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soleRebels – targeting the ethical consumer

Abstract

Founded in 2004, soleRebels is an organisation that recycles truck tires to produce a range of shoes and sandals that are marketed to ethical consumers in the Western world. The founder spotted an opportunity to use recycled materials, market a Fair Trade product to ethical consumers, and, in the process, bring sustainable jobs to her community. The company is based in a food-insecure, drought-prone region in Ethiopia and its success has helped alleviate some of the problems faced by the local community. This purpose of this case is to demonstrate the principles of Fair Trade and facilitate the exploration of sustainable marketing.

Learning outcomes

This case explores the rise of a successful brand in a third world economy and prompts discussion and learning about sustainable marketing, the principles of Fair Trade and green market segmentation.

Introduction

Founded in 2004, soleRebels is an organisation that recycles truck tires to produce a range of shoes and sandals that are marketed to ethical consumers in the Western world.

The company is based in a food-insecure, drought-prone region in Ethiopia and it helps alleviate some of the problems faced by the local community. The problems are enormous. The extremely poor, living on less than a dollar a day, have few assets and need humanitarian aid. Although there are several relief and development

organisations such as Oxfam that focus on the needs of people in developing countries, finding solutions to poverty, hunger and social injustice is not easy. Bethlehem Tilahun Alemu, the founder of soleRebels, operates with the fundamental belief that locally informed, community-driven solutions to poverty alleviation are the most appropriate and effective approaches. She strongly feels that “trade is better than aid” and that African people need to solve their own problems. Her motto is “making the world a better place, one step at a time.” The company exports to over 45 countries. It employs 45 full-time workers and creates business for more than 200 local suppliers. It is estimated that revenues will exceed 6 million pounds by 2016. Alemu is a business woman as well as a humanitarian and her goal is to develop a successful global brand, become the ‘Nike’ of Africa and explore entry into new countries (soleRebels, 2014).

The North-South Divide

The disparity in living standards between the developed countries (‘the North’) and the developing and poor countries (‘the South’) is stark (Wells, 2011). Ethiopia has a population of over 90 million (World Bank, 2014) but millions can be described as “food-insecure”. The World Food Summit of 1996 defined food security as existing “when all people at all times have access to sufficient, safe, nutritious food to maintain a healthy and active life” (FAO, 1996). The country was ranked 173 out of 187 countries in the UN Development Program’s 2014 Human Development Index (United Nations Development Program, 2014). The country’s per capita income is estimated to be \$470 (World Bank, 2014). Like other developing countries, Ethiopia is grappling with challenges such as extreme poverty and hunger, child mortality, maternal health, HIV/AIDS, malaria and other diseases, gender inequality and lack of access to universal primary education. Ethiopia has made good progress in achieving

United Nations Millennium Development goals (MDGs) for child mortality, gender parity in education, HIV/AIDS, and malaria.

Climate change poses new challenges for a country that is already mired in poverty. Most of the population is dependent on agriculture; crops are dependent upon seasonal rains and droughts have tremendous impacts on Ethiopia's economy. Droughts used to occur about once every decade, but today drought afflicts the region as frequently as every couple of years. Increased weather volatility jeopardises not only the wellbeing of individuals but Ethiopia's progress as a nation (Oxfam, 2010). Over-consumption in the North has resulted in unsustainable farming practices in the South. Environments in the South are often degraded in the process of producing primary commodities for export to the North. Fishing grounds are depleted, forests destroyed, soil eroded, wilderness areas despoiled. A strong case seems to exist for a transfer of capital from North to South, not as aid, but as compensation for environmental damage (Wells, 2011).

The founder of soleRebels has helped change the discourse on African development from one of poverty alleviation orchestrated by external actors, to one about wealth creation driven by local Africans maximizing their talents and resources.

Fair Trading

Bethlehem Tilahun Alemu founded soleRebels with just \$10,000 in start-up capital. She spotted an opportunity to use recycled materials to create her products and, in the process, bring sustainable jobs to her community. soleRebels became the world's first Fair-Trade certified footwear company. One problem that arises from free market

forces is that, when small commodity producers (i.e., cocoa beans, tea and cotton) are faced with large, powerful buyers, the result can be very low prices. This can bring severe economic hardship to the producers who are often situated in developing countries. According to the World Fair Trade Organisation (2014), the path to Fair Trade means changing practices in the supply chain and adhering to ten principles:

1. Creating Opportunities for Economically Disadvantaged Producers

Poverty reduction through trade forms a key part of the organization's aims.

2. Transparency and Accountability

The Fair Trade organization is transparent in its management and is accountable to all its stakeholders. The organization finds appropriate ways to involve employees, members and producers in its decision-making processes. It ensures that relevant information is provided to all its trading partners. The communication channels are open at all levels of the supply chain.

3. Fair Trading Practices

The Fair Trade organization trades with concern for the social, economic and environmental well-being of marginalized small producers and does not maximize profit at their expense. Fair Trade buyers recognize the financial disadvantages producers face and will make pre-payments on request. Buyers consult with suppliers before cancelling or rejecting orders. They seek to increase the volume of the trade. Fair Trade promotes and protects the cultural identity and traditional skills of small producers as reflected in their craft designs, food products and other related services.

4. Payment of a Fair Price

A fair price is one that has been mutually agreed by all through dialogue,

which provides fair pay to the producers and can also be sustained by the market.

5. Ensuring no Child Labour and Forced Labor

The organization adheres to the *UN Convention on the Rights of the Child*, and national laws on the employment of children. The organization ensures that there is no forced labour in its workforce. Any involvement of children in the production of Fair Trade products (such as learning a traditional art or craft) is always disclosed and monitored and does not adversely affect the children's well-being, security, educational requirements and need for play.

6. Commitment to Non Discrimination, Gender Equity and Women's Economic Empowerment, and Freedom of Association

The organization does not discriminate in hiring, remuneration, promotion and so forth based on race, religion, disability, gender, sexual orientation, union membership, political affiliation, HIV/Aids status or age. The organization promotes gender equality. The organization respects the right of all employees to form and join trade unions of their choice.

7. Ensuring Good Working Conditions

The organization provides a safe and healthy working environment for employees. It complies, at a minimum, with national laws and the International Labour Organisation (ILO) conventions on health and safety.

8. Providing Capacity Building

The organization helps producers improve their management skills, production capabilities and access to markets.

9. Promoting Fair Trade

The organization raises awareness of the aim of Fair Trade and of the need for

greater justice in world trade. The organization provides its customers with information about the producers that make or harvest the products. Honest advertising and marketing techniques are always used.

10. Respect for the Environment

Organizations which produce Fair Trade products maximize the use of raw materials from sustainably managed sources in their ranges. They seek to buy local, use organic or low pesticide production methods, reduce energy consumption, use renewable energy technologies where possible and minimize waste. All organizations use recycled or biodegradable materials for packing and goods are dispatched by sea wherever possible.

soleRebels has set high standards of ethical practice. The company employs locals and pays four to five times the legal minimum wage and over three times the industry average; this allows workers to earn a respectable income and support their families. Workers are paid a straight wage without regard to individual quotas. Most workers live within walking distance of the factory, but transportation is provided for disabled workers. The company has also created an education fund for the employees' children. Workers and their families are also provided with complete medical coverage, including site visits by qualified medical practitioners. Such site visits are especially important considering that competent doctors are few and far between in Ethiopia. Furthermore, the production process preserves an ancient craft, cuts down on electricity bills and minimises the company's carbon footprint (soleRebels, 2014).

The marketing mix

Although soleRebels is far away from cosmopolitan centres and the catwalks of Paris, Milan or New York, the company is building a large number of brand devotees thanks

to its fashionable designs and value-for-money proposition. The price ranges from \$35 to \$95. The founder has a very hand-on approach to the business and she is in charge of designing the shoes and sandals. She was inspired by the traditional Selate and Barabasso sandals which were worn by local fighters and Ethiopian rebels. The eco-friendly shoes and sandals are hand-crafted; the sole of the shoe is made from recycled materials such truck tires and natural fibres such as jutem, koba and organic cotton are used. In Ethiopia, the art of hand spinning cotton dates back millennia and the cotton is grown in an authentic, organic environment. All materials are sourced locally (within 60 miles of the company). The packaging is made from recycled shipping cartons and the shoes are wrapped in re-useable, hand-loomed cotton bags. The company expanded its product range over time, with a children's range of shoes, hand-spun bags and a 'b*knd' range of bags crafted for vegans. Adapting the product to suit the needs of the international customer is vital to success. For example, Japanese consumers have distinct preferences and certain colours and designs suit their needs.

soleRebels does not undertake any conventional advertising. The company uses the website and social media (i.e., Pinterest, Twitter, YouTube and Facebook) as its main promotional strategy. Publicity is another useful tool; it means that information about the business and its products are communicated to potential customers through the media and the founder does not have to pay for the time or space directly. The founder is comfortable being the 'face' of her brand. She is a well-respected speaker at professional conferences and at events dealing with global trade. She has won numerous awards and accolades. She made the Forbes list of the 'World's Most Powerful Women to Watch' in 2012 (Forbes, 2012). She was named 'Social Entrepreneur of the Year' at the 2012 World Economic Forum (Africa). In 2011, she

was selected as a 'Young Global Leader' by the World Economic Forum. In 2014, she was named as one of the 'Most Influential Africans' (Schneider, 2014). These awards and speaking engagements are a bonus for a company that has to market on a shoestring budget.

Distribution channels include the website, online footwear retailers (such as Amazon, javari.co.uk; Endless.com; Spartoo.com) and company-owned retail outlets. In 2014, the company opened its first flagship U.S. store in Silicon Valley, California.

soleRebels places a strong emphasis on the online shopping experience and seeks to inspire trust in the online shopping process. The site handles over 2,000 items and they are categorised in a customer-intuitive way. For example, the user can browse for products according to age (shoes for children) or gender (shoes for females). There is a strong focus on the products since this is the type of information that customers access most frequently. A size template allows users to check their foot-size.

Customers are guaranteed satisfaction and if they are not happy with the shoes they can return them without question. Customers also have the option of ordering a custom-made shoe.

Niche marketing – targeting the eco-friendly consumer

Footwear is an extremely competitive business with several leading brands such as Gucci, Nike and Adidas. Today there is a shoe for almost every occasion - sports, work, leisure and special occasions. The global footwear industry has witnessed a decline in sales due to recession. Outsourcing of production to low wage, low-cost countries such as Indonesia, China and Vietnam is expected to continue. In the developed world, competition from cheap imports has led to price discounting at retail

level. Consumers are increasingly seeking value for money and durability. Niche segments include designer shoes and eco-friendly shoes (Transparency Market Research, 2013).

When Bethlehem Tilahun Alemu founded soleRebels in 2004, she was aware that the ethical consumer was an emerging segment in the developed world, but this segment did not exist in her own home country. As a result she decided to target the international marketplace right from the start. Today, demand for eco-friendly shoes is driven by consumer concern for the natural environment and anxiety over world poverty, hunger and social injustice. There is growing concern about the treatment of workers in clothing and footwear supply chains. In the western world, footwear has major sustainability impacts and this includes the resources used in the manufacture of the product and the amount of waste generated by old shoes that end up in landfill. In addition, there is a strong element of fashion in shoes and many shoes become obsolete long before they reach the end of their life cycle (Belz & Peattie, 2012).

Studies that track consumer attitudes about the environment have found that environmental knowledge and understanding has grown markedly. The GfK Green Gauge® Report is a long-term study of consumer attitudes and behaviors towards the environment. GfK have found that key aspects of 'green' culture, such as the purchase of organic food and recycling, have become mainstream. Consumers are active in seeking out information that guides them in buying or avoiding certain products. They are willing to share their experiences with others through social media and word-of-mouth (GfK, 2012). Firms that do not position themselves on ethical dimensions can experience negative publicity and consumer boycotts. GfK Roper published a study in 2008 which divided the US population into six segments; 'genuine greens' make up

17% of the population. These consumers are environmental activists, committed to pro-environmental behaviour and perceive no barriers to action (GfK Roper Consulting, 2008). Likewise, researchers in other countries such as Australia have found that ethical consumption is no longer purely associated with ‘fringe’ politics or ‘hippie’ lifestyles. Ethical consumption covers Fair Trade, animal rights and employee welfare (Humphery, 2011).

Ethical consumers are often called ‘cultural creatives’ as they are educated consumers who make conscientious purchasing and investing decisions based on social and cultural values (Ray and Anderson, 2000). They are also called the LOHAS segment (Lifestyles of Health and Sustainability). The LOHAS segment is a values-driven segment of consumers who are interested in personal development, health, the environment, sustainable living and social justice. The LOHAS segment is different from earlier green consumers in that a concern for self-improvement is combined with a concern for saving the planet. These types of consumers buy Fair Trade coffee, take yoga classes, are interested in slow food, locally produced and organic food, seek out ecotourism travel, consume nutritional products, dietary supplements and ‘mind-body-spirit’ products. Although the LOHAS segment was initially recognised in the United States, LOHAS consumers have been identified elsewhere (LOHAS, 2008).

Green consumers are difficult to profile since green consumption often reflects values and lifestyles (i.e., psychographics) rather than demographics. However, education and income are two of demographic variables that are often associated with ethical products such as organic food (Yiridoe et al., 2005). Ethical consumers must have the

capacity to understand environmental claims and the income to pay premium prices for green products.

Demand for green products and services, such as soleRebel shoes, is still confined to a niche. Some writers argue that the ethical consumer is a myth – consumers behave in contradictory ways and are unwilling to pay for more for ethical goods (Devinney, Auger and Eckhardt, 2010). Consumers want to get the most value for their money, regardless of their ethical beliefs. They believe that institutions such as the government should have responsibility to regulate what products can be sold. Finally, they feel that some unethical behaviors on the part of corporations must exist in order for macro-level economic development to occur. Writers conclude that ethical consumption is simply an ideal to which people can aspire and it is a level of behavior that people seek to achieve (Eckhardt, Belk and Devinney, 2010). Others argue that the sense of caring and desire to preserve the environment is genuine and ethical consumerism is growing (Humphery, 2010).

Despite the difficulty in profiling the green consumer and the debate in the literature over whether the ethical consumer actually exists, soleRebels has been successful. It is clear that that the emergence of the ethical consumer has benefited this company. It has managed to position its product so that it is competitive, in terms of quality, price, design and green credentials.

Summary

SoleRebels is a successful African footwear brand and the first global footwear brand to emerge from a developing nation. In a continent like Africa where most of the

population struggles to survive, job creation is critical to the empowerment of the local community. soleRebels is an example of a sustainable business and one that presents a dynamic face of African creativity to the global market. There are many reasons why soleRebels has been successful: the passion and drive of the founder, the marketing strategy pursued and the targeting of the ethical consumer.

Discussion questions

1. What role do you think soleRebels's internal emphasis on sustainability has played in helping the company maintain a competitive market position?
2. How can this company use sustainability to create greater competitive advantage in the future?
3. Identify two (2) segments that soleRebels could target. Explain why you have chosen these segments and craft a positioning statement that will tap into the segment's core values.

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Links to web resources

<http://www.fta.org.au/> Fair Trade Association

<http://www.ethical.org.au/> Ethical Consumer Group

<http://www.locavore.com/> Locavore edition

<http://www.sustainabletable.org.au/> Sustainable Table

<http://www.sustainabilityconsortium.org/cft/> Clothing, Footwear and textiles working
group