Impact of Consumer Awareness on Purchase Intentions: An Ethical View

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Abstract

An increasing number of people make their consumption decisions on the basis of ethical values, such as environmentally friendly products and production methods, labour standards (wage rates and working conditions), and human rights. Ethical consumerism is a growing phenomenon that underpins ethical trade activities. The purpose of this study is to examine consumers' awareness of both environmental and Fair Trade issues and to examine their associated purchase behaviors. In addition, the study compares the relationship between ethical awareness and ethical purchase behavior across these two ethical issues in a sample of Iranians consumers. The sample was composed of undergraduate students at Islamic Azad University. One-hundred five respondents completed a self-administered survey which assessed their awareness and purchase behavior was conducted. T-tests revealed a significant difference between awareness of Fair Trade and environmental issues (means = 2.63 and 3.01 respectively, t = -4.52, p <.0001). However, there were no significant differences between green purchase behavior and Fair Trade purchase behavior (means = 2.73 and 2.79 respectively, t = -442, p = -442.

Keywords: consumer Awareness, purchase intentions, environmental issues, Trade issues

INTRODUCTION

There are many motivations for ethical business practice (for instance, the values of the people involved, the belief that ethical business practices, particularly environmental responsibility, will produce more effective and efficient results), but the apparent demand from 'ethical consumers' is key. Many businesses adopt ethical practices because this is what they believe the consumer wants. Indeed there is growing evidence that consumers are becoming more discerning as a result of changing tastes and expectations Over the last two decades or so, ethics and corporate social responsibility have become increasingly fundamental in the business realm. Some attribute this development to heightened media attention, pressure from special interest groups, and demands of consumers and other stakeholders (Anonymous 2007, Barnes and McTavish 1983). Business Ethics Magazine's 100 Best Corporate Citizens list highlights the premise that corporate success is no longer solely defined by shareholder return. In addition to profits, the magazine ranks firms based on their actions with respect to community, corporate governance, diversity, employee relations, products, the environment, and human rights (Anonymous 2006). In an era characterized by far too many corporate ethical crises, firms that are being considered successful are those who not only seek superior financial outcomes, but also consider the well-being of their suppliers, consumers, employees, and the environment.

Corporate social responsibility (CSR) has been conceptualized quite broadly and has been defined in many different ways. One definition of CSR is "the managerial obligation to take action to protect and improve both the welfare of society as a whole and the interest of organizations (Davis and Blomstrom 1975, p. 6). While a number of definitions of CSR have been advanced, the basic premise is that "companies are expected to behave in a manner that is beneficial, or at least not detrimental, to a larger group of stakeholders beyond those immediately impacted by their products or services" (Basil and Weber 2006, p. 61). Ethics in business refers to adhering to the law as well as following organizational policies, professional and association codes, and norms regarding what is considered "right" (Sauser 2005). Bendixen, et al. (2007) asserted that the concept of ethics in business has been interpreted in many different ways, thereby blurring the distinction between business ethics and corporate social responsibility. However, to clarify the concepts Bendixen, et al. (2007, p. 5) further noted, "while certain aspects of social responsibility may be discretionary – such as donations to charitable institutions – and therefore their non-fulfillment cannot be regarded as "wrong" or unethical", other aspects of social responsibility are clearly based on obligatory standards of behavior which, if isolated, can certainly be labeled as unethical" (Carroll 1981).

Sen and Bhattacharya (2001) noted that socially responsible behavior encompasses a number of different initiatives including: community support, diversity, employee support, product safety, the environment, and overseas labor practices. While each initiative is important, the focus on this paper is the environment and

Fair Trade practices, as growing emphasis on ethics and CSR appear to be focused heavily in these areas (Anonymous 2007). Purchasing products which are environmentally friendly is sometimes referred to "green consumption" (Carrigan, et al. 2004). Environmentally friendly refers to goods, services or practices considered to inflict little harm on water, air, plants, animals, or the climate (www.wikipedia.org 2007). Carrigan, et al. (2004) noted that "green" consumption not only involves the consumer's rejection of goods that were produced under circumstances which harm the natural environment or animals, but also positive purchasing decisions such as buying environmentally friendly products or recycling. "Fair trade is a trading relationship (between buying entities and suppliers, producers, or growers), based on dialogue, transparency, and respect, which seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South" (International Federation for Alternative Trade [IFATT] 2006, p. 22).

A fundamental element of Fair Trade is the integration of ethical principles into the consumer decision-making process (Hira and Ferrie 2006). The concept of Fair Trade appeals to a segment of consumers who believe that ethical principles are inextricably tied to the production process. These consumers' assessment of the attractiveness of an offering transcends simple price and quality considerations and includes the ethical consequences of how the product was produced (Hira and Ferrie 2006).

Now more than ever, marketers are focusing on ethics and corporate social responsibility in an attempt do "the right thing" and to enhance corporate success (including increased sales). Given firms' increasing efforts in these areas, it is vital to investigate the extent to which firms' adoption of ethical/socially responsible behaviors ultimately impact consumers' purchase behavior. Therefore the purpose of this study is to examine consumers' awareness of both environmental and Fair Trade issues as well as to examine their resulting purchase behaviors. It is important to examine the relationship between ethical awareness and ethical purchase behavior because previous research has revealed mixed results with respect to this relationship. In other words, there is a lack of definitive evidence which supports the notion that heightened awareness of ethical issues in marketing translates into ethical consumption behavior (see Titus and Bradford 1996; Carrigan and Attalla 2001). This study draws on the work of Carrigan and Attalla (2001) and categorizes consumers according to the extent to which their awareness of ethical issues relates to ethical purchase behavior.

Until fairly recently, consumers and academicians had devoted far more attention to environmental issues in marketing and "green" consumerism than Fair Trade issues. While much academic research on Fair Trade consumption behavior has been conducted in the European market (e.g., Grankvist and Lekedal 2007; Alexander and Nicholls 2006; Carrigan, et al. 2004), much remains to be discovered about American consumers' purchase behaviors in this area. Given these disparities in academic research, the present study also compares the awareness-purchase behavior relationship between these two ethical issues in a sample of Iranians consumers.

In order to examine the topics of interest, an overview of the existing literature is presented. This is followed by an explanation of the research methodology and a discussion of the results. The paper concludes with a discussion of managerial implications and limitations of the research.

LITERATURE OVERVIEW

Clearly today's consumer has access to a myriad of information sources, thereby promoting more informed purchase decision-making. According to Alexander and Nicholls (2006), consumers appear to have become more interested in obtaining authentic and reliable information about the background of purchased products in their quest for "ethical consumption". Specifically, information such as country of origin and the procurement strategy of the retailer have become more important to a growing number of consumers for certain product categories (see Balabanis and Diamantopoulos 2004; Davidson, et al 2003). Additional research suggests that consumers are interested in ethical behavior issues throughout the supply chain and would be more discerning in their purchases if they had more access to information about firms' ethical and socially responsible activities and practices (Simon 1995). Conversely, when asked if access to additional information about ethical/CSR issues and practices would assist in the purchase decision-making process, some respondents said it would make minimal difference, while others stated it would introduce confusion into the buying situation (Carrigan and Attala 2001). Carrigan and Attala concluded that in some instances, having so much information can actually detract from consumer choice, given the necessity of consumers to concurrently consider additional trade-offs such as price, quality, and other factors in the purchase decision (Carrigan and Attala 2001). Reports of consumers' increasing interest in obtaining information related to ethics/CSR issues are encouraging. However, contradictory research exists with respect to consumers' inclination to support or reject ethical and unethical practices of firms irrespective of their awareness levels (Carrigan and Attalla 2001). For example, Boulstridge and Carrigan (2000) noted that although the consumers surveyed had socially responsible attitudes, only 20 percent had actually patronized a particular business within the prior year because of its involvement with a "good cause". Boulstridge and Carrigan (2000) concluded that ethics/CSR is not a central criterion in consumers' purchase decision. In addition, Joergens' (2006) study of European consumers supported this notion

and found little evidence to support the fact that ethical issues impact apparel purchase decisions. Rather, consumers' personal needs were found to be more important than ethical issues (Joergens 2006). Finally, Creyer and Ross (1997) revealed that consumers considered the ethical behavior of the firm as a relevant criterion in the purchase decision and that American consumers rewarded firms' ethical behavior through patronage and the willingness to pay a premium for products produced under "ethical" circumstances (Creyer and Ross 1997). However, Creyer and Ross (1997) also found that consumers would still patronize firms that engaged in unethical practices, but only if their products were offered at a lower price.

Carrigan and Attalla (2001) cited previous research which suggested that information concerning ethical and unethical behaviors on the part of firms has an unbalanced influence on consumer attitudes. This means that firms' vices negatively impact consumers' attitudes more than virtues enhance them (Skowronski and Carlston 1987, Reeder and Brewer 1979). Therefore, it might be expected that consumers avoid purchasing products from firms who engage in unethical behavior, but they do not necessarily patronize firms that engage in ethical practices (Carrigan and Attalla 2001). This premise was at the core of Carrigan and Attalla's (2001) study and they endeavored to find out if awareness of ethical issues actually translated into ethical purchase behavior.

Carrigan and Attalla (2001) conducted a qualitative study using two discussion groups of five participants. Despite the fact that respondents had knowledge that a particular company utilized poor employment practices, none had boycotted the company and they indicated they would still purchase the firm's products. This suggested that ethical awareness in this instance did not impact purchase behavior. The respondents in the study also indicated they would purchase a different product from a firm that had a reputation for paying low wages. In addition, the respondents indicated they would not be willing to pay a price premium of 10-15 percent for the same product if it were produced in a more socially responsible manner except to ensure the ethical treatment of animals (Carrigan and Attalla 2001). Finally, Carrigan and Attalla (2001) found that the respondents did not actively seek out information on ethical issues in the marketing of products; rather they simply relied on product labeling. With respect to ethical awareness and ethical purchase intentions, Carrigan and Attalla (2001) asserted that four types of consumers exist. Carrigan and Attalla (2001) characterized the first group of consumers as "caring and ethical". These consumers are highly aware about ethical issues and have high ethical purchase intentions. The second category of consumers was labeled "cynical and disinterested". This group of consumers possesses high levels of ethical awareness; however their ethical purchase intentions are low. Carrigan and Attalla (2001) referred to the third category of consumers as "confused and uncertain". These consumers possess low awareness about ethical issues, yet they have high ethical purchase intentions. The last category of consumer was labeled "oblivious". This type of consumer has low ethical awareness and low ethical purchase intentions. While this categorization appears to be useful, Carrigan and Attalla (2001) made no attempt to place their study participants into these categories. The present research extends their work by doing so through assessment of the respondents' ethical awareness and ethical purchase behavior (rather than intentions).

METHODOLOGY

The Questionnaire

The survey was developed by the researcher and was based on a number of issues examined in the Carrigan and Attalla (2001) study. The self-administered survey was composed of two demographic questions (gender and age), nine items intended to assess "ethical awareness of environmental issues", nine items intended to assess "ethical awareness of environmental issues", nine items intended to assess "ethical awareness of environmental issues", nine items intended to assess "ethical awareness of Fair Trade issues", six items intended to assess "green purchase behavior" and six items to assess "Fair Trade purchase behavior". Each construct was evaluated on a 5-point Likert scale. Some sample items include: "I actively seek out information on environmental (fair trade) issues" (1 = strongly disagree, 5 = strongly agree), "I use the Internet to become informed about environmental (fair trade) issues" (1 = strongly disagree, 5 = strongly agree), "How would you rate your overall awareness of ethical issues related to the environment (fair trade)?" (1 = not aware at all, 5 = highly aware), and "How much influence does a company's record on the environment (fair trade practices) have on your purchase decision?" (1 = none, 5 = very substantial).

Sample

The data were collected from students enrolled in three different undergraduate courses at Islamic Azad University. Therefore, the respondents constituted a convenience sample. A total of 105 completed surveys were collected. Fifty-two percent of the sample was male. The respondents' ages ranged from 19 to 50, with a mean of 24.5 years old (S.D. = 6.11).

Reliability Analysis

In order to assess the scale reliabilities, a two-step procedure was employed. First, each set of items intended to

assess the constructs was subjected to factor analysis. Then, each set of items was evaluated to assess its reliability as indicated by Cronbach's alpha (Cronbach 1951). According to Nunnally (1967) a coefficient alpha of .7 or greater is acceptable in terms of scale reliability.

Each of the nine items intended to measure "environmental awareness" loaded on one factor. The factor loadings ranged from .56 to .84 and the factor explained 47.3% of the variance in the data. The 9-item scale proved to be reliable with a Crobach's alpha of .85. The six items intended to assess the "green purchase behavior" construct loaded highly on one factor (ranging from .72 to .84). The factor explained 64.4% of the variance in the data. The 6-item scale proved to be reliable with a Cronbach's alpha of .89.

Each of the nine items intended to measure "Fair Trade awareness" loaded highly on one factor, with factor loadings ranging from .63 to .86. The factor explained 59.6% of the variance in the data. The scale was also found to be reliable, with a Cronbach alpha of .91. "Fair Trade ethical purchase behavior" proved to be unidimensional, with each of the six items loading highly on the factor (ranging from .79 to .86). The factor explained 63.7% of the variance in the data. Finally, this scale was also found to be reliable, with Cronbach's alpha = .89.

RESULTS

Descriptive Statistics

A comparison between environmental and Fair Trade issues on both awareness and purchase behavior was conducted. T-tests revealed a significant difference between awareness of Fair Trade and environmental issues (means = 2.63 and 3.01 respectively, t = -4.52, p <.0001). However, there were no significant differences between green purchase behavior and Fair Trade purchase behavior (means = 2.73 and 2.79 respectively, t = -.442, p = .44).

The number of purchases made by the respondents within the past year that were influenced by the company's environmental record ranged from zero to 100 (mean = 8, S.D. = 15.47). The number of purchases influenced by the company's Fair Trade record ranged from 1 to 100 (mean = 6.25, S.D. = 15.88). Thirty-one percent of the respondents indicated that they hadn't made a single purchase that was influenced by the company's environmental record, whereas 45.2% of the respondents indicated that they hadn't made a purchased that was influenced by the company's Fair Trade record over the past year.

Categorization of Respondents According to Carrigan and Attalla's (2001) Typology

Ethical Awareness of Fair Trade Issues			
	High	Low	
Fair Trade		Caring and Ethical	Confused and Uncertain
Purchase	High	21.4%	8.7%
Behavior			
		Cynical and Disinterested	Oblivious
Low		10.7%	59.2%
Source of Typ	ology: Carri	igan and Attalla (2001)	n = 105
	Ethical Awareness of Environmental (Green) Issues		
	High	Low	
Green	Purchase	Caring and Ethical	Confused and Uncertain
Behavior	High	29.0%	9%
	-		
		Cynical and Disinterested	Oblivious
Low		17%	45.0%

n = 105

DISCUSSION and MANAGERIAL IMPLICATIONS

On average, the number of purchases respondents made which were influenced by the firm's environmental record was slightly higher than purchases influenced by the firms' Fair Trade record (8 vs. 6.5). Keeping in mind that respondents were not asked to limit their responses to a particular product category (therefore all purchases over the past year were to be considered), those figures are quite dismal. In addition, substantial numbers of respondents indicated that they made no purchases within the last year that were influenced by the environmental or Fair Trade records of a firm. This finding supports previous research which suggests that in general, ethics/CSR is not a central criterion in consumers' purchase decision. This premise is further supported by the data. While the mean for awareness of environmental issues was significantly higher than that of Fair

Trade issues, this awareness didn't clearly translate into ethical purchase behavior, given both the

mean for green purchase behavior and Fair Trade purchase behavior were quite low. A somewhat larger percentage of the sample fell into the "caring and ethical" category when it came to the environment versus the Fair Trade (29% and 21.4% respectively). Once again, this supports the notion that consumers are more aware of environmental issues and behave accordingly. This might be attributed, at least in part to the ease of information access. For example, "green" campaigns such as "Earth Day" are promoted on a widespread basis and through various mainstream media.

The data further revealed that 17% of the sample fell into the "cynical and disinterested" category on environmental issues, while 10.7% were placed in this category with respect to Fair Trade. This finding is somewhat encouraging in that only a relatively small percentage of respondents is highly aware of the issues, yet fails to engage in ethical purchase behavior. One might surmise that these respondents either do not care about these ethical issues; they fail to recognize the connection between their personal behaviors and these ethical issues or they are aware of the ethical issues related to the environment and Fair Trade, but there are other purchase criteria (such as price or convenience) that supersede their desire to make ethical purchase decisions.

The "confused and uncertain" category contained the smallest percentage of respondents of all groups when considering both environmental and Fair Trade issues (9% and 8.7% respectively). Carrigan and Attalla (2001, p. 572) used the label "confused and uncertain" to describe consumers who "would like to shop ethically, but remain bewildered by the lack of guidance and contradictory messages about corporate ethical behavior". Interestingly, the present study examined actual purchase behaviors rather than purchase intentions, therefore respondents in this category engage in green and Fair Trade consumption behavior despite the fact that their ethical awareness of issues in these areas is low. This finding is somewhat difficult to explain. However, one possible explanation is that respondents in this group might have developed a preference for a particular brand based solely on the merits of the product itself such as taste, quality, value, aesthetics, etc. and the product just happens to be a "green" or fairly traded product. Although, the respondent is not highly aware of the ethical issues and his/her actions are not directed by them, he/she might have now "learned" to prefer this brand and by default has become a consumer of a "green" or Fair Trade product. The final category identified by Carrigan and Attalla (2001) was "oblivious". With respect to environmental and fair trade issues, this category contained 45% and 59.2% of the respondents respectively. For both ethical issues, this category contained the largest percentage of respondents. This means that the majority of the respondents reported low levels of ethical awareness and low ethical purchase behaviors. As with the "cynical and disinterested" category, a possible explanation for the prevalence of this type of consumer is that they simply do not care about green and Fair Trade ethical issues. Alternatively, as Carrigan and Attalla (2001) noted, this type of consumer might not be unconcerned about the environment or fair pay to suppliers, he/she might lack the information necessary to make an ethical purchase decision, or his/her life might be too busy to take these issues into consideration when making purchase decisions.

Despite the fact that some previous research suggests that ethical awareness does not guarantee ethical purchase behavior, marketers should not be discouraged. The findings of this exploratory study demonstrate that a segment of highly aware consumers who also engage in ethical purchase behaviors exists. In fact, this group of respondents was the second largest group in the study. Clearly, there is potential to grow this particular segment. Marketers must meet the challenge of creating more informed (potential) customers who engage in ethical purchase behavior, based on this information. Carrigan and Attalla (2001) found that consumers are passive when it comes to obtaining information concerning ethical issues in marketing. Therefore, marketers of green and fairly traded products should simplify the information gathering process for consumers. If consumers do not actively seek out information on ethical issues, firms must find a way to creatively bring their messages to the consumer. In addition, marketers must ensure that they are using the most effective medium or media to reach (potential) customers.

While not the central focus of the present research, the data indicated that the most prevalent source that respondents used to become informed about both green and Fair Trade issues was "traditional" media (TV, print ads, billboards, or radio). This finding might be surprising to some in an era characterized by the proliferation of the Internet. This is particularly important to firms that sell fairly traded products, as "traditional" media are used only sparsely to promote these ethical issues. The primary source of Fair Trade information appears to be labeling and some other forms of in-store materials. Given one of the principles of Fair Trade is the producer's adoption of sustainable environmental practices, retailers of fairly traded products might also want to consider promoting the environmentally friendly nature of their products. In doing so, these retailers have the potential to benefit from capturing a segment of consumers who are already aware of and interested in "green" issues. These marketers should make consumers aware that Fair Trade involves more than paying a fair and equitable wage to international suppliers, but also involves important environmental issues as well. In addition to increasing awareness about green and fair trade issues, marketers must also keep in mind that green and fairly traded products are competing with a myriad of products in the marketplace. Marketers must recognize that green and fairly traded products are typically more expensive than comparable

"conventional" products and as with *any* product; marketers must "sell" the value of the product, emphasize its benefits and clearly justify price premiums. Marketers cannot rely solely on the product being "green" or fairly traded to appeal to consumers.

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