakul, 2010). A shift towards greater discretionary spending as a result of rising income has also been recorded in India, and there are signs that the tipping point towards discretionary consumption is occurring at lower income levels there than in other countries (Beinhocker et al., 2007).

While the general contours of these patterns are clear, the underlying motivations are not. Do these trends point to an inevitable ‘westernization’ of consumption, as posited by those who see a convergence towards a global consumer culture? One problem with answering this question is that consumer behaviour is often inferred from aggregate consumption data—such as sales of TV sets or cars—but there is relatively little information about the actual changes in consumers’ values and preferences (de Mooij, 2000), particularly in developing countries (Steenkamp, 2005). There is, for example, nothing obvious about the fact that diets tend to shift from simple cereals to meat as people become richer. Underlying this change is a complex interplay of increased wealth and a host of social, cultural and emotional changes.

Most of the current research on consumer behaviour has abandoned simplistic notions of an inevitable convergence towards a western ‘consumption culture’. While most scholars observe powerful forces of cultural change operating through media, mass advertising and the aggressive expansion of global brands, they also emphasize that these changes interact with specific national and local conditions. Materialism and consumerism appear to be consistent features of human societies across cultures, but how they are expressed varies considerably (Belk and Costa, 1998; Cleveland et al., 2007). China’s rather idiosyncratic consumer culture offers an illustrative example. Some features of Chinese consumerism—such as the interest in home ownership and home improvement—are akin to American consumer culture, but, like the Europeans, the Chinese tend to live much more densely, and the use of personal vehicles is much more restricted (Stein, 2009). Moreover, while conspicuous consumption is a common way of signalling ‘graduation’ into the consumer class, Chinese consumers continue to be pragmatic buyers, going to great lengths to find a good bargain (Atsmon et al., 2009). In all, cross-cultural research suggests that there is both convergence and divergence, both homogenization and differentiation, in consumer cultures around the world (Cleveland et al., 2007; Ger and Belk, 1996; Merz et al., 2008; van Ittersum and Wong, 2010).

A major limitation of the existing research in applied fields like marketing and consumer behaviour research is that it often implicitly claims universal validity, while it is based on a highly skewed sample of the human population—a group that has been labelled as ‘WEIRD’ people (Cleveland et al., 2007; Henrich et al., 2010; Steenkamp, 2005). Therefore, it is of critical importance to develop a better understanding of how and why consumer behaviour among ‘new’ middle class consumers from the Rising Powers might diverge from behaviour in the ‘western’ world.

An important contribution to the systematic study of how cultural differences shape consumer behaviour is Geert Hofstede’s model of cultural dimensions (Hofstede, 1980). One of the most widely investigated aspects of culture associated with consumption is the degree of collectivism, which is seen as more typical of poorer societies, versus individualism, which is seen as prevailing in richer countries. Does

increased wealth imply a shift from individualist to collectivist societies? The evidence suggests a complicated picture that does not lend itself to easy generalizations. Academic and marketing research indicates that consumers in the more developed urban regions of eastern coastal China are more westernized than in the less modern inland regions, and that consumption patterns show a clear transition from collectivist to individualist values (Atsmon et al., 2009; Xin-an et al., 2008).

At the same time, there is evidence of some enduring cultural traits despite increased income and westernization. One study that focused on the differences in food purchasing behaviour between more and less modern cities in China found a rather different picture. The lifestyles of consumers in Shenzhen and Tianjin have markedly different levels of westernization, but respondents from both cities showed similar preferences for cooking at home, taking time to cook, and buying fresh food from wet markets (as opposed to supermarkets) (Ho and Tang, 2006). Similarly, a study comparing the relationship between preference and choice among wealthy students in the US and India indicated that, while the American subjects made choices based solely on their personal preferences (ie, individualism), their Indian counterparts factored in other concerns, such as the desires and expectations of their social and family peers (Savani et al., 2008). In sum, while the rise in incomes in developing countries may not necessarily make individualism the dominant type, it might become increasingly prevalent. As de Mooij (2000) suggests, instead of being a homogenizing force, rising incomes might have the effect of letting people express their own cultural differences more fully.

In short, while the relationship between higher incomes and changes in consumption behaviour is relatively clear, on the motivational and cultural dimensions the state-of-the-art is very much inconclusive. Two broad conclusions can be drawn from the above discussion. First, the tipping point towards discretionary consumption appears to be reached at lower income levels in emerging economies. This means that what is traditionally considered to be 'middle class' behaviour (eg, the consumption of non-basic goods) occurs within a much wider income bracket in developing countries than it does in wealthy countries. This observation points to the *income diversity* of the rising global middle class. The second conclusion is that, while there is a strong western bias in the research about consumption behaviour (and human psychology in

general), what we know about non-western consumers indicates that consumer behaviour and motivation will not simply converge. This points to the *motivational and behavioural diversity* of the ‘new’ middle class.

THE MIDDLE CLASS AND RESPONSIBLE CONSUMPTION

Responsible (or ethical) consumption adds an additional layer of complexity to the issue of convergence or divergence discussed above. Multiple definitions of ethical and responsible consumption exist. These terms are often used to refer to slightly different things, but here we use them interchangeably to refer to the purchase of goods and services that explicitly claim to be related to socially responsible behaviour. As de Pelsmacker et al. put it, ‘the ethical consumer feels responsible toward society and expresses these feelings by means of his or her purchasing behaviour’ (2005: 363). The emphasis of this definition is on *behaviour*, as opposed to concern, intention, or motivation.¹

The existence of ethical or responsible behaviour involves a rather enigmatic situation from a purely economic point of view: a consumer puts up an immediate cost (commonly the payment of a higher price) in exchange for the rather abstract—and at best long-term—benefit of contributing to a larger cause (McCarty and Shrum, 2001). Furthermore, environmental and especially social attributes are, for the most part, invisible to the consumer (Goswami, 2008). Responsible or ethical consumption involves consumers processing several variables, including both tangible attributes such as price, quality and function, and intangible ones such as brand (Auger et al., 2010).

Despite such difficulties, ethical consumption has become increasingly important in the western world, and broadly defined ethical products’ (including organic and fair

¹ We are also not assuming anything about whether these products do effectively involve (for example) better working conditions. There is an active debate about the actual effect of such claims, and the extent to which they adequately characterize the origin of raw materials, freedom of association, workers’ salaries, the absence of child labour, and so on (Barrientos and Smith, 2006). What concerns us here is only that these claims to sustainability are made, that the consumer is aware of them, and that he or she purchases the product in the marketplace because he or she is sufficiently confident that these claims are legitimate.

trade food's) share of the market has grown substantially in the last two decades (Carrigan and de Pelsmacker, 2009). While the growth of this market segment is undeniable, one of the most intriguing aspects of responsible consumption is the well-known difference between what people say about their ethical beliefs and motivations, on the one hand, and their actual behaviour in the marketplace, on the other. There is substantial evidence of this attitude-behaviour gap (Basu and Hicks, 2008; Bray et al., 2010; de Pelsmacker et al., 2005), and a considerable amount of recent research has aimed to quantify and understand it—or, as Auger et al. put it, 'to determine [...] whether or not consumers are little more than "arm chair" ethicists' (2003: 285).

The point of departure for these analyses is that there is overwhelming evidence from polls, surveys and qualitative research that consumers care about social and environmental issues. How this concern is translated into consumption is much more complex, because ethical or responsible behaviour means different things to different people, and the ways of acting on those concerns are extremely varied (Moisander, 2007). One often-used way of gauging the environmental or social commitment of consumers is to measure their willingness to pay, that is, to put a monetary value on their ethical concerns. Recent work suggests that consumers are willing to pay a significant amount of money for social and environmental attributes (de Pelsmacker et al., 2005), and that the size of this premium depends on specific attributes of the product, such as biodegradability or the absence of child labour (Auger et al., 2003), and the amount of information they have regarding the specific impact of their purchase (Basu and Hicks, 2008), among other things.

This willingness to pay, however, does not always translate into actual purchases. Actual rates of responsible consumer behaviour (ie, purchases) are around one order of magnitude lower than the willingness-to-pay that is stated in surveys or experiments. The first explanation for this is simply methodological: in answering surveys, respondents might overstate the extent of their ethical concerns, in order to avoid making a bad impression on the researchers. Other intervening factors that may explain why there is a gap between stated and actual preferences include price, the lack of direct personal repercussions from (un)ethical consumption, a lack of information, the perception that the brands are of poorer quality, and cynicism about the real intentions of firms (Bray et al., 2010). Finally, Belk et al. (2005) suggest

another reason, which we will pick up again in a later section: there might not be enough ethical behaviour on the part of consumers simply because there is not enough ethical behaviour on the part of businesses.

Responsible Consumption in Developing Countries

Responsible or ethical consumption in developing countries is clearly under-researched. The phenomenon itself is considered to be largely restricted to developed countries because ethical consumption often carries an extra cost, so it is felt to be a luxury that may not be affordable for poor people or poor countries (Auger et al., 2010). This assumption has its roots in Maslow's (1943) influential work on the hierarchy of human needs. This model suggests that human needs form a pyramid in which the fulfilment of higher needs is predicated on the fulfilment of underlying ones. At the bottom are basic material needs such as food and shelter, which ensure subsistence. Only after these are met can humans begin to pursue other needs related to spiritual and emotional well-being. Maslow's model makes a strong assumption about the relationship between material possibilities and human needs, an assumption that is encapsulated well in the question posed by van Kempen et al. (2009) about ethical consumption in rural Guatemala: 'Too poor to be green consumers?'

The little research about the ethical behaviours of consumers in developing countries suggests that ethical concerns—and behaviours—are much more important than previously thought. Obviously the prices of ethical products can be a barrier to access, but the evidence suggests that, in some situations, poor consumers too are willing to pay—and, crucially, do pay—a premium for ethically produced goods. As in the case of richer consumers (and richer countries), willingness to pay and actual purchasing behaviour may be two very different things. We review the two separately.

First, concern for the environment and for social issues is not exclusive to rich people or rich countries (Martínez-Alier, 2005). Recent literature that carefully explores consumers' attitudes and motivations towards environmental and social issues in a cross-culturally-explicit way suggests very clearly that this concern exists elsewhere. A recent survey of relatively wealthy and well-educated middle class consumers in urban China found that 'protecting the environment' was an important factor affecting

consumption decisions, even more important than variables such as price, brand and fashion (but not quality) (MasterCard Worldwide Insights, 2007). These positive attitudes regarding environmentally aware consumption are not exclusive to wealthy, well-educated urbanites; they appear to be widespread, and rooted in the traditional Chinese view of the importance of a harmonious relationship between humans and nature (Chan, 2001).

In another study, Auger et al. (2010) examined the role of social and environmental attributes in consumer purchases in both developed and developing countries. Even though the sample was drawn from what was considered to be the typical middle class in each of the countries, the authors had anticipated that consumers from wealthier countries would put more importance on ethical attributes than consumers from developing countries. While this was generally true, the effect was slight; moreover, a significant fraction of consumers from developing countries showed concern for both the social and environmental issues embodied in their purchases. A separate study of consumer preferences for garments with eco-labels (ie, that claimed to be produced using environmentally-friendly textiles and dyes) among urban middle class buyers in India (Goswami, 2008) found that consumers have different degrees of interest in these types of certification. However, a large proportion of those sampled (around 85 per cent) indicated that they would be willing to pay extra for environmentally certified garments. Finally, in a third study of green consumption in Malaysia, Mohamed and Ibrahim (2007) found that, among a sample of middle class urban consumers, the majority (around 60 per cent) of the respondents said that they would not pay a premium for environmentally certified wood products, but a considerable portion (39 per cent) said that they would; 32 per cent of the respondents said that they would be willing to pay, on average, a 14 per cent premium for environmentally-friendly products.

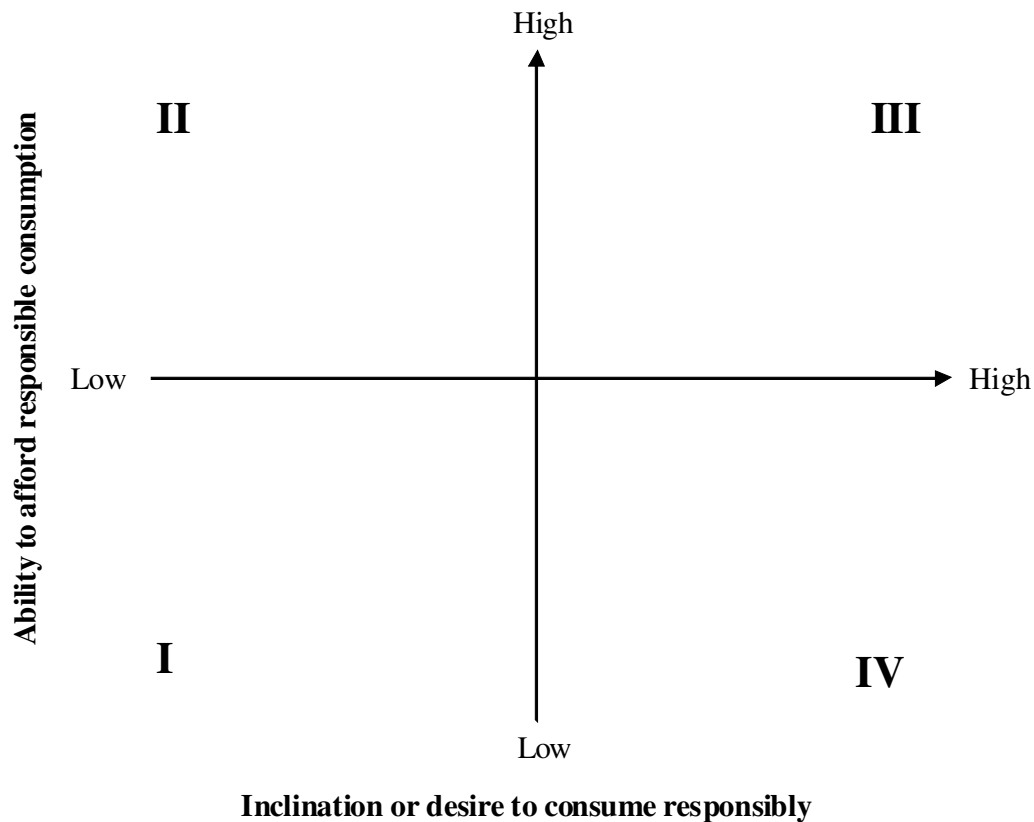
As in wealthier markets, there is a gap between ethical attitudes and actual behaviour in developing countries. The magnitude of this gap is hard to determine, given the limited available research. The aforementioned study by van Kempen et al. (2009) is unique in that it used an experiment to quantitatively establish the value of the premium actually paid for legally (ie, ethically) harvested wood in Guatemala. Their findings are remarkable because around 40 per cent of the—ostensibly poor—buyers

decided to buy the legally harvested wood that commanded the highest price. However, the absence of other comparable studies makes it difficult to establish whether or not there is a pattern of such buying. Also, the stated concerns of Chinese consumers regarding environmentally-friendly products do not consistently translate into actual purchasing behaviours. This may be due to a number of factors, including the fact that 'green' products are still not widely available in China, that consumers do not trust the environmental claims of the products that are available, and that there is a wide perception that the government and businesses should take more responsibility and not leave it to consumers to do so (Chan, 1999).

A Model to Study Responsible Consumption in Rising Powers

As discussed above, consumer behaviour is influenced by both material and cultural factors. To address the question of ethical consumption in developing countries in a way that makes these factors visible and more easy to study in a systematic way, we propose the simple model below. We suggest that responsible consumer behaviour can be construed as the intersection between willingness to consume responsibly—whether a consumer has a preference for sustainable products—and purchasing ability—whether he or she has enough income to express those preferences (see Figure 1). The vertical axis in the figure (ability to afford responsible consumption) is based on fairly objective measures such as absolute or disposable income. The horizontal axis (willingness or desire to consume responsibly) is much more controversial. We know that ethical concerns are themselves the product of many different socio-cultural factors. However, we are using this variable here as a proximate cause that may push someone towards buying an environmentally or socially sustainable product.

Figure 1. A simple model to analyse responsible consumption in developing countries



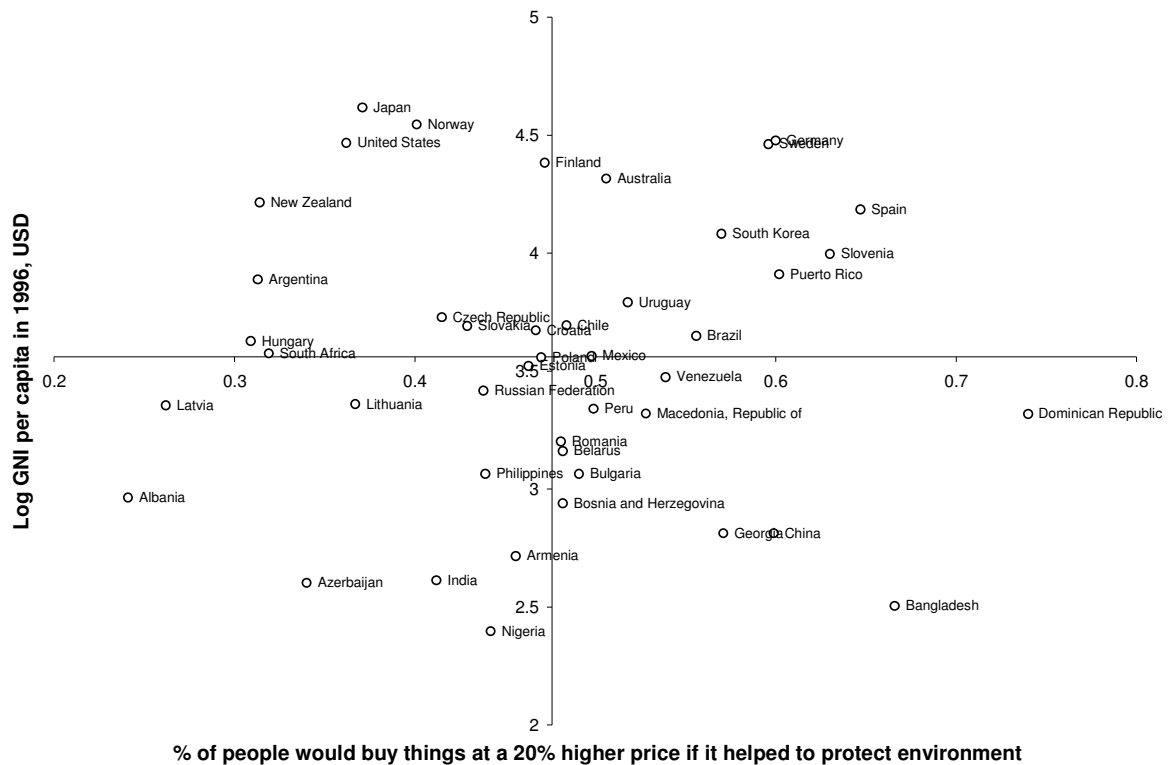
As presented in Figure 1, different levels of income and willingness create a space of possible responsible consumer behaviours. The two axes of variation divide the diagram into four quarters which represent extreme, or idealized versions: the left-bottom quarter (I) represents consumers who are neither driven to behave responsibly nor able to afford the extra expense. In quarter II we would find consumers who, while having enough disposable income to afford higher prices, are not particularly inclined towards consuming in an environmentally or socially responsible way. In quarter III in theory we should find the highest degree of responsible consumption, given that consumers in this quarter are both driven towards environmental and social sustainability, and have enough money to pay the higher costs involved. Finally, in quarter IV, we would find consumers who are concerned about social and environmental issues, but do not have enough disposable income to act on those concerns.

Some actual behaviours are more likely than others, and some are better understood than others. If we map out the relationships between income and motivations for consumption, we begin to see that most of what we know tends to cluster along the

top-right to bottom-left diagonal. This is not unexpected. Value is the main motivation for consumption among those with lower incomes because of limited purchasing ability and concern with meeting basic needs. At the higher end of the income scale, there are fewer budgetary constraints, so consumption is more likely to be guided by concerns about self-realization and personal pleasure.

A preliminary application of the model yields interesting results, even though it uses countries as units of analysis, instead of consumers or groups of consumers. Using data from the World Survey of Values (<http://www.worldvaluessurvey.org>), we examine the relationship between income and different aspects of ethical consumption (for these examples we use only environmental concerns, which are explicitly addressed by the survey). Figure 2 shows the relationship between the countries' income levels and the respondents' stated willingness to pay a premium for environmental products. In line with the findings discussed above, we can see that there is a very wide dispersion across the graphical space, meaning that there is no obvious correlation between environmental concern and income.

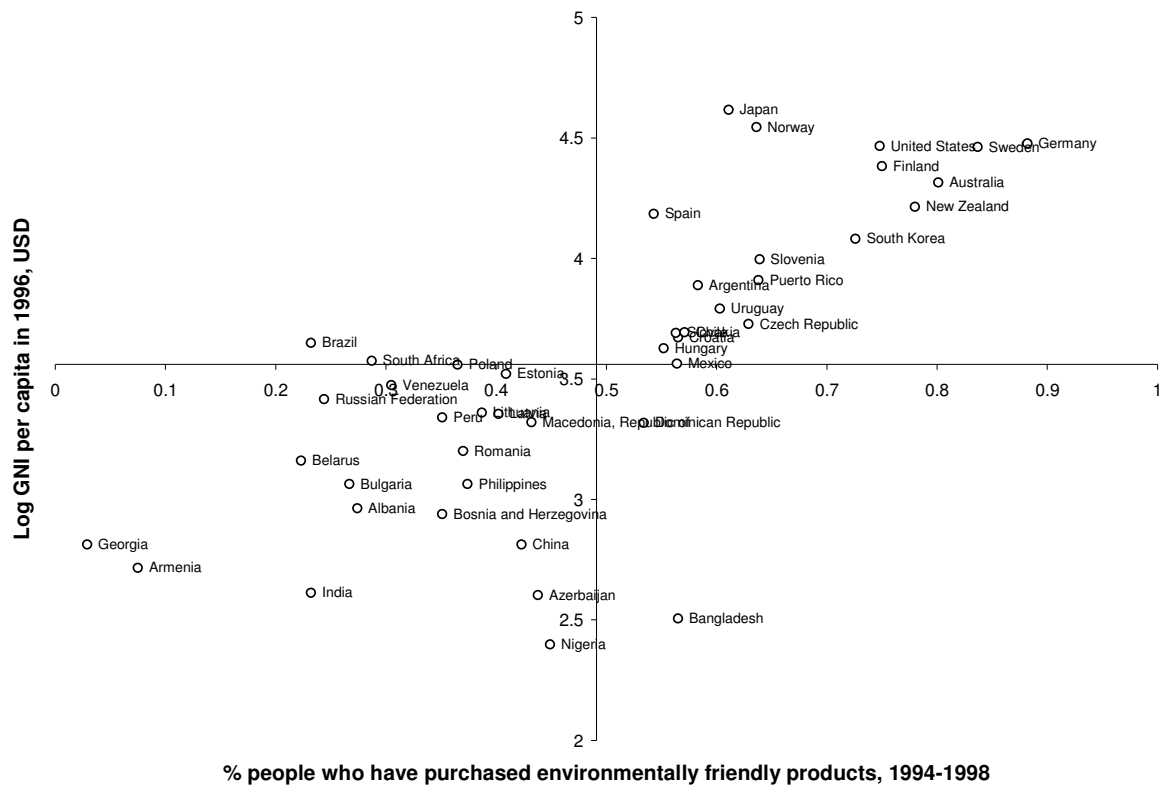
Figure 2. Stated willingness to make green purchases vs. income



Source: own calculations, based on data from the World Survey of Values (<http://www.worldvaluessurvey.org>) and the World Bank online database.

The situation regarding actual environmentally-friendly behaviour (as opposed to simple willingness to pay), as shown in Figure 3, is somewhat different. The graph shows income versus the percentage of respondents who said that they had purchased environmentally-friendly products. Here, we see that the points tend to cluster along a diagonal line that goes from bottom-left to top-right, essentially indicating that there is an income effect. This, again, would be expected, given that these environmentally friendly products tend to carry a price premium.

Figure 3. Effective green purchases vs. income



Source: own calculations, based on data from the World Survey of Values (<http://www.worldvaluessurvey.org>) and the World Bank online database.

In sum, the above discussion and the preliminary application of our simple model highlights two basic points. First, there is a gap between consumer intention and actual behaviour. Even though the data on actual behaviour is scant (especially in developing countries), the proportion of people who admit interest in or concern for

social and environmental issues tends to be much higher than the proportion who actually act on those concerns. Second, while income does not have a deterministic effect on people's ability to consume responsibly, the data suggest that the relationship is non-random. Both at the level of consumers and of countries, higher incomes appear to be related to more actively pro-social and pro-environmental consumer behaviour. In the following section, we take these insights further, and discuss their implications for the nature of private standards.

STANDARDS AND RESPONSIBLE CONSUMPTION

Up to now we have gone into some detail about consumer behaviour, but we have not made the connection between standards and consumers explicit. The aim of this section is to address this relationship, and to propose the simple model that we developed above as a way to systematically study the implications of the rise of a global middle class. Why and how do private standards emerge in the first place, and what role do consumers play in this process? A full answer to the first part of the question is beyond the scope of this paper, but the introductory article to this special issue (see Nadvi and Sinkovics, this volume) provides some key insights. Here it suffices to point out that the emergence of private standards is related to broad changes in the structure and function of value chains, and particularly to shifts from public to private forms of governance (Henson and Humphrey, 2010).

Consumers are but one of several groups of actors who shape the form and content of those standards. Broadly speaking, there are two potential ways in which consumers have a role in shaping private standards: through their individual purchasing behaviour, and through organized mobilization which exerts pressure on other public or private stakeholders. While the emphasis of this paper has been on the first of these roles, there are limits to the power of consumers to alter corporate behaviour through their purchasing decisions alone. The pressure exerted by NGOs, consumer advocacy groups and other forms of civil society mobilization is crucial to effect changes towards more socially responsible behaviour (O'Rourke, 2008). Research suggests that many of the successful movements that have changed corporate behaviour and forced the establishment of more stringent social standards have required institutional-level pressure by civic organizations and the state (Bartley, 2007; Seidman, 2003).

In practice, the behaviour of individual consumers—expressed primarily through their purchasing decisions—and the activities of organized civil society are complementary. As Elliot and Freeman put it, ‘The *sine qua non* of activist efforts to improve labor standards around the world is that consumers care about the conditions of the workers who make the items they consume. If consumers do not care or do not associate the conditions with their consumption, human rights vigilantes could not pressure firms to improve working conditions’ (Elliott and Freeman, 2001: 2). According to this view, activists must identify ‘latent’ demands by consumers and then use them to create specific actions (or the threat of actions) that may eventually lead to social change. The process is highly contested and difficult, but there are several examples of success stories (O’Rourke, 2008).

To understand how firms might be pushed to self-regulate—which is, in essence, what private standards imply—it is necessary to examine what standards mean for firms, and how and why corporations opt for self-regulation. Private standards perform many functions for firms, but two functions are central to understanding the possible role of consumers. On the one hand, private standards are a means for firms to protect their brand. Brands are hugely valuable to firms because they convey quality and other attributes to consumers; private standards are a means to convey information about these attributes more clearly, as well as to protect the reputation of the brand. On the other hand, private standards (and the information they carry) allow firms to differentiate their brands from competing brands, thus allowing them to gain market share (Henson and Humphrey, 2010).

Historically, the first of these functions has been more important and appeared earlier. In the early 1990s, several corporations were beset with scandals that threatened to damage their brands. These included allegations about a lack of environmental sustainability (such as deforestation or pollution) and social irresponsibility (‘sweatshops’ and child labour). While their actions were not strictly illegal, the potential effects of these negative perceptions prompted several corporations to quickly adopt means of self-regulation (Seidman, 2003). Consumer pressure and mobilization played a key role in this change in corporate behaviour (O’Rourke, 2008). A vociferous—if relatively small—group of consumers called attention to

these practices, and spurred an ongoing process of negotiation between firms and consumers, including the establishment of verification mechanisms in the form of third-party certification schemes (Bartley, 2007).

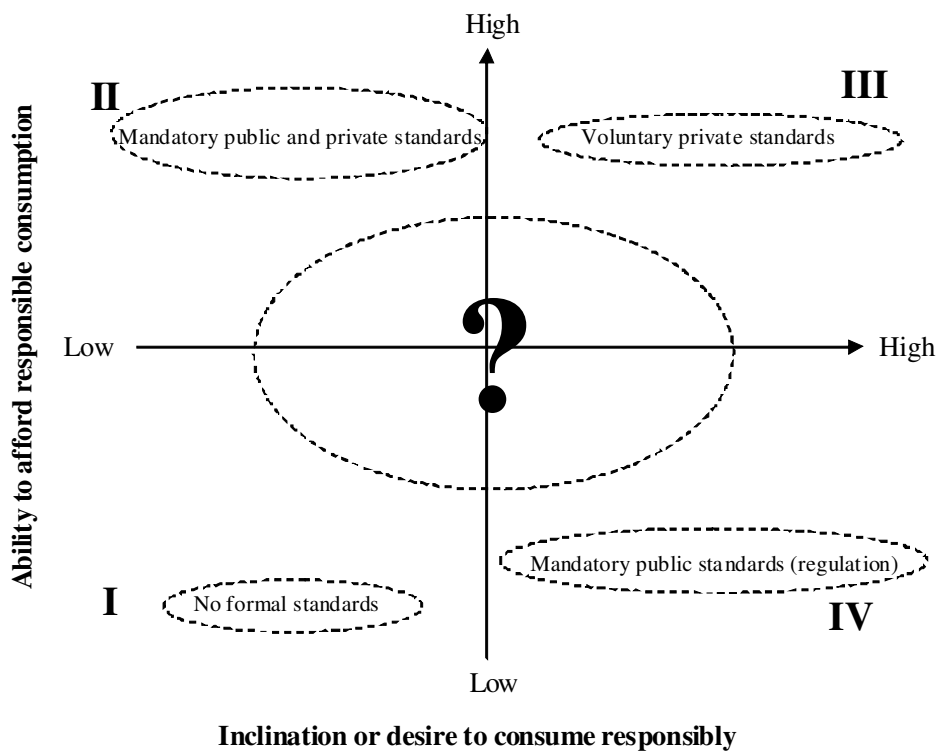
Brand protection continues to be a key part of private standard-setting by firms. This is especially brought on by the fact that consumers appear to be much better at punishing corporations for perceived misdeeds than rewarding them for socially responsible behaviour (Seidman, 2003). However, importantly, firms pursue private standards in order to succeed in an ever more competitive market (Henson and Humphrey, 2010). Standards are a means to reach consumers who are more sophisticated and better informed than ever before. Private standards allow firms to convey very specific information about the attributes of a product. Independent certification that lends credibility to such information is thus crucial—particularly in the case of labour standards, which, as we discussed earlier, lack physical verifiability.

The above discussion, which is drawn from the literature exploring the development of private standards in advanced economies, is of limited use when it comes to understanding the emergence of private standards in Rising Powers. There are two main reasons for this. First, the emphasis of the theory (eg, Bartley, 2007; Jenkins, 2001) is on transnational value chains, but a key feature of the phenomenon of a surging global middle class is the development of extensive domestic markets, particularly in China and India. It is unclear if private standards as they currently exist (ie, conceived to guarantee certain attributes to consumers located primarily *away* from the centres of manufacture) will be transplanted, modified, or replaced by something different—or nothing at all—as trade within Rising Powers becomes more important. The second reason is that current theories emphasize branded products. This works fine for large firms, particularly transnational corporations, but it is a less useful framework for understanding the dynamics of firm behaviour in developing countries, where only a relatively small subset of firms has recognizable brands or a reputation to protect.

In the remaining part of this section we use the simple model developed above to address some of these shortcomings. This conceptual model allows us to locate likely

types of standards adopted or formulated by producers within the spectrum of consumer behaviour. Obviously, the four spaces in the model provide only rough initial indications of what types of standards—if any—to expect in the different quadrants. Moreover, as we will argue further below, the more promising areas for future research might be at the intersections between the quadrants. Finally, the model is not based on an assumption about preferred or predicted processes of change that imply an ‘end’ of history with one dominant quadrant.

Figure 4. Relationship between consumer motivation and purchasing ability and its implications for standards



Our present knowledge of consumers and private standards is clustered around the top part of the graph (ie, the wealthier consumers). The types of standards that are likely to be found in this area are relatively well understood. Public health concerns provide a basic level of regulation that ensures a basic level of quality and safety (provided by the state or delivered by private actors such as supermarkets), regardless of the degree of inclination towards responsible consumption. This situation would probably apply mostly to food products, and is likely to be represented by quadrant II. Low consumer inclination towards responsible consumption, when consumers could afford it,

suggests that firms do not expect to be able to profit from product differentiation based on particular social attributes. More sophisticated (and perhaps also more diverse) consumer demand is likely to be governed primarily by private standards. Here, nuanced market differentiation and catering to demands for specific attributes is likely to take over from broader public regulation. The top of quadrant III, at the intersection of high income and greater concern for responsible consumption, would represent this situation.

We know much less about the bottom end of the graph, which represents consumers with the lowest income. Towards the bottom-left of quadrant I (low inclination and low income), we would not expect to find formally established standards. In this quadrant informality reigns, chains are fragmented (eg, as in street food markets) and transactions are governed primarily by informal standards based on interpersonal trust, tradition or custom. So, while from a policy perspective one might argue that the implementation of minimum social standards is most needed here, it is also most absent. Moving to the right towards quadrant IV, we find a high level of consumer awareness, combined with limited purchasing ability. With organized consumer mobilization, we would expect to find public standards playing a strong role. Governments, even though strapped for resources, are legitimized by consumers to implement regulations on the minimal acceptable level of social behaviour by firms. This scenario, while theoretically possible, is arguably much harder to envision in the absence of a strong civil society and a developmental state.

The preceding description highlights a big gap in our understanding of the nature of the relation between consumers and standards. As we move away from the extremes of the graph towards the broad centre, our empirical and theoretical tools are much less useful. However, it is precisely this messy and fluid centre that the rising global middle class is likely to occupy. As we discussed earlier, the new global class of consumers is characterized by both income-related and motivational heterogeneity. Within the conceptual space of our model, consumer demand in the Rising Powers is likely to be transitioning from one quadrant to the other—both horizontally and vertically. The evidence that we reviewed in earlier sections suggests that this dynamic situation is likely to be taking place not just within a group of consumers, but

indeed within the individual purchasing decisions of each consumer. This is why the present situation is so fluid and difficult to assess.

In conclusion, we think that this simple model can serve as a guideline for developing a more systematic research agenda on where, when and what types of standards are more likely to emerge. It provides a sense of direction for empirical research on the significance of public and private standards, and for more likely interaction patterns. This could help to overcome one of the downsides of earlier research on the role of standards, which tended to investigate public and private standards separately, instead of exploring their different but often connected roles in development. For example, the model leads to two testable hypotheses: first, public social standards are more necessary when consumer decisions are more strongly based on price considerations and, second, private social standards can be more effective when consumer decisions are based on a higher inclination to consume responsibly, combined with the ability to afford such behaviour.

CONCLUSIONS AND HYPOTHESES FOR FUTURE RESEARCH

Research on labour standards has tended to focus on the firms and civil society organizations that develop and implement such standards, and on the extent to which such standards impact on issues such as labour conditions and freedom of association. Case studies typically display how workers in developing countries produce and grow products that are subsequently marketed by lead firms with well-established brand names to target middle class consumers in OECD countries. Lead firms, and civil society organizations that claim to speak on behalf of concerned consumers, are seen as the key actors in such case studies, with state actors in a more secondary role.

As a complement to this, our contribution has ventured into the rather uncharted territory of where and when ‘new’ middle classes from the Rising Powers are more likely to be ‘mobilized’ as socially responsible consumers. We argue that, from a longer-term perspective, and with such profound changes in the number and characteristics of middle class consumers in Rising Powers, we should not assume that the extent and content of socially responsible consumer behaviour is more or less

given. Based on the limited available research, we identify three main lines of enquiry.

First, responsible consumer behaviour by new middle class consumers in Rising Powers is not likely to simply follow the same trajectory as that of middle class consumers in the west. Two major issues are at stake here. First, existing research indicates that the tipping point towards discretionary spending is reached earlier in emerging economies. Also groups of consumers who are still poor by European living standards, but who can be positioned at the ‘higher end’ of the Bottom of the Pyramid in Rising Powers, tend to exercise aspirational motivations in their consumption behaviour. Second, we know very little about the extent to which (part of) this discretionary spending will be used for more responsible or ethical consumption. Existing consumer behaviour research focuses almost exclusively on WEIRD consumers. In order to gain a better understanding of where and when responsible consumer behaviour is more likely to become significant, research is needed on new middle class consumers in the Rising Powers.

A second line of enquiry explores the differences and interaction patterns between different types of labour standards. Also, because production and consumption take place simultaneously in the Rising Powers, it is becoming increasingly pertinent to investigate where and when private and public standards play different or complementary roles in pushing for socially responsible behaviour by firms and consumers. We have proposed a simple model for consumers in the Rising Powers, regarding the inclination to consume responsibly and the ability to afford responsible behaviour. This model leads to two hypotheses for further research. First, public social standards are more necessary when consumer decisions are more strongly based on price considerations. Second, private social standards can be more effective when consumer decisions are more strongly based on aspirational considerations, in the case of consumers who can afford such considerations.

The third line of enquiry focuses on the roles of consumer activists, civil society organizations and other change agents in mobilizing the latent social concerns of new middle class consumers. A key issue here is to what extent earlier models of

mobilization can be used as sources of inspiration for new approaches oriented towards new middle class consumers in Rising Powers.

Put together, these three lines of enquiry can provide a better handle on the role of consumers in enhancing responsible consumption through private labour standards. Moreover, this can then be systematically linked to where and when public regulation is needed to ensure a minimal acceptable level of firm behaviour on labour issues. As the reach of private standards will remain inherently limited (Mayer and Gereffi, 2010), states will inevitably need to play an active and important role in enhancing responsible consumption.

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