



Consumers as regulators of global value chains' conduct? A consumer-inclusive framework of change

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Received: 18 August 2023 / Revised: 24 January 2025 / Accepted: 4 February 2025 / Published online: 19 May 2025
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Abstract

Inadequate conduct of global value chains (GVCs) has given rise to serious concerns by academics and policymakers but efforts to improve it have made minimal progress, jeopardizing global wealth distribution and accentuating inequality. In the work, we advance a novel analytical framework for addressing this concern, underpinned by the trust of including the consumers as an important constituency that could bring about the desired change. Blending insights of governmentality, social movements, and ethical consumerism theories with those of ethical conduct in GVCs and combining them with lessons of a comparative analysis of ethical conduct in the coffee and fashion GVCs, we develop a framework for change that is driven by consumer agency and their power to 'regulate' global brands' conduct via their consumption behavior. We identify a range of private- and public-sector constituencies that could mobilize the consumers towards this end and explicate the mechanisms to bring about this outcome. This framework supplements the top-down approach proposed by extant research with a bottom-up, grassroots approach. In doing this, it directs the debate regarding GVC conduct to new directions based on a different logic. The framework guides policy intervention by extending the role of governments from that of regulators of global brands to facilitators of consumers' mobilization and societal change.

Keywords Ethical conduct · Governance theory · Social movement theories · Global value chains (GVCs) · Ethical consumption · Influencers · Government policy · Fashion and coffee industries

Accepted by Roberta Rabellotti, Area Editor, 4 February 2025. This article has been with the authors for four revisions.

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‘Capital... takes no account of the health and the length of life of the worker unless society forces it to do so ... Under free competition, the immanent laws of capitalist production confront the individual capitalist as a coercive force external to him’.
— Karl Marx ¹

‘...one of the biggest powers that we, as individuals, have is buying power. ... It is me, as part of a collective we, that is dictating how business takes place on this globe. ... I know that what I do as a consumer ... makes a difference. I am responsible for the plight of a factory employee ... through my purchase choices.’ —Lisa Polley, Web producer for Patagonia ²

Ethical conduct in global value chains (GVCs) and ways to improve it have been the subject of heated debates in academia and policy circles, vigorously contested in the ‘court of public opinion’ (Bartley, 2018; Ponte et al., 2019; Powell, 2014; Soundararajan et al., 2025; Wheeler, 2015). This issue lies at the heart of the debate on economic development and wealth distribution in a global world. As GVCs have become a major means of organizing production on a global level – accounting even after the post-COVID stagnation for more than a half of world’s trade (WTO, 2024) – the promotion of fairer distribution of value creation and value capture in these production networks is central to economic development. These issues carry important implications for the policies of national governments and international organizations, further accentuating their importance (Gereffi, 2019; Pietrobelli et al., 2021). By identifying agents of change (i.e., the end consumers) not previously considered in this debate and recognizing novel ways for their mobilization, our study shifts the debate in new directions and generates new implications for policy making.

Extant discussions of remedies for GVC conduct and the constituencies that should elicit them have centered on the role of the governments of producing and consuming countries leveraging their regulatory power to enforce change (De Marchi et al., 2022) and on global brands utilizing their market power and control over GVCs to introduce and disseminate ethical standards (Gereffi, 2019; Ponte, 2019;

Soundararajan et al., 2025).³ Other constituencies, including social activists, NGOs, and financial investors, have also been called upon as potentially influential drivers of change (Elliott & Freeman, 2004; Hatte & Koenig, 2020).

Lingering misconduct and poor governance in GVCs (Naegele, 2020; Richey & Ponte, 2021), however, have sown doubts regarding the effectiveness of these approaches in improving ethical standards and fairness in GVC conduct. There have also been suggestions that a regulatory approach might be inconsistent with the prosocial behavior that is needed to improve GVC conduct (Aimone et al., 2024). There thus appears to be a need for alternative solutions that depart from past practices and are based on a different logic (Gümüşay et al., 2022; Nachum, 2021). This is the task we undertake in this paper. The alternative approach that we develop is underpinned by our reckoning that consumers have to be a part of the solution and should be incorporated as an additional player to the other constituencies implicated in current discussions. Specifically, we recognize consumers’ agency and their ability to ‘regulate’ global brands’ conduct via their consumption behavior as a powerful force for change (Pitelis, 2009; Prahalad et al., 2004; Reinecke & Donaghey, 2015).

Consumers were largely left out of discussions of GVC conduct and means to improve it (De Marchi & Alford, 2022; Pietrobelli et al., 2021).⁴ These discussions were dominated by supply-side thinking underpinned by classical economic theory that assumed that accountability for governance standards in production systems lie with those directly involved with it. Extending this notion to GVCs, the participants directly involved in the production – lead firms and manufacturers – are the constituencies seen as those with the power to affect GVC conduct (Antràs & Chor, 2022). Our approach, succinctly captured in the epigraphs above, shifts the focus of the discussion from supply-side actors to the demand side, and places the consumers as central to the solution (Giesler & Veresiu, 2014; Jacobsen et al., 2007; O’Rourke, 2011). The theoretical underpinnings of this approach are found in value capture and resource-based view theories in which the consumers determine the value of what firms produce via their purchasing behavior (Pitelis, 2009; Priem & Swink, 2012). This approach entails that, in addition to the direct

¹ *Capital: A Critique of Political Economy*. (1867/1990). London: Penguin Classics, Vol. 1, p. 381.

² <https://www.patagonia.com/stories/introducing-the-new-footprint-chronicles-on-patagoniacom/story-18443.html>

³ Different terms have been used to describe the phenomenon we seek to address in this paper, including working conditions, labor conditions, social responsibility, value distribution, inequality, social unjust, and governance standards. In the following, we employ ‘ethical conduct’ or ‘ethical standards’ as the conceptual label to describe working conditions and earnings in GVCs.

⁴ The neglect of the consumers was in part at least due to the perception that consumers have a collective action problem, which inhibits their ability to act collectively. Digital technology and social media have neutralized this problem to some extent by providing consumers with a platform to act in a unified manner (Nekmat et al., 2015). We thank JIBP’s EIC for this insightful comment.

participants in the production, GVC conduct could also be determined by constituencies that are external to the GVC and do not take part in the production (Priem et al., 2018).

We develop our arguments and summarize them in an analytical framework of change by blending insights of multiple theories that have seldom been combined previously. Our focus on consumers' agency is based on sociological theories of governmentality (Faubion, 2000; Foucault, 2008) and social movements (Caren et al., 2020; McAdam, 2017). These theories recognize bottom-up, grassroots movements as a form of governmentality that at times replaces and at other times compliments top-down state-led approaches (Walters & Tazzioli, 2023; Collier et al., 2023). Marketing theories provide grounding for our theorization of the determinants of ethical consumption (Sen et al., 2016), and enable us to identify a range of non-traditional actors, equipped with novel mechanisms, that could direct consumption behavior towards socially desired outcomes (Bajde et al., 2021; Johnstone & Lindh, 2022). Lastly, theories of GVC governance and power (Gereffi, 2019; Grabs & Ponte, 2019; Nachum, 2021) inform the development of new normative approaches to governments' intervention that have thus far received little attention in the GVC literature and the public policy domain. An illustrative study of ethical conduct in the coffee and fashion GVCs enables us to gain insights into different change dynamics and to offer suggestive indications regarding the effectiveness of the mechanisms driving them.

With this paper, we make several contributions to the debate on GVC conduct and the policy tools for its improvement. For one, our focus on bottom-up dynamics of change driven by consumers offers an important extension to the traditional approaches to GVC governance that centered on top-down mechanisms, leveraged by global brands and governments (Gereffi, 2019; Pietrobelli et al., 2021; Ponte, 2019; Ponte et al., 2019). We show how governments, too, can be incorporated in this bottom-up approach to change. The focus on consumers shifts the arena of the change action from producing countries to consuming countries and, in doing this, changes the character of the change agents, including the policymakers involved, and modifies the nature of change itself (Gümüşay et al., 2022; Nachum, 2021; Reinecke & Donaghey, 2015).

Further, our consumer-inclusive analytical framework draws attention to consumers as active and powerful participants in economic exchange. Beyond some bewildering, often tangential discussions of demand, consumers have typically been marginalized in IB theories by the focus on firms and the institutional environments in which they are situated as the focal themes of interests. Consumers, however, are the ultimate determinants of the value that firms create, and hence of firms' survival and performance (Pitelis, 2009; Prahalad & Ramaswamy, 2004; Schmidt et al., 2024), and therefore ought to be incorporated more firmly in our theories.

In addition, we contribute to discussions of the prescriptive and normative role of governments in affecting GVCs' ethical conduct (De Marchi et al., 2022; Pasquali et al., 2021). We articulate a division of labor between public and private sector constituencies in mobilizing consumers towards ethical consumption in which the role of governments is extended beyond their traditional capacity as direct regulators to encompass also indirect governance that mobilizes private-sector constituencies to achieve its goals. In this renewed capacity, governments use their power and command of resources to act on a scale not feasible for private-sector actors to bring about change (Abbott et al., 2016; Acemoglu & Jackson, 2017; Foucault, 2007). This contribution is particularly important in the contemporary era in which governments have become more influential actors in affecting GVC conduct than they were in the past. This change has ignited the recognition of the need for fresh thinking about GVC-oriented policies to which our study makes an important contribution (Pietrobelli et al., 2021).

Taken together, these contributions offer novel means of addressing distortions of value distribution in GVCs that inhibit the achievement of the envisioned goals of GVC participation as a means towards an equitable accelerated economic development (Baldwin & Lopez, 2015).

In the next section, we advance the theoretical underpinnings of our claim for consumers' agency and their ability to shape GVC conduct via their consumption behavior. We then introduce the methodology that guided our study and present the rationale for our choice of the fashion and coffee GVCs as the comparative cases for our study. We proceed by discussing the historical evolution and current state of conduct in these two GVCs and employ the insights generated in this work to develop a framework of change to improve GVC conduct. The paper concludes with a discussion of the revised role for governments that emerged from our framework of change.

Consumers' agency as a force of change: Power and boundaries

Our analytical framework is underlain by the recognition of consumers' ability to drive brands' conduct towards socially desired directions via their consumption choices. This consumer-led approach finds theoretical impetus in social movement and sociological theories of governance. In these theories, governance is conceptualized broadly as a form of societal organization that is not limited to state policies but rather encompasses a wide range of governance forms and power regimes (Foucault, 2007; Walters & Tazzioli, 2023).

We refer specifically to one form of governance, which Foucault described as 'governmentality', or a form of neo-liberal governance that represents a way of governing people through positive means, based on their willing participation,

rather than through regulatory power. In this form of governance, control is practiced by people – as citizens, members of civil society, and consumers – who exercise their agency to shape societal trends (Foucault, 2008; Rose, 1999). This notion was adopted by marketing theorists to construe consumers as economic and social actors with the power to influence social order and shape social dynamics via their purchasing decisions (Philipp-Muller et al., 2022; Thompson, 2011; Thompson & Kumar, 2021).

Consumers have indeed demonstrated their power to affect firms' conduct in directions they perceive adequate, thus forcing firms to align their conduct with their own needs and values (Evans et al., 2017; Jacobsen & Dulsrud, 2007; O'Rourke, 2011). Social media enables them to organize and express their voices in a unified manner, reducing the impact of collective action problems that once hindered their ability to exercise power (Nekmat et al., 2015). As consumers have increasingly committed themselves to consuming in a sustainable manner, they have put unprecedented pressure on firms to conduct their business in the same way (Goenka et al., 2024; Reichheld et al., 2023).

For the most part, however, consumers have typically leveraged their power to amend firms' behavior in relation to issues that have direct implications for themselves but exhibited limited inclination to employ their power to amend firms' conduct in the production of the products and services they consume. Even when consumers express concerns regarding these issues, these concerns rarely translate into changes in their purchasing behavior (McKinsey, 2023; Sen et al., 2016), providing firms with limited, if any, incentives to implement more ethical conduct in their GVCs. This contradiction is also reflected in the burgeoning literature on consumer movements, which points to the conflicting impulses of consumers to influence ethical issues and their reluctance to be responsabilized for their improvement (Gielser & Veresiu, 2014; Handelsman & Weijs, 2024; Jones & Arnould, 2024). This has led to talks about the 'illusion of the ethical consumer' (Devinney, 2009; Devinney et al., 2010; White et al., 2019), and doubts regarding the existence of a 'market for virtue' (Vogel, 2005).

In sum, it appears that an approach that seeks to incorporate consumers in efforts to improve ethical conduct in GVCs needs to rationalize how consumers can be mobilized to use their agency to channel brands' behavior towards social causes, while taking account of the complex attitudes that consumers exhibit towards their role in addressing ethical conduct in GVCs. In the following discussions, we identify the constituencies with the ability to achieve this outcome and the mechanisms to implement it. We begin with an exploratory comparative study of coffee and fashion – GVCs that have exhibited different dynamics of ethical production and consumption – and employ the insights of this study to develop an analytical framework of change that would

deepen our understanding of the determinants of ethical consumption and its potential to influence ethical production.

Methodology

Definition

For the purpose of this paper, we define ethical products as those in which the production and consumption follow ethical practices, such as the fair treatment of farmers and workers and fair pay,⁵ and are produced in transparent supply chains that ensure traceability and accountability. Ethical products are those that create equitable and sustainable GVCs that benefit all the stakeholders involved.

We acknowledge the ambiguities of this definition, notably in the context of GVCs, originating inter alia in varying perceptions of what is considered ethical in different cultural and social perspectives, as well as in the complexity of GVCs that challenges the implementation of ethical practices. We also note that the 'ethical products' label describes a spectrum of products at varying levels of ethical standards. This variation is notably apparent in relation to specific features of products' production and consumption (e.g., pay level/price).

The choice of illustrative GVCs for the study: Coffee and fashion

We adopt an exploratory comparative approach, which provides an analytical means to observe differences in key factors that promote or hinder the manifestation of ethical consumption and their power to influence ethical production (George & Bennett, 2005; Matthews et al., 2025; Simmons et al., 2021). This approach also enables us to examine ethical conduct at the level of the industry and to deepen our understanding of the impact of industrial characteristics on the outcome. Most studies of GVC conduct have examined this issue with reference to single industries and have been confined to the study of firm-level characteristics (see Nachum et al., 2023 and Turcotte et al., 2012 for notable exceptions).

We selected the coffee and fashion GVCs as the illustrative cases for the study because they offer an interesting setting for comparing ethical conduct in GVCs. We recognize at the outset the challenge of comparing ethical conduct across GVCs, a task that is fraught with ambiguities related to the definition of the construct and ways to operationalize and measure it (DeFries et al., 2017; Giovannucci et al., 2005).

⁵ Labor is compensated differently for their work in different industries, introducing variations in what constitutes 'pay'. In the coffee industry, payment corresponds to farm-gate prices paid to sole proprietors. In the fashion industry, wages are the common way of compensation. We thank an anonymous referee for drawing our attention to this distinction.

We evoke two widely employed indicators of ethical conduct in GVCs, namely certification, which ascertains brands' adherence to certain governance standards in their GVCs (Bartley, 2009; Turcotte et al., 2012), and value distribution, which depicts the share of the joint value created by the GVC that is captured by individual participants (Ghoshray et al., 2021; Nachum & Uramoto, 2021). The extensive employment of these indicators across GVCs, including in coffee and fashion, supports our choice and makes our findings comparable with those of the other studies that used them.

Comparing the coffee and fashion industries based on the prevalence of certifications points at large differences. Coffee certification has been the most widespread and mature program among internationally traded products and has become the world's most advanced site of transnational governance. By many indicators, it is also the most effective one (Giovannucci et al., 2005; Manning & Reinecke, 2016). A study found that coffee certification brought about the highest number of measurable improvements in farmers' well-being among all the agricultural products studied (Defries et al., 2017). In the beginning of the 2020s, about half of internationally traded coffee was certified by social governance standards (Meier et al., 2021). Certification means that coffee production meets certain social and environmental standards, including standards of soil conservation, water management, and health and safety standards for farmers, while also meeting certain standards of quality control. Farmers selling certified coffee can often charge higher prices for their output – either based on a guaranteed price premium (Fairtrade, 2022) or in line with demands for ethically sourced, high-quality coffee (Levy et al., 2016; van Rijsbergen et al., 2016).⁶

In contrast to coffee, certification of fashion production has never reached a significant magnitude. The largest certifying body of ethical conduct in fashion – the Social Accountability International (SA8000) – has had a limited impact on working conditions in garment factories. Despite ongoing efforts by multiple industry bodies and NGOs to introduce third-party certification schemes, most garment production is not certified (Turcotte et al., 2012) (see Table 1). The absence of certification means that garment workers are not guaranteed even basic health and safety standards (Nachum & Uramoto, 2021). This was a confounding factor in the devastating Rana Plaza factory collapse in

Bangladesh in 2013 causing the death of more than a thousand garment workers (Nachum & Uramoto, 2021).

A second commonly employed measure of ethical conduct in GVCs is value distribution between producers and global buyers (Nachum & Uramoto, 2021). Coffee and fashion also differ markedly by this indicator. Studies of prices paid to coffee producers and retailers found no evidence of an increasing gap between them (Ghoshray et al., 2021). Other studies suggested that the returns for coffee producers have increased over time (Gemech et al., 2011; Krivonos, 2004; Russell et al., 2012). While historically coffee growers captured only a small proportion of the value created, in part due to their low bargaining power compared to global buyers, in recent decades, increasing competitive intensity among coffee roasters and increasing market efficiency, along with consumer education and effective certification regimes, have served to secure the share of value captured by coffee growers (Gemech et al., 2011).⁷

Directly comparable data for the fashion industry is not available but the available evidence suggests an opposite trajectory. Wages in the fashion GVC, as an indicator of the share of value captured by labor, are the lowest of manufacturing GVCs (Nachum et al., 2023). Precarious working conditions and pay levels have hardly improved even after the 2013 Rana Plaza tragedy and despite the enormous attention subsequently given to governance standards in garment factories around the world (Ashwin et al., 2020; Khan et al., 2020). Two private-sector initiatives introduced by global fashion brands in Bangladesh in response to Rana-Plaza – The Accord on Fire and Building Safety and the Alliance for Bangladesh Worker Safety – have improved building safety but have fallen short of improvement in other indicators of value capture (Bair et al., 2020; Donaghey & Reinecke, 2018). There are suggestions that if anything value capture by labor has gone in reverse. Against a 35% increase in Bangladesh garment exports during the post-Rana Plaza decade, the number of employees and their wages have remained unchanged (Islam, 2023). Such a disconnect between value creation and value capture was documented since 1994 (Nachum & Uramoto, 2021). Similar findings were reported in garment GVCs elsewhere – see Khan et al. (2020) for Pakistan; Barrett and Baumann-Pauly (2019) for Ethiopia.

In sum, we believe that the accumulated evidence presented above offers support for our assertion that ethical

⁶ The actual impact of certification on the welfare of coffee growers has been hotly debated, with critics reckoning that certifications improve global brands' ethical profile and reputation and advance consumption of ethically produced coffee but do little to advance the wellbeing of coffee growers (Daviron & Ponte, 2005; Grabs & Ponte, 2019; Naegelé, 2020; Richey & Ponte, 2021). We acknowledge the fact that the widespread of certification in coffee has not fully eradicated ethical violation, but the evidence offers ground to believe that it brings about material improvements in farmers' welfare (Akoyi & Maertens, 2018; van Rijsbergen et al., 2016).

⁷ Prices could be an inaccurate indicator of value capture and value distribution because they are silent about the costs. The adequate measure is profitability, measured as profit margins to allow for a proper comparison of value distribution (see Nachum & Uramoto, 2021, for an example). The challenge of collecting profit data, coupled with the relative ease of access to price data, have entailed that most evidence on this issue is based on price comparisons (Ghoshray & Mohan, 2021; Gemech et al., 2011; Krivonos, 2004; Russell et al., 2012). The limitations of this approach as a measure of value distribution have to be borne in mind when evaluating this evidence.

conduct is more prevalent in coffee than in fashion. A comparative study of the two GVCs thus provides insights into the different dynamics of ethical conduct.

We acknowledge the presence of anecdotal observations in both industries that may not be fully consistent with the general trends that the evidence portrays but believe that these represent exceptions that do not undermine the general trends. We bring the analysis of these measures across larger numbers of industries as an important direction for future research that follows from our study.⁸

The data and analyses

The data collection is theory-driven and hence focused on the industrial and GVC characteristics that, according to theory, are likely to affect ethical production and consumption (Nachum et al., 2023; Sen et al., 2016). Data sources include dozens of general and specialized media reports, trade statistics, and supply chain data, as well as websites of global brands in both industries. In addition, we draw from reports about producing and consuming countries in the coffee and fashion industry, as well as reports on the adaptation of ethical practices over time. This comprehensive review of the literature generated the data we report in Table 1 regarding the coffee and fashion industries (see below). We also visited garment factories in Bangladesh and Vietnam, and a coffee-growing farm in Kenya, and sought understanding of the production processes and governance issues that arise during the production.

When analyzing these data, we used the studies of the coffee and fashion GVCs to search for repeating concepts and themes and identify theoretical relationships and the mechanisms that link them regarding the determinants of ethical consumption and production (George & Bennett, 2005). Below, we present the insights that emerged from the study of the industries before proceeding to introduce the analytical framework we developed based on these insights.

A tale of two industries: Coffee and fashion

The fashion and coffee GVCs are similar with regards to several dimensions that are likely to affect GVC ethical conduct. Both goods are characterized by separation of the production from the consumption, with most production taking place in developing countries and products exported into developed countries (Allen, 2022; FashionUnited, 2021) (see Table 1). Further, both industries are characterized by vast power asymmetries between powerful global brands who own almost all the intangible assets associated with the

products (Puranik, 2020)⁹ and the millions of small, largely undifferentiated producers who lack any market power (Fair-trade, 2022, 2023; FashionUnited, 2021). These differences create vast power asymmetries with value capture favoring the global brands (Grabs et al., 2019; Nachum & Uramoto, 2021).

Similarities between coffee and fashion are also apparent on the consumption side. Coffee and fashion are both consumer goods whose consumption, aside from fulfilling functional needs (e.g., alertness, protection from the elements), serves higher-level needs, helping construct and express self-image and social identity. Further, consumption of these goods allows consumers to affiliate with aspirational reference groups. Importantly for the purposes of this paper, this quality both motivates and enables consumers to become a part of a larger movement aimed at social change (Escalas et al., 2005; Simon, 2009).

The coffee and fashion GVCs also share a similar history of internationalization and government policy. Historically, international trade of both goods was controlled by quotas that were motivated by different reasons by similarly set up production quantities and prices and were terminated respectively in 1989 and 2005 (Alam et al., 2018; Grabs et al., 2019; Talbot, 2002) (Table 1).

These similarities between coffee and fashion enable a controlled comparison and observation of ethical conduct in the GVCs while holding constant important alternative explanations. As we will discuss below, despite the apparent similarities, ethical conduct in the two industries have evolved differently and resulted in different outcomes.

Ethical production and consumption of coffee

The emergence and spread of ethical consumption of coffee has been a largely voluntary process that was prompted by combined actions of consumers, brands, and social movements, supported by governments. The removal of regulatory intervention by the International Coffee Organization (ICO) in the late 1980s intensified competitive pressure and worsened the terms of trade for coffee-producing countries, whose shares of the total coffee income nearly halved from the pre-deregulation level (Grab & Ponte 2019; Talbot, 2002). Recurring crises in major coffee-producing countries caught the attention of NGOs and coffee brands and prompted calls for ethical coffee production (Grabs & Ponte, 2019; Reinecke et al., 2012). Coffee became associated with a variety of social causes, whose importance was

⁸ We thank an anonymous referee for raising this important issue.

⁹ Over 90% of all coffee-related patents are concentrated in the processing and final distribution stages of the coffee GVC, and almost none at the farming and harvesting/post-harvesting stages (WIPO, 2017). Similar patterns are apparent in fashion, evident by the large brand value of leading fashion brands.

Table 1 Coffee and fashion: Indicators of ethical production and consumption

	Fashion	Coffee
Ethical production		
Common assurance of ethical standards	Company-issued code of conduct; at time replacing third-party standards	Third-party ethical standards (NGOs, social activists); company-issued codes of conduct supplement third-party standards
Dominant certified entity	Garment manufacturers	Cooperatives of coffee growers
Major drivers of standard certification	Defensive – protection from NGO campaigns; a means of protection against third-party certification	Proactive – a way of differentiation in an increasingly buyer-driven GVC
First ethical standards introduced	1991 (Levi); 1992 Nike	Late 1970s
Major certifying body/establishment	Social Accountability International (SA8000)/1997	Fairtrade/1988; Rainforest Alliance, Utz Certified, Common Code for the Coffee Community/1990s
Share of industry trade certified	Negligible	~40% of globally-traded coffee
Workers/targets of ethical conduct	Labor employed in garment factories	Smallholder farmers
Labor conditions (safety, health, human rights) (relative to comparable benchmarks)	Poor; poorer than in most other manufacturing industries	Good; better than in most other agribusiness sectors
Labor pay (relative to relevant benchmark)	On or below minimum wage legislation	On or above market price
Sources of labor income	Wages paid by manufacturers	Farm-gate prices (prices paid by coffee roasters/intermediaries)
Determinants of workers' pay	Negotiation between labor/manufacturers for wages; governments' minimum wage legislation	Negotiation between farmers/buyers (mostly intermediaries exporters sometimes directly roasters) for farm-gate prices; country-quality rankings
Predominant regulatory body of production practices	Governments, IOs (ILO), NGOs	Producers (self-regulations), industry standards
Ethical consumption		
Determinants of retail price	Fast-fashion – firm-specific branding Luxury fashion – country of origin	Firm-specific branding; Country of origin (origin coffee) – location-specific GIs create collective intellectual property
Retail price increase, annually 1967–2023, US ^a	1.68%	4.01%
Demand elasticity	High	Low/moderate
Retail price, average across different items (fast fashion) ^b	Norway \$38; UK \$28; US: \$16; Online: \$7.60; India \$7; China \$6.7	France \$4; UK \$4; US: \$3.80; Japan \$3.50; Brazil \$1.80; Italy \$1.50
Memorandum items		
Industry size	\$1.7 trillion [2% global GDP] Double that of a decade ago ^c	\$461.25 billion ^d
Employment, globally	430 million [12% global work force] ^e	125 million ^e
Sources of comparative advantage	Low-cost labor	Weather conditions; geographic location (soil, altitude, arable land)
Market segments: shares of premium markets	Luxury fashion: ~20% ^f	Premium (specialty) coffee: ~20% ^g
Consumers' demographics ^h	Predominantly young; Consumption declines with age	Evenly distributed across age groups
Sale venues	Predominantly brand-owned (some retail stores)	Coffee drinks – brand-owned (~ 1/3 of global consumption); Coffee beans – retail stores

Table 1 (continued)

	Fashion	Coffee
Consumption frequency ^j	Causal, frequent Number of items purchased annually per person; world's top 5: US: 53; UK: 33; China: 30; Japan: 26; Norway: 12	Causal, frequent A few times a day

Compiled by the authors based on a variety of sources. Data as of 2022 or latest available at time of writing

^aU.S. Bureau of Labor Statistics

^bNPD Group data; FashionUnited (2021). Online fashion prices are based on the average price of a clothing item sold by Shein, a Chinese-Singaporean fast-fashion retailer (Indvik & Hancock, 2023). These prices refer to fast-fashion and do not include luxury items. We are not aware of a comparable source of data for the luxury industry; Coffee prices: <https://www.wakacoffee.com/blogs/coffeelifeblog/cost-of-coffee-around-the-world>

^cFashionUnited (2021)

^dGrandViewResearch.com

^eFairTrade (2022)

^f<https://www.mckinsey.com/industries/retail/our-insights/state-of-fashion>, 2024

^g<https://www.gourmetpro.co/blog/coffee-market-trends-expert-insights#>, 2022

^hFashion: QuickFrame.com blog. Oct 10; Coffee: Scooter's Coffee research of US coffee consumption patterns

ⁱNPD Group data; FashionUnited (2021)

accentuated by celebrities, mission-driven artists, and social activists (Budabin et al., 2017; Levy et al., 2016). Purchasing certified coffee and adhering to the highest standards of ethical conduct became core to claims for being a good-doing company and a major source of differentiation and competitive advantage (Ponte, 2002; Simon, 2009).

The market for ethically produced coffee was initially a small niche of conscious consumers who were willing to pay a premium for it (Giovannucci et al., 2005). Gradually, these consumption patterns have spread from these niche-market consumers to other consumers who wanted to identify themselves as belonging to this group of socially conscious, 'cool' consumers (Koskie & Locander, 2023). Momentum started to emerge for the spread of ethical coffee consumption to mainstream markets (Giovanni & Ponte, 2005; Grabs et al., 2019). Supermarkets also caught on to this trend and started promoting their own brands of ethical products. Fair-trade has been instrumental in this development. Its certification system established explicit benchmarks against which consumers could evaluate ethical production, and in doing this supported the scalability of ethical consumption (Reinecke et al., 2012). A critical mass was building up to reach a tipping point beyond which consumption of ethically produced coffee became a normative, socially desired behavior (Centola et al., 2018; Granovetter, 1978).

The presence of large numbers of consumers supporting ethically produced coffee in their consumption behavior created economic incentives for coffee brands to improve ethical conduct in their GVCs (Hindsley et al., 2020; Manning et al., 2012). Over time, demand for ethically produced coffee has become so price inelastic that it led some commentators to suggest that it exhibits qualities of Veblen goods for which demand increases as prices rise (Feuerstein, 2002; Simon, 2009) (Table 1).

Ethical production and consumption of fashion

In contrast to the voluntary emergence and spread of ethical conduct in the coffee GVC, production standards in the fashion GVC have been highly contested. Price sensitivity and pressure to cut costs has a long history in the fashion industry. From the initial stages of industrialization, the industry shifted from one location to another based on the availability of cheap labor, relying on underpaid and exploited workers (Alam et al., 2018). The rise of fast fashion, which thrives on low prices, has further worsened working conditions (Elliott & Freeman, 2004; Thanhauser, 2023).

Further, while many mainstream coffee companies, partly in response to the 'Fairtrade challenge' and to ethical approaches of niche roasters in the 1990s (Levy et al., 2016), took active measures to improve ethical conduct in their GVCs, mainstream fashion companies have typically acted in response to social pressure, mainly to avoid reputational damage rather

than to improve ethical conduct in their GVCs. Nike's decades-long campaign to remove the stigma of being unethical caused by NGOs' campaigns offers an early example of the typical approach to ethical conduct (Locke, 2003, 2013). In a similar fashion, the two private sector initiatives to improve safety and healthy working conditions in garment factories noted earlier – The Accord on Fire and Building Safety and the Alliance for Bangladesh Worker Safety – were established in the aftermath of the Bangladesh Rana Plaza disaster, as a defensive move adopted under societal pressure. Ten years on, the continuity of both initiatives is in jeopardy (Islam, 2023).

Other private-sector initiatives to improve ethical conduct in garment factories were often blocked by governments for fear that improved labor conditions would raise the costs of production and threaten the industry's global competitiveness. Obstacles created by Bangladesh's government to the implementation of the Accord and the Alliance initiatives are cases in point (Alamgir et al., 2018; Ashwin et al., 2020; Bair et al., 2020), but were not isolated examples. Studies describe similar governments' reaction in Pakistan (Khan et al., 2020), the Dominican Republic (Amengual, 2010), and Indonesia (Amengual & Chirot, 2016). Case studies in Bruszt and McDermott (2014) demonstrate the inability of global brands (as well as NGOs and civil society) to instill change in the face of hostile governments.

Thus, in contrast to coffee, demand for fashion has been highly price sensitive, with the pressure to cut costs undermining improvements of labor conditions and wages (Human Rights Watch, 2019). Most fashion consumers continue to base their purchases on price and quality, with little regard to ethical conduct (Johnstone & Lindh, 2022) (see Table 1 for price comparison). A major differentiating feature of Zara, the world's largest fashion brand, is 'high fashion for low cost'. Whereas the trajectory of retail coffee prices has been upwards (Ghoshray et al., 2021), the trend in fashion has been the opposite. Analysis of consumers' expenditure on fashion as share of their disposable income shows that over the past decades, consumers have spent less and less money on clothing relative to their overall growing budget. This analysis also shows that the price of clothing relative to the price indices of the economy as a whole had dropped significantly (Nachum & Uramoto, 2021). To the extent that adherence to ethical conduct was prevalent in the fashion industry, it was concentrated in fringe companies and had negligible impact on the industry as a whole.

Thus, whereas coffee became an example of sustainable production (Manning & Reinecke, 2016), fashion, and particularly 'fast fashion', has turned into the emblematic manifestation of unethical production and a symbol of the ills of GVCs and globalization more broadly (Powell, 2014; Sinha et al., 2023). Given these differences between the two GVCs, the comparison between them provides analytical means to inquire into the dynamics of ethical conduct in GVCs, as we do in the following section.

A consumer-inclusive framework for improving GVC social conduct

Governmentability and social movement theories, which provided the theoretical underpinning for our theorization of the consumer as a force for change (Faubion, 2000; Foucault, 2008; Handelman & Weijo, 2024; Walters & Tazzioli, 2023), offer ground for theorizing the impact of consumption decisions on societal issues (Bajde et al., 2021; Gollnhofer et al., 2019) and the power of consumers to ameliorate them (Henry, 2024; Sen et al., 2024).

We build on these theoretical foundations and blend them with the insights of the study of coffee and fashion to develop an analytical framework of change, with consumption as its driving mechanism. The change process begins with the creation of a momentum for change by initiating awareness of an issue and empowering consumers to act (Nardini et al., 2021). The next two stages evolve the initiation of ethical consumption, initially by early adopters who legitimize this behavioral pattern and make it appealing to other consumers (Budabin et al., 2017; Richey, & Ponte, 2021), such that over time large numbers of followers create sufficient mass to incentivize producers to invest in large-scale ethically produced products (Goenka et al., 2024; Khamitov et al., 2019).

Figure 1 depicts graphically this analytical framework of change. Table 2 presents the actors driving each stage of the change process and their sources of power and ability to affect change. In what follows, we elaborate on each stage of the framework, followed in the next section by a discussion of its implications for policy actors (De Marchi et al., 2025).

Creating a momentum for change: Initiating awareness

As Fig. 1 shows, the change process begins with the creation of a momentum for change by increasing awareness of a social problem. Social movements and NGOs play major roles in igniting these dynamics, by connecting consumers to what are often abstract topics, such as poverty and working conditions in remote GVCs (Allen, 2011; Cherrier et al., 2023; Nardini et al., 2021). The geographic separation of the production and consumption that characterizes GVCs challenges the development of empathy among consumers for producers that are located thousands of miles away from them that might be essential for the improvement of GVC conduct. Unethical conduct in GVCs is an abstraction for most consumers (Arieli et al., 2009).

Social activism of this kind has played a critical role in making consumers aware of ethical misconduct in both coffee and fashion, but to different effects. Social activists exposed the implications of the recurring crises in major coffee-producing countries for farmers' wellbeing and framed their working conditions as something that consumers have

the ability to address via their consumption choices (Giesler & Veresiu, 2014; see in general on framing dynamics, Benford & Snow, 2000). This gave rise to what Lekakis named ‘coffee activism’ (Lekakis, 2013), a grassroots movement that sought to promote ethical coffee practices and protect coffee producers by raising awareness among coffee consumers and demanded an alternative, more just governance model that protects coffee farmers. This pressure helped ignite initiatives like Fairtrade and Utz Certified (followed by Rainforest Alliance and others) which were launched to achieve this end (Grabs et al., 2019; Lekakis, 2013; Manning et al., 2012; Reinecke et al., 2012).

Social activism has also been instrumental in revealing labor conditions in garment factories. The garment industry probably has the longest and most intense history of social activism. The term ‘sweatshops’ was coined to describe working conditions in garment factories. Anti-sweatshop movements were formed as early as the turn of the 20th century to campaign for minimum wage and adequate working conditions in garment factories. More recently, ethical conduct in garment factories became the center of controversy between supporters of outsourcing production to emerging markets and the anti-sweatshop movement (Elliott & Freeman, 2004; Powell, 2014).

Unlike in coffee, however, in the fashion industry social activism has had limited lasting consequences. Documentaries such as the ‘True Cost’ and ‘Fashion’s Dirty Secrets’ were successful in exposing the devastating social impact of garment production and in raising empathy with garment workers but did little to change consumption behavior. Nor did repeated campaigns by NGOs and social activists engender change on a significant scale (Elliott & Freeman, 2004). Tellingly, even moments of enormous collective outrage, such as the Rana Plaza factory collapse, did not generate sufficient momentum for change.

Incentivizing ethical consumption: Role models and early adopters

The next two steps in the change process depicted in Fig. 1 relate to the mobilization of consumers toward ethical consumption. This change begins with the examples of early adopters whose behavior sets up exemplars that other consumers want to emulate. Foucault’s notion of governmentality emphasizes the critical importance of these influencers, what he named the ‘dispositives’, that is, the entities that articulate a new level of normativity and convey philosophical and moral propositions that shape people’s thinking about an issue and guide their behavior (Faubion, 2000; Foucault, 2008; Raffnsøe et al., 2014).

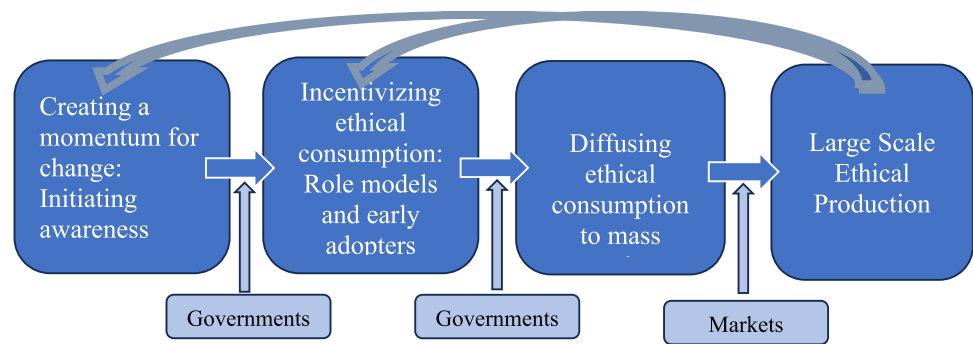
Marketing research has built on this conceptualization to suggest a broad ensemble of market and non-market constituencies that serve in this capacity and portray consumption

behavior as a solution to social problems (Bajde et al., 2021; Coskuner-Balli, 2020; Kantola et al., 2019). Typically, the initial appeal of these intermediaries is to a small number of consumers with intrinsic and extrinsic motivations for prosocial behavior (Ariely et al., 2009). In their consumption choices these early adopters establish the foundations for markets for ethically produced products.

Mediators in the Foucauldian sense, including role models, celebrities, and other influencers, were instrumental in the transformation that took place in coffee. Starbucks, for example, partnered with a celebrity-led development organization to affect consumers’ attitudes and connect them emotionally with coffee farmers (Budabin et al., 2017; Richey & Ponte, 2021; Richey & Brockington, 2019). These influencers appeal to early adopters who embraced ethical consumption of coffee as an expression of conscious and personal dedication to high moral value (Manning et al., 2012).

In fashion, in contrast, there never emerged a large number of early adopters pushing for ethical standards. Nor were fashion brands able to link ethical consumption to their brand value as did leading coffee brands (Johnstone & Lindh, 2022; Segrán, 2019). Even H&M, probably the fashion brand that has done the most to improve social conduct in its own GVC and in the rest of the industry, never succeeded in establishing itself as an ethically conscious brand (Martin et al., 2021). The long history of poor working conditions in garment factories noted earlier undermined the authenticity of brands’ claims for ethical conduct and could not spark behavior motivated by moral consciousness and the rewards associated with doing good (Ariely et al., 2009).

These differences between coffee and fashion in the adaptation of ethical consumption are, in part, related to the geographies of production of the industries. In coffee, premium and mass market coffee is outsourced from the same countries, and producers who become certified often cater to both, creating spillovers from premium to mass markets in terms of ethical conduct, and increasing the likelihood of mass market buyers sourcing certified coffee (Manning et al., 2012). In fashion, in contrast, premium and mass market sourcing take place in different countries, with no cross-influences between them. Premium brands and retailers, to whom ethical conduct is potentially more likely to diffuse, primarily source from countries in which labor standards are quite high already (e.g., Turkey, Eastern Europe), so there was little pressure for improvement, whereas mass market brands source from countries in which labor standards have always been very poor (Bangladesh, Vietnam). The latter are the places where there is a large need for improvement of ethical conduct, but the typical mass market consumer has little incentive – and limited means – to demand this.

Fig. 1 Framework of ethical conduct transformation in GVCs**Table 2** Stages of the transformation to ethical conduct in GVCs

	Creating a momentum for change: Initiating awareness	Incentivizing ethical consumption: Role models and early adopters	Diffusing ethical consumption to mass market consumers	Large Scale Ethical Production
Actors driving change	Social activists, influencers, role-models	Early adopters	Mass market consumers	Global brands
Drivers of actors' actions	Social conscious, commitment to a social cause, reputation	Intrinsic and extrinsic motivation for pro-social behavior	Social rewards of affiliation; self-esteem of doing good	Market-based incentives, reputation for a doing-good company
Actors' sources of power	Appeal to consumers, empower consumers, generate followers	Purchasing behavior, price elasticity, ignite a desire for affiliation	Purchasing behavior, price elasticity	Ethical production, communication of standards: own, third party (certification)
Role for government	1 st turning point: Provide support (financial, informational); public procurement; assume the risk of investment in new initiatives		2 nd turning point: Assist in scaling, diffusion of information, transparency	

Diffusing ethical consumption to mass market consumers

The next step of the change process depicted in Fig. 1 involves the diffusion of ethical consumption to mass market consumers. Governmentality theory conceptualizes this process as a form of governance that is exercised collectively by multiple members of civil society who are being empowered to act (Guzzini et al., 2012; Park, 2022). The spread of this

power usually begins with a small number of participants, which marketing theorists name 'early adopters', and diffuse to mass markets (Mahajan et al., 1990). The consumers who follow the early adopters may not be themselves 'ethical' in the conventional sense. Rather, they are driven by the desire for social reward and self-esteem (Goenka et al., 2024; Johnstone & Lindh, 2022).

Coffee shops, where most of the world's specialty coffee is being sold, have been instrumental in encouraging the

diffusion of ethical consumption (Daviron & Ponte, 2005).¹⁰ The visibility of consumption and the provision of a place for social interaction turned coffee shops into centers for the construction of a symbolic meaning of coffee and its infusion with social content (Choi et al., 2024; Karababa & Ger, 2011; Ponte, 2002). Moreover, most of the world's coffee consumption takes place in countries with developed coffee shop cultures and large proportions of socially minded consumers willing to pay a premium price for ethically produced coffee. These dynamics enable the spread of ethical coffee consumption to reach a magnitude that is sufficiently large to create a mass market for ethically produced coffee and incentivize coffee brands to adopt ethical standards in their GVCs (Manning, 2013; Ponte, 2002).

By contrast, in fashion, social spaces of consumption are disconnected from the location of purchase, and the shopping experience is less visible. This makes the example of early adopters less socially infectious than those in coffee and less appealing to the consumers, challenging the spread of new consumption patterns (Centola et al., 2018; Johnstone & Lindh, 2022). The number of consumers who championed the ethical consumption of fashion was too small to stimulate the subsequent participation of others and was insufficient to support the emergence of a large enough consumer base to engender a change process (Battaglini & Palfrey, 2024). Also, trend-setting consumers with a conscience would typically combine ethical with environmentally friendly purchasing choices in coffee, while focusing mostly on environmental choices in clothing (Manning, 2013), which have been detached from social concerns.

An obstacle for the spread of ethical consumption in fashion might have been a dissonance between fashion and social causes. Studies show a fundamental disconnect in consumers' minds between qualities that are intrinsic to fashion and those that define ethical conduct (Torelli et al., 2012). Hence, efforts to improve GVC conduct were perceived as incongruent with the very essence of fashion (Achabou & Dekhili, 2013).

Making ethical consumption enduring: Feedback loops between consumers and brands

The spread of ethical consumption and its continuity is intimately dependent on ethical production. As depicted graphically in the back arrows in Fig. 1, for ethical consumption to occur, a market must exist and be accessible to consumers to enable them to select ethical consumption options (Giesler & Veresiu, 2014). In addition, consumers need to be aware of the

existence of such markets and be reassured that they are truly ethical. Brands have two ways to communicate this message to consumers: direct communication and/or reassurance by a third party. Both methods have been employed by coffee and fashion brands but to varying effects (Manning et al. 2012).

The voluntary adaptation of ethical standards by coffee brands garnered credibility for their ethical claims. These claims appeared authentic and resonated with consumers' desire for the self-esteem that comes with ethical consumption, hence they were willing to pay a premium for it (Feuerstein, 2002; Simon, 2009) (see Table 1 for indications of differences between fashion and coffee in terms of price elasticity).

In contrast, attempts by fashion brands to portray themselves as being concerned with social justice were perceived as an appropriation of ethical values to improve reputation without a real commitment to the values communicated (Segran, 2019; Vredenburg et al., 2020). The adaptation of ethical standards in response to public pressure and/or regulatory requirements that characterized the industry has further diminished authenticity and undermined the social rewards for consumption of ethically produced fashion (Warren & Campbell, 2014). A meta-analysis study shows that regulatory burden, in the form of controls, binding rules and administrative requirements negatively correlates with prosocial behavior (Aimone et al., 2024).

Brands' claims for ethical production are critical in affecting consumption choices but may not suffice in themselves to create the trust and credibility that are fundamental for bringing about behavioral change. There is a need for external validation by trusted constituencies to ensure consumers of the credibility of these claims. This verification is of particular importance in the context of GVCs, because the dispersed geography of the production challenges consumers' ability to validate brands' claims for ethical production (Allen, 2011; Elliott & Freeman, 2004). As noted above, widely employed validation mechanisms in both fashion and coffee are certifications of ethical working conditions, which evaluate and communicate the governance practices in GVCs (Prakash & Potoski, 2012). However, the trajectories of these efforts have been markedly different in coffee and fashion and led to divergent outcomes.

The initial efforts to certify coffee production were fragmented, with multiple certification regimes with their own agendas (Manning & Reinecke, 2016; Reinecke et al., 2012), but they quickly consolidated, driven by concerns over the costs of multiple standards for small-scale coffee growers, and a desire to provide consumers with an easy way to identify certification system (Levy et al., 2016; Turcotte et al., 2012; Reinecke et al., 2012). In contrast to the harmonized approach that characterized coffee production, standards in the fashion industry have always been fragmented and contested. Codes of conduct were developed by global brands to guide their own practices

¹⁰ Only a third of globally produced coffee is consumed in coffee shops, but their share of the specialty coffee market is about three-quarters of the market <https://www.grandviewresearch.com/industry-analysis/coffee-market>; <https://www.grandviewresearch.com/industry-analysis/specialty-coffee-market-report#>.

and those of their partners, suppliers, and subcontractors. Continued pressure by activist groups and NGOs on global brands created a confrontational atmosphere that discouraged fashion brands and retailers from adopting industry-wide standards. Rather, they opted to introduce their own standards as a means of distancing themselves from the poor reputation of the industry and employing standards as a differentiating factor against the competition (Bartley, 2009; Turcotte et al., 2012). This situation led to multiplicity of standard schemes and created confusion that undermined consumers' ability to make sense of claims for ethical production (Sinha et al., 2023).

Consumer feedback

Consumers and brands have reciprocal relationships in which they communicate with each other and in the process alter each other's identity and actions (Fig. 1). Brands send messages regarding issues that they sense are important to the consumers. Consumers respond to these messages in their purchasing behavior and willingness to pay, and in doing so incentivize brands' investment in the issues they care about (McKinsey, 2023). These repeated action–response processes put in motion feedback loops that shape the behavior of both brands and consumers (Khamitov et al., 2019).

Such feedback loops were apparent in both coffee and fashion, but they moved in different directions. A customer base that displayed a preference for ethically produced coffee and was willing to pay a premium for it incentivized coffee brands to make costly investments in ethical production and provided resources for further improvements of working conditions in GVCs. In contrast, the predominant impact of cost and quality on the consumption choices of fashion consumers signaled to brands that consumers care little about ethical conduct and undermined brands' inclination to invest in ethical production. A study shows that most consumers are unaware of the ACCORD initiative, and their purchasing decisions are not affected by it (Donaghey et al., 2018). These dynamics have put in motion both virtuous and vicious cycles that have reinforced themselves over time.

A renewed role for government: Policy implications

The centrality we assign to the consumer and to civil society actors in mobilizing consumers necessitates a reconsideration of the role of governments. In doing this, we draw on Foucault's theorization of neoliberal governmentality, which represents a complex view of the combined roles of governments and civil society in mobilizing consumers (Collier et al., 2023; Foucault, 2008; Villadsen, 2016).

The disparate histories of coffee and fashion described above show a need for the formulation of effective policies at

the public–private intersection to improve GVC conduct. As these histories show, governments have played an important role in the trajectory of ethical conduct in both industries. While the civil society actors that we evoked to mobilize consumers have shown the capacity to establish the ground for change under certain circumstances, as in coffee, their ability to bring about an enduring long-term solution for unethical conduct in GVCs on their own on a scale needed to address the issue at hand appears to be limited (Gethin & Pons, 2024; Locke, 2013; McEwan et al., 2017).

The government's involvement is particularly warranted because behavioral changes related to ethical consumption tend to have the character of public goods, such that the benefits generated by investing in their creation may not be fully appropriated by individual firms, undermining their inclination to assume these investments (Elliott & Freeman, 2004). Moreover, governments are often perceived as more credible actors than the private sector in encouraging consumer responsabilization of societal issues, allaying consumer suspicion and resistance to such efforts (Acemoglu et al., 2017). In addition, governments can leverage resources and instrument changes on a scale not feasible for private actors' participants. Such scalability is critical for social change to happen. Given their size, their actions – e.g., in the form of public procurement – make large difference across economies and enable them to demand behavioral change as a condition for engagement with them as buyers (Van Assche et al., 2024). Hence, we articulate a division of labor between public and private sector constituencies in swaying consumers towards ethical consumption (Pasquali et al., 2021; Zorell, 2020).

In this approach the role of governments is extended from that of direct regulators in the traditional sense of governance to also encompass the mobilization of private-sector constituencies towards the achievement of governance and political objectives (Foucault, 2008). These governmental actions take place either directly by using soft power techniques to encourage and steer consumers' behavior towards the achievement of governments' goals, or else indirectly by mobilizing third-party influencers and role models and marshalling corporate activity by granting them the authority to act on its behalf to achieve these goals (Abbott & Snidal, 2021; Abbott et al., 2016). The failure of governments to improve ethical conduct in GVCs via direct regulation that triggered our study makes the indirect approach appealing. The inconsistencies between heavy regulatory stance and pro-social behavior noted earlier (Aimone et al., 2024) further accentuate the appeal of this approach.

Effective government policies are particularly warranted in two of the three critical turning points in the transformation to ethical consumption and production depicted in Fig. 1. These are the emergence of initial demand for ethically produced products and the diffusion of this demand to

the mass market. Beyond these points, enough consumers have adopted the new behavior to incentivize brands to introduce ethical standards in their GVCs and create a virtuous cycle that is driven by market forces and perpetuates itself over time (Centola et al., 2018; Granovetter, 1978).

Formation of initial demand and initiation of markets for ethical consumption

Government policies could be particularly influential in initiating the emergence of a market for ethically produced products (the first turning point depicted in Fig. 1) (Nyborg et al., 2016). A major means for achieving this goal is by funding and orchestrating private sector experimentation with new ethical product lines.

The impact of the German government-funded development agency GIZ on the initial formation of a market for ethically produced coffee in the late 1990s offers an example of this approach (see Manning & von Hagen, 2010). Leveraging the small but growing demand for sustainable and ethical coffee at a time, GIZ engaged Kraft Foods in a public–private partnership in Peru to train local coffee farmers in sustainable coffee production as part of a foreign aid treaty between Germany and Peru. Upon completion of this initiative, a new product line – sustainable coffee from Peru – was introduced in the global market. This line caught the attention of ethically conscious consumers in Germany and elsewhere in Europe and created a niche market for ethically produced coffee (Levy et al., 2016; Manning & von Hagen, 2010). Such government actions are particularly critical in relation to GVCs in which private-sector constituencies are unable or uninterested in initiating change, such as in fashion. In such cases, governments may create the initial tipping point that triggers change even when none were initially present (Nyborg et al., 2016).

Governments can also trigger a change process by increasing awareness of a social problem and mobilizing consumers to address it. The ‘Your Choice Can Make a Difference’ campaign by the UK government and the ‘Love Food Hate Waste’ campaign of the Australian government, introduced to educate consumers on the impact of their purchasing decisions on labor conditions and the environment are examples of governments’ effort to create public awareness and empower consumers to act. Such nudging tactics (Thaler, 2018) prompt people to persuade themselves to make choices that benefit other members of society, and at times, might be more effective than traditional policy intervention tools in bringing about desired change (Benartzi et al., 2017).

Another form of government intervention towards initiating a change process is framing and reframing (Benford & Snow, 2000; Dorst, 2015). This tactic constructs a narrative around societal phenomenon by a selective choice of attributes in order to emphasize salient aspects of the phenomenon (Tversky & Kahneman, 1990). The effectiveness of this technique

was famously shown by the psychologist Kurt Lewin, who during WWII persuaded American housewives to shift to alternative meat for their households in order to support the food supply for U.S. soldiers (Lewin, 1943). Lewin framed eating alternative meat as the patriotic obligation to do one’s part for the war effort on the home front. Positioning eating alternative meat in such a way and using participatory mechanisms of awareness-building among consumers made it socially acceptable and led to the desired change (Wansink, 2002).

Governments’ investment in the development of new technologies for which demand is not certain, assuming the high risk inherent in such investments, is another way by which governments can create momentum for change (Yang et al., 2019).¹¹ The support of the Danish government for the development of wind power energy via multiple financial and administrative means suggests an example. In pursuing these policies, the Danish government authorized and empowered multiple local constituencies in order to initiate the development of wind energy in Denmark. These initiatives eventually turned Denmark into a pioneer of modern wind power with one of the world’s highest wind power penetrations (Dyrhaage, 2017; Johansen, 2021).

Diffusion of ethical consumption to mass market consumers

Beyond the beginning of the change process, governments’ actions could also have a critical impact on the diffusion to the mass market, needed in order to scale a behavioral pattern and reach the magnitude needed to bring about social change (the second turning point in Fig. 1).

The actions of Germany’s GIZ toward the creation of a mass market for ethically produced coffee suggest an example. Following the success of the Peru experiment noted above, GIZ launched multiple projects with coffee roasters in various coffee-growing countries, thus scaling production by orchestrating activities of private sector constituencies, and helping establish a mainstream market for ethically produced coffee (Manning & von Hagen, 2010).

Another way by which governments can facilitate the creation of mass markets for ethical consumption is by supporting the standardization of ethical standards and their labeling as a way to convey a reliable message to consumers and help them identify ethical options. Japan’s Eco Mark Program to promote products with minimal environmental impact offers an example of these actions. Beyond the national level, governments may act in collaboration towards standardization on a regional or global levels. For example, the convergence of national standards toward the Program for the

¹¹ This type of regulation might be particularly important in industries in which price elasticity is high. We thank the Journal’s EIC for this comment.

Endorsement of Forest Certification (PEFC) was critical for the transformative impact on consumption (Turcotte et al., 2012). The introduction of The Common Code for the Coffee Community (4C) (Manning & Von Hagen, 2010) and the EU Eco-label for products meeting environmental and social standards offer other examples of such government initiatives on regional and global levels. Government efforts to instill industry-wide standards were also apparent in the fashion industry, notably the Clinton administration's attempt to bring together industry and social movement actors to address labor conditions but it did not produce the intended consequences (Turcotte et al., 2012), providing insights into the boundaries of the indirect governance approach.

Further, governments can encourage the diffusion of ethical consumption to mass markets by providing consumers with information about disturbing social issues and a set of tools to act upon them. This form of government action has gained considerable traction in the contemporary era, in large part due to the availability of powerful vehicles of transmission critical for its effectiveness. An example of effective employment of this approach is offered by the UK government's Waste and Resources Action Program, which was driven by governments' intention to reduce waste. The program also mobilized a range of constituencies as intermediaries, including supermarkets and other major retailers to take actions towards the desired end. These have led to notable behavioral changes and material reduction of food waste (Evans et al., 2017). Elsewhere, the mere publicity given by German authorities to food waste by supermarkets was sufficient to cause public outrage and trigger consumers' activism to demand change (Cherrier et al., 2023). With such initiatives, governments raise awareness and provide behavioral repertoires to articulate new practices, leading to a broad diffusion of desired consumption behavior.

Government actions can also create social value for ethical consumption in the form of public recognition, awards, rankings, and gamification in general, thus incentivizing voluntary behavioral change on a large scale (Ariely et al., 2009). The support of UK's municipal authorities of their constituencies in meeting the requirements for the status of 'fairtrade city' suggests an example. Similar actions were undertaken in the UK education system with certification of schools as 'fairtrade schools', encouraging teachers and students to engage in various activities to receive the certification (Barnett et al., 2005). Another example are government-funded apps that rank brands by their implementation of ethical practices guiding consumer choices.

The facilitative role of governments can also involve the introduction of legal rules and other hard measures to initiate change in private sector behavior in order to enable consumers to make informed choices. Transparency enforcement, in the form of mandatory disclosure of ethical practices, is a widespread tool employed by governments towards this end.

France's duty of vigilance law and Germany's ethical product database provide consumers with information on the ethical practices of brands so they can make informed purchasing choices. These government initiatives were shown to have a significant impact on consumption behavior. For instance, they raised the purchasing of green products by 65% (Demarque et al., 2015), and significantly reduced electricity consumption (List et al., 2024). They were also shown to tilt financial investors toward investment in social causes, even when these were associated with lower economic gains (Hinvest et al., 2019).

Governments can also offer material rewards for ethical consumption in the form of taxes, subsidies, and other forms of monetary rewards. Sweden reduced VAT on repair services (e.g., clothing, bicycles, electronics) and Ireland VAT exemption on sustainable and ethical products are examples of encouragement of sustainable consumption and waste reduction via monetary rewards. France's eco-friendly appliance rebates and Germany's refund system for recyclable bottles similarly encourage sustainable consumption by offering financial rewards. Government-sponsored ethical shopping rewards programs comprise another way employed by governments to reward ethical behavior. Japan's My Eco-Point Program and South Korea's Green Credit Card reward consumers with points for buying sustainable and eco-friendly products that they can use to purchase other products at a reduced price. Governments can influence such developments not only by their facilitative impact on others but also by their own actions, for instance via their procurement policies (Van Assche et al., 2024). Given the magnitude of their procurement – accounting for more than 10% of global GDP – their own actions can affect change in significant ways.

Table 3 summarizes the variety of non-traditional policies by which governments can align consumers' incentives with broader sustainability goals and motivate them to make ethical purchasing decisions. As this summary shows, these policies combine direct engagement of governments with consumers and non-direct ones, which target producers and intermediaries to support the government goals.

Conclusion

In this paper, we developed an analytical framework of change in GVC conduct by incorporating the consumer as a key driver of change in discussions of the improvement of GVC conduct. The focus on consumers shifts the debate regarding GVC conduct into new directions and imbues it in a novel logic. The comparative study of ethical conduct in the coffee and fashion GVCs enables us to identify effective means for improvement of GVC conduct and draw their implications for policymakers.

Our framework is novel in a number of ways. For one, it makes notable contributions to the understanding of the

constituencies that can bring about the desired change in GVC conduct and the ways they interact with each other towards the achievement of this outcome. The framework is based on the assumption that improvement of ethical conduct in GVCs requires the combined efforts of a variety of constituencies. This assumption provides the ground for the introduction of a unified framework that presents the process through which these constituencies jointly bring about change. The framework also identifies a range of non-traditional private sector constituencies such as celebrities, role models, and other influencers that bring to bear different capacities to mobilize consumers. It specifies the role of each of these constituencies in shaping the outcome and explicates when and how they matter. The framework also promotes an extended role for governments as facilitator and orchestrator of private sector constituencies, whose actions would help achieve policy goals.

Further, while the framework presents an inherently bottom-up, market-driven solution, we caution against a reliance on such solutions as the sole means for improving ethical conduct in GVCs. Rather, our framework is underlain by the recognition of a need for concerted collaborative effort by both private and public sector agents, and it treats governments as an important player in the change process. This underlying approach enables us to articulate a new, expanded role for governments in executing the framework we developed. Our study suggests that the role of governments and the balance between public and private efforts in affecting change might vary across industries.

In addition, the framework is underlain by the trust of the interdependencies between production and consumption in the improvement (or otherwise) of GVCs ethical conduct, with the outcome being determined by concerted actions of both producing and consuming entities. Ethical consumption is crucially dependent on ethical production and the credibility of the ethical claims of global brands. In parallel, ethical production cannot reach a sufficient scale and sustain itself over time without consumers' support through their purchasing behavior.

With these contributions our analytical framework of change offers a compelling new direction for the introduction of a just value distribution among GVC participants and a promising venue for the maximization of the potential benefits of GVC participation for economic development and wealth creation.

Future research

Our study opens rich avenues for future research to further develop the consumer-inclusive framework we advanced in this paper and verify it in a systematic way. Major arguments underlying the analytical framework we developed in the paper are based on our interpretation of secondary sources and, as such, are bound to be subjective and likely incomplete. Furthermore, the data we employed as the basis for our

arguments are not always comparable and – as we pointed out – may not fully capture the phenomenon they are meant to represent. Future research may subject our arguments to vigorous testing. This research should also test the causal relationships we proposed between consumers' consumption choices and GVC conduct and establish how material consumers' impact is in the presence of other players who seek to bring about the desired change.¹²

Another important direction for future research is related to the role of governments in the framework of change that we developed in this paper. We portrayed governments as a powerful force acting to bring about change. Alongside this view of governments, there is a growing recognition that governments' actions often follow pressure from civil society for change rather than precede it. For instance, an EU import ban introduced to combat deforestation was preceded by engaged activists' actions and may have never happened without them (Schleifer, 2023). Government policies are often introduced after ideas, norms, and values gain legitimacy and broad acceptance—a phenomenon known as the 'Overton Window.' (Astor, 2019; Johnson et al., 2024). Future research may deepen the understanding of the role of governments, both in itself and vis-à-vis civil society, in bringing about social change.

There is also a need to identify additional agents that could exert pressure for change on global brands. A variety of stakeholders, including employees, shareholders, philanthropists, and foundations award firms a 'social license to operate' and this gives them the power to influence firms' conduct (Wheeler, 2015). Future research may extend the framework we developed to these other stakeholders and identify the constituencies to mobilize them. There is also a need to extend our study with its focus on the social dimension to other dimensions of the ESG. Consumers' attitudes toward social, environmental, and governance issues were shown to differ considerably (White et al., 2019), raising questions about the generalizability of our theory to these other causes.

Another important task for future research is to draw the boundaries of our analytical framework across consumers, industries, and societies. Research suggests considerable differences in consumers' proclivity for ethical consumption (Bhattacharya et al., 2004), in their motivation to do so (Goenka et al., 2024) and in their beliefs regarding their responsibilities to address ethical issues via consumption (Copeland et al., 2022; Henry, 2024; Sen et al., 2024). These issues are likely to affect the effectiveness of our approach across different consumer segments.

The impact of industrial characteristics on our framework is another important direction for future research. For instance, it was suggested that the level of fragmentation in an industry and the complexity of the GVC affect the

¹² We thank an anonymous referee for raising this interesting suggestion.

Table 3 Policy tools to encourage ethical consumption

Government actions	Targeted constituency	Outcomes	Selected examples
Prompting change via the formation of initial demand			
Funding private sector initiatives	Corporations as innovators and producers	Encouraging experimentation with ethically produced products	Germany GIZ's support of ethically produced coffee in Peru
Giving publicity for social unethical issues	Consumers as members of civil society	Creating awareness of unethical issues and the social impact of consumption; Triggering consumers' activism	UK government 'Your choice can make a difference' campaign
(re)Framing an issue	Consumers as members of civil society	Changing the way consumers think about an issue	US government persuasion to consume alternative meat during the Second World War
Assuming risk of developing new sustainable products	Corporations as innovators Innovation institutions	Private sector experimentation with innovative sustainable products	Denmark's support of investment in wind power energy
Diffusion of ethical consumption to mass market consumers			
Collaborating with the private sector to increase ethical consumption	Corporations as producers	Scaling ethical consumption	Germany GIZ's PPP with coffee roasters in coffee-growing countries
Communicating ethical standards to mass market consumers	Consumers as consumers	Standardization of ethical standards and labeling on a national and international levels	<ul style="list-style-type: none"> – The Common Code for Coffee – EU Eco-Label Program – Japan's Eco Mark Program – The Endorsement of Forest Certification Program
Providing information about consumption options and their consequences	Consumers as consumers Intermediaries (e.g., retailers)	Empowering consumers to behave in a socially desired manner	<ul style="list-style-type: none"> – UK's government Waste and Resource Action Program – German authorities' publicity for food waste
Public recognition, awards, certificates	Consumers as members of civil society Social institutions	Creating social value for ethical consumption	UK authorities' support of reaching the 'fairtrade city' and 'fairtrade school' certificates
Mandatory disclosure of ethical practices	Corporations as orchestrators of GVCs	Consumers' ability to select ethically produced products	<ul style="list-style-type: none"> – France's mandatory disclosure of sourcing practices – Germany's ethical products database
Monetary incentives	Consumers as consumers Corporations as producers	Reducing the costs of ethical production and consumption	<ul style="list-style-type: none"> – Sweden, Ireland VAT exemption on sustainable products – France eco-friendly appliance rebate – Germany refunds for recyclable bottles – Japan, South Korea ethical shopping rewards

consolidation of industry standards, with its implications for the framework we developed (Nachum et al., 2023; Turcotte et al., 2012).

The viability of our analytical framework in affecting GVC conduct should also be studied across countries. Our conceptualization of consumers' agency and grassroots change is applicable to liberal democracies whose members can play an active role in their self-government, but may not hold elsewhere (Jacobsen et al., 2007). This is particularly important at a time in which the near-complete separation of production from consumption that historically characterized GVCs is changing, as some major producing countries, among them some that may not support our consumer-inclusive approach, develop consumer markets for local production (Hatte et al., 2020).

Acknowledgements We thank Jose Santos for insightful comments on an earlier draft.

Declarations

Conflict of interest On behalf of my co-authors and myself I declare that there are not any personal, financial, or other relationships that could potentially influence our paper.

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