

The Impact of Corporate Social Responsibility on Consumer Behaviour

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ABSTRACT

Sustainable products play a significant role in influencing consumer behaviour. A prominent role is that influencing consumers' preference for sustainable products requires development of innovative products and analysis of consumption practices. Innovative products with less societal effects can lead the firm to greater business competency, improve its business performance, and ensure it retains its competitive advantages. Several studies have investigated the motives for purchasing socially desirable goods however most studies are based on importance rating survey. Attribute importance rating suffers from social desirability bias and some of the inferences made from this technique depart from actual consumer sentiments. The problem in this research is to address the lack of theoretical framework for examining the factors influencing consumer purchases behavior with regards to socially desirable products. The existing models are insufficient in properly explaining which factors are involved in the purchase decision and which factors are most important. The present study aims to solve this research problem.

The aim of this study will be to assess the influence of CSR product features on consumers' behavior. This thesis investigates the marginal willingness to pay for social attributes. In this experimental study, based on Auger et al. (2006), creation of different kinds of products with different levels of functional attributes and social attributes will force consumers to make tradeoffs, allowing measurement of the trade-offs they make.

The developed research framework contains 8 potential determinant classified into one of the three contexts: demographic, ethical and functional. This study was conducted through survey research and the sample used was purchased from a marketing company. The empirical data were collected by using self-administered questionnaires and the data analysis was based on 328 consumers in Sweden. The analysis was based on a number of statistical techniques such as descriptive statistics, likelihood ratio test, Mc Fadden's R^2 , and standard t-statistics. The findings reveal interesting insights into understanding the adoption of ethical products by consumers.

The analysis indicates what factors should be given attention. From 8 factors, the analysis indicates that the 4 demographic factors have no influence in the purchase of ethical products. All the functional and ethical attributes are statistically significant for both coffee and jeans

(products in the study) and are likely to be a good predictor of willingness to pay. Labour and environment have negative coefficients for both the products studied and suggest positive preference of these attributes. However, environment has a larger negative coefficient than labour for coffee and labour has a larger negative coefficient than environment for jeans. This means that consumers are willing to pay more for environmental attributes than for labour attributes with regards to coffee. With regards to jeans however the willingness to pay is higher for labour attributes than for environmental attributes. Environmental issues of coffee have a more direct impact on the consumer and are more functional than labour attributes and thus more preferable than labour attributes. On the other hand the environmental attributes of jeans do not have a direct impact on the consumer and are less functional.

Study implications are acknowledged. A comprehensive research framework is proposed suggesting potential determinant factors involved in examining the adoption of ethical products. This research framework provides a tool to marketing researchers in conducting further research. Empirical investigation offer guidance to governments and corporates, especially those who attempt to encourage the purchase of socially desirable products by consumers. Moreover, the study's limitations and suggestions for further research are provided.

Keywords: Consumer ethics, Corporate social responsibility, CSR communication, Ethical product attributes

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CHAPTER 1: INTRODUCTION

This chapter discusses the rationale for conducting the study. It begins by providing the background and motivation which explain its necessity. Then the research question formulated in tandem with the specific purposes of the research is presented. Next, the anticipated significance of the study is clearly given.

1.1 BACKGROUND

If information provision to consumers is to be used as an instrument of marketing initiatives, it is important to know whether consumers react to this kind of information, and if so, how the reaction varies within the population. The consumer is generally unable to observe the social impact of goods neither in the purchase situation, nor during consumption. Information about social effects of specific goods may therefore influence or trigger consumers' preferences for this attribute. The purpose of this thesis has therefore been to investigate preferences for different characteristics of goods.

Current consumption practices and consumer behavior cannot be called sustainable and without changes in consumers' attitude there is a potential threat to the environment and to the society in general. In reaction to this general societal problem, the question arises how consumption behaviour could be changed in order to reduce its environmental impact.

In this study I narrowed down this general question by focusing on one specific approach to changing consumer behaviour in order to reduce societal effects: It is assumed that consumer behaviour can be changed and be made less damaging through the development and successful market introduction of innovative products. This innovation can be brought about by introducing social attributes in products. In this approach, industry has a key-role to play. By means of innovative products it is possible to intervene in current unsustainable consumption practices and to provide alternatives to individual consumers. Changes in consumer behaviour can be realized through the adoption of innovative products and services that facilitate a new consumption practice.

The development of innovative products requires analysis of consumption practices. A

consumption practice can be understood as a kind of a transformation process in which various input factors are used for the production of certain utilities or useful end -results. Innovative activities are directed at rethinking and optimizing the production of a certain utility or functionality to consumers by inventing new a consumption practice. The optimization of a certain consumption practice ultimately results in an improvement of products, which means that the same functionality is produced with less harmful societal effects.

The trend towards globalization places a greater emphasis on the individual consumer as well as the corporation. Ethical consumerism addresses the social and environmental consequences of global trade. Neither the consumer nor the corporation can ignore the consequences of their actions. Ethical choices can involve purchasing from firms whose products and behaviours are deemed ethical and boycotting firms that seem to be unethical. Ethical issues can involve treatment of workers, environmental issues, gender and racial discrimination and human rights issues (Michletti 2003).

Ethical consumption implies that consumers have an important role through their purchasing activities in promoting ethical corporate practices. Ethical consumerism also implies that the consumer considers not only individual but also social goals, ideals and values (Uusitalo and Oksanen. 2004). Ethical behavior can also be affected by the nature of the product. For low involvement products (bath soaps) consumers are less ethically orientated. Certain ethical considerations are more important than others and importance of ethical consumption increases when such choices influence their own lives (Carrigan, M. & Attalla 2001).

Studies have shown that consumers tend to punish companies that are unethical but do not reward those that are ethical. Folkes and Kamins (1999) found that ethical behavior on part of companies did not compensate for inferior products but unethical behaviour had impact on consumer attitudes even if products were superior. It is also suggested that there is an ethical obligation not to cause harm (eg. use child labour) but there is no ethical obligation to do well (eg. provide education to children) (Folkes and Kamins, 1999). Many consumers are still not aware about which firms conduct ethical practices and which do not (Boulstridge, E. & Carrigan, M. 2000). Moreover consumers find it hard to tell if a product is ethically produced or not (Shaw et al, 2006)

The last few decades has seen a change in competitive strategies. Demand for increased innovation and price competition has led firms to find new ways to differentiate themselves. This has led many firms to market themselves as responsible corporate citizens. Corporate Social Responsibility (CSR) has received much publicity in the media and received attention in public debate in recent years. An increased awareness has contributed to a tendency on the part of consumers to engage more in how they can contribute to sustainable development. Consumers expect to a greater extent that the company conducts its business in a manner consistent with society's values and they want to be informed about corporate social engagement (Marin, Ruiz & Rubio, 2009; Pomeroy & Dolnicar, 2009).

A significantly increased proportion of Americans say they are willing to actively penalize companies that do not take a social responsibility, and that reward those companies that work with CSR, for example by switching brands or refrain from buying certain companies' shares (Webb et al., 2008). The way companies market their CSR activities have recently changed, reasonably in line with the higher demands placed on businesses. Many global companies are making their supply chains increasingly easier for consumers, including by uploading information about them on their website, which allows consumers to create themselves a picture of them. This can lead to what was once the major weaknesses of these companies become strength because of the transparency that this information helps. Cisco, for example has adopted code for supplier that outlined standards to ensure safe working conditions, where workers are treated with dignity and respect and the manufacturing process is in compliance with the environmental and local laws. However, there are many companies that are too aggressively communicating their CSR work with large ads and over clear press releases. The risk is that this type of marketing will result in companies misleading consumers about the company's CSR work and increase skepticism from the consumers' side. This may hurt the company by reducing loyalty among customers, reducing the value of brand and minimize the return on marketing investment. It is thus important to communicate only those ethical and social issues that the consumers value in a product.

Discussions on marketing ethics and corporate social responsibility have presented conflicting views on the validity of the approach in marketing and consumer studies. It has been claimed that the ongoing debate either fails to give adaptable theoretical insights or lacks empirical foundation (Carrigan and Attala, 2001). The essence of ethical marketing practices and corporate responsibility programmes lies in that they help companies to generate a positive

corporate image and increase customers' willingness to purchase the company's products (Pirsch *et al.*, 2007).

It has been established that consumers do value ethical products. However, the daily buying behaviour of consumers is often inconsistent with this (Thøgersen, 2004; Moisander, 2007). As a result, a number of researchers (Boulstridge and Carrigan, 2000; Carrigan and Attala, 2001; De Pelsmacker *et al.*, 2005) are concerned about whether the companies' socially and ethically sound behaviours pay off and whether the growing ethical and environmental consciousness among consumers is translated into widespread purchasing behaviour. The objective of this paper is to contribute to the discourse on this dilemma by examining the importance of ethical attributes in the choice of products, which is so far a fairly under-researched area.

The characteristics model developed by Gorman (published in 1980) and Lancaster (1966) assumes that goods are bundles of characteristics, and that consumers derive utility from these characteristics rather than from the goods themselves. The goods are seen as linear combinations of characteristics, and a given characteristic may appear in different goods. The connection between goods and characteristics can therefore be described through the technology matrix which indicates the level of specific characteristics in a number of different goods (Andersen, 2008). The characteristics are sometimes called attributes of the goods.

Variation in utility of goods may thus originate from at least two different sources: Different perceptions of the nature and amount of characteristics of the goods or different valuation of the characteristics of the goods. The organic attribute for example is credence good (Giannakas, 2002), which means that consumers cannot observe the organic characteristic directly, and must rely on information about the organic attribute, e.g. the organic label, instead. It is therefore possible to have different perceptions of the organic attribute. Some consumers may expect to get improvements for their health, some expect to get environmental improvements and some expect to increase the level of labour welfare when purchasing organic goods. But others may not, and the technology matrix therefore varies from individual to individual depending on their perception of the organic label. On the other hand, variations in utility between different socio-demographic groups which are not related to (measurable) differences in the perception of the goods might reasonably be perceived as differences in

preferences (Andersen, 2008).

Social attribute may not be expected to have a significant effect on consumer purchase decisions because of the inherent free-rider problem associated with public goods. Free-riding means enjoying the benefits of goods without paying, e.g. by enjoying the environmental effects of organic production without purchasing organic goods. However, early economic contributions (e.g. Sen, 1973) provide a basis for a more optimistic view. Consumers may, in addition to self-interest, be motivated by what Sen called “sympathy” or “commitment” (and others refer to as “altruism”, e.g. Andreoni, 1990) or by the fear of acting socially irresponsibly (non-instrumental or symbolic behaviour).

Only a handful of studies have until now investigated the significance of altruistic demand effects: Teisl et al. (2002) investigate the effect of the dolphin-safe label using aggregate time series data, Bennett et al. (2001) and Blamey and Bennett (2001) investigate the effect of claimed (but not certified) environmental attributes on demand for toilet paper using micro level cross-section data, and Bjørner et al. (2004) investigate the effect of the Nordic Swan label on Danish demand for detergent, toilet paper and paper towels using micro level panel data. All find evidence of consumer reactions that may indicate altruistic behaviour.

People may derive utility from improvements in their health, but also from improving the environment or increasing the level of labour welfare in the production. Health is a classical private good, only the one who consumes healthy food benefits (apart from the obvious positive externalities provided by e.g. reducing the cost of public health care). Environment and labour welfare, on the other hand, are public goods – no one can be excluded from enjoying the improved environment, or the knowledge that labour in organic production have a higher level of welfare, and they are therefore prone to free-riding. The fact that consumers are observed to purchase goods in order to improve either the environment or the level of labour welfare therefore indicates that altruistic behaviour is not just a theoretical phenomenon.

For the purpose of this study I investigate consumer preferences with regards to social attributes of coffee and jeans. The study will involve investigating consumers’ preferences,

using contingent ranking elicited in response to hypothetical choices in the survey based strategy used in this research project.

1.2 PROBLEM STATEMENT

Several studies have investigated the motives for purchasing socially desirable goods however most studies are based on importance rating survey. Attribute importance rating suffers from social desirability bias and some of the inferences made from this technique depart from actual consumer sentiments (Bacon, 2003). Attribute rating has several disadvantages. First of all, they overstate the importance of attributes as consumers can give the same rating to all the attributes (Myers, 1999), and secondly – and perhaps more importantly – it provides no information about the prices facing the respondents in the actual purchase situation. It is therefore impossible to separate the effect of prices from the effect of socio-demographics and attitudes. This thesis distinguishes itself by combining information about prices of goods, socio-demographics and perception of goods for each of the consumers in the sample.

Theoretically, this thesis builds on ideas and models of consumer multi-attribute choice in a sense that we interpret choice of social attribute as a trade-off situation between several choice criteria. Whereas many earlier studies have focused on describing the underlying values, attitudes and intentions towards socially responsible products, we try to explore consumer behaviour in a more realistic choice situation in which consumers have to balance their preferences over different product attributes. Our aim is to evaluate the extent to which consumers' value socially-friendly labeled products compared with other product characteristics. Moreover, we will use this knowledge in grouping consumers according to their preferences.

Customers are often faced with situations where they have to make a tradeoff between CSR and corporate ability (CA). Suppose a consumer must choose between products of two companies where one company ranks high on product quality and low on CSR issues while the other ranks high on CSR issues but low on products quality. Which product will the person choose, and why? Will the company with a better CSR record be chosen, even though it has a relatively low quality? Under which conditions will favorable information on one aspect can compensate for unfavorable information on the other aspect. Previous research did not make clear whether, and when, a favorable CSR can compensate for weaknesses in CA.

The aim of this study will be to assess the influence of CSR product features on consumers' behavior. This thesis investigates the marginal willingness to pay for social attributes. In this experimental study, based on Auger et al. (2006), creation of different kinds of products with different levels of functional attributes and social attributes will force consumers to make tradeoffs, allowing measurement of the trade-offs they make. This thesis focuses on consumers and consumer behavior in relation to environment, consumer protection and labour issues.

The problem in this research is to address the lack of theoretical framework for examining the factors influencing consumer purchases behavior with regards to socially desirable products. The existing models are insufficient in properly explaining which factors are involved in the purchase decision and which factors are most important. The present study aims to solve this research problem. In, particular, the following research questions will guide the study in testing for significant relationships between CSR and ethical consumer behavior among consumers. The major research question will be the following: Does CSR influence consumer purchasing behavior?

1.3 PURPOSE OF THE STUDY

The research question is broken into a number of purposes. In a broader sense, the study has the principal purpose of developing a comprehensive research framework that will be used to explore if CSR influences ethical consumer behavior. The next purpose is to apply the developed research framework for empirically investigating the factors influencing this ethical behavior. Based on these purposes, concise sub purposes are clearly stated as follows.

- To find out the extent to which consumers intent to purchase CSR product features.
- To find out if consumers are willing to sacrifice functionality for CSR desirability.
- To identify if the influence of CSR vary depending on the type of product.
- To find out if consumers are willing to pay a premium price for CSR acceptable products and, if so, to what extent.
- To identify if the influence of CSR vary depending on the type of social issue.

1.4 SIGNIFICANCE OF THE STUDY

The proposed research may contribute to the literature in three ways. First, the results of this research may be relevant to decision makers nationwide, giving them criteria for the management of their corporate social initiatives and characteristics for the launching of products with social attributes to the segment under study. Second, this study may contribute to the understanding and development of CSR. Third, the study could help business schools in their attempts to develop managers who act responsibly (EFMD, 2005).

CHAPTER 2: THEORITICAL FRAMEWORK

This chapter reviews the theoretical foundation and literature relating to CSR, corporate ability and ethical consumer behaviour. In developing a comprehensive research framework, I identify potential determinant factors that influence ethical consumer behaviour. The final research framework covers 3 contexts; individual, functional, and ethical/social. Next, this chapter reviews the theoretical foundation for empirical investigation. The objective of reviewing works on CSR, corporate ability and ethical consumer behaviour is to obtain a deep and broad understanding of the concepts and their relationships. The following sections include a literature review related to the independent variables and the dependent variable.

2.1 CORPORATE SOCIAL RESPONSIBILITY

The concept of Corporate Social Responsibility is about how companies combine their values and their behavior with the expectations from various stakeholders such as suppliers, employees, consumers, stakeholders and society at large. In this paper however, we will look at CSR from the consumers' perspective. CSR means that a company works towards minimizing the negative social, environmental and economic impact they have on their surroundings. Corporate Responsibility seeks companies to operate in a manner that contributes to sustainable development.

There are many motivations for engaging in CSR initiatives. Some companies believe that engaging in CSR helps in improving relationship with different stakeholders, others believe that CSR increases operational efficiency and reduces costs and still others are motivated by the market potential that good corporate reputation brings about (Pedersen, and Neergaard, 2009). Some companies work with CSR because it is principally the right thing to do regardless of the economic effect (Pedersen, and Neergaard, 2006).

CSR is something that is increasingly demanded by consumers when the importance of sustainable approach and insight into corporate behavior are increasingly part of the agenda. However, it is not completely straightforward for companies to communicate their CSR work as this information also leads to examination and questioning. Although CSR has impacted the policies and attitudes of businesses throughout the world it has seldom been linked to strategic marketing. The impact of CSR initiatives on consumers is important for performance improvement (Piercy and Lane, 2009).

According to Dawkins (2004) companies recognizing the opportunities and risk associated with CSR are increasingly making investment to look good in the eyes of the stakeholders. However benefits from CSR communication can only be realized when the CSR communication is in line with the concerns of the stakeholders. For CSR communication to gain credibility it is important that the causes the company supports must fit with their brand (Dawkins, 2004).

Marketing of CSR can be used as a resource and a way to gain competitive advantage. When a firm markets its products as ethical it may be advantageous to practice selective ethics. It is often difficult for consumers to consider several ethical criteria simultaneously but it may be easier to take into account one or two important ethical issues (Uusitalo and Oksanen, 2004). There are numerous examples to support this argument. Body shop has a single ethical claim of not testing products on animals, Green and Black's claim to use organic ingredients that are ethically sourced and Tom's of Maine claim to use all natural ingredients without animal testing. All these companies have employed selective ethics to gain advantage over their competitors. These companies have also been purchased by multinationals is an indication for growing consumer interest in ethical products.

Sen and Bhattacharya (2001) found that the CSR issues addressed by the company, "the quality of its products," "the consumers' personal support for the CSR issues," "their general beliefs about CSR," and "the consumers' perceptions of congruence between their own characters and that of the company in their reactions to its CSR initiatives" moderated the effect of CSR on product preferences. Moreover consumers' support for a particular CSR sphere is a key determinant for any CSR initiative. Influencing ethical consumerism requires defining which consumer goods and practices that have ethical meaning to the consumer with respect to economic, social, cultural, and political and technological environment (Cherrier, 2006). Bhattacharya and Sen (2004) argue that not all CSR are viewed equally by the consumers so it is important to develop CSR strategies that are not just ideological but also utilitarian.

Pelozo and Shang (2011) in their recent review of the CSR literature categorised CSR activities into philanthropy, business practices and product related activities. Cause related marketing, donations, community involvement, and volunteerism were categorised as philanthropy, company's policies regarding environmental and other social issues was

grouped as business practices while CSR activities inherent in products were categorised as product related activities. According to the authors CSR activities of philanthropy and business practices enhance other oriented value for stakeholders while product related CSR activities have particular importance for self-oriented value. The authors go on to say that CSR can be inherent in products and these can have significant impact on stakeholders' attitudes and behaviour and that CSR in the form of product features have the broadest spectrum of value to the consumers.

Holbrook's (2006) value model group product related CSR activities like the manufacturing of energy efficient products and organic food as utilitarian whereas CSR activities related to business practices as socially significant or ideological. Utility refers to utilitarian consequences of a product and encompasses values of convenience, economy and quality. Social significance on the other hand refers to the social benefits like prestige attained through the ownership of a product.

Green and Peloza (2011) found that a majority of consumers considered functional values in a product when integrating CSR in their decision making process. Consumers were found to buy energy efficient products not only because of their positive environmental impact but also because their positive effect on energy costs. Similarly consumers bought organic food because they are perceived to be healthier and more nutritious. Consumers reported more positively to traditional CSR activities (eg. recycling) when they were integrated with functional benefits. Consumers can be encouraged to recycle if an incitement is attached to recycling. The authors go on to say that CSR should not be viewed parallel to traditional product performance but rather integrated.

The impact of CSR initiatives can vary depending on its geographical focus. Russell et al, (2010) found that CSR activities focused locally increased patronage for the company responsible for the CSR activity and resulted in increased purchase intentions. Local CSR activity increase reciprocal behavior on the part of customers reflecting egocentric tendencies on the part of consumers.

Many researchers have highlighted the need to take the firms industry into account while studying CSR. According to Cottrill (1990) any CSR investigation that does not take into account the industry realities is bound to be deficient. He goes on to say that the effect from industry is obvious thus CSR should be more selective. Sweeney and Coughlan (2008) studied the annual reports of companies that were known for their CSR initiatives. Their

findings show that these companies that are recognized for their CSR conform to behaviours, norms and expectations of their industry. Companies in the automobile and the oil sectors placed emphasis on environment while companies in the financial, pharmaceutical, telecommunication and retail sectors focused their attention on customers.

The above research shows that in order to be successful in CSR communication it is important that the companies are selective in their focus. However it does not mean that other areas of importance are ignored. The telecommunication companies studied by Sweeney and Coughlan (2008) had their main focus on customers but did mention their responsibilities to the environment in their annual report. The few studies that have been undertaken so far concentrate on certain industries and thus it is relevant to access the focus of CSR in other industries.

2.2 CORPORATE ABILITY

Company's resources in terms of time money and managerial competence are scarce and this leads companies' in making allocation decisions after carefully considering the added value of each dollar they invest in their business activities. Apart from investing in CSR the resources may be needed to improve the quality of their products in order to be competitive in the market. Therefore, a trade-off is often needed, even if managers might wish to have an excellent reputation on both aspects. It is thus important to know how investments in corporate ability (CA) versus CSR pay off in products.

Corporate ability is "the expertise in producing and delivering product and/or service offerings" (Brown & Dacin, 1997). CA "may have a greater impact on both specific product attribute perceptions and the overall corporate evaluation than a reputation for social responsibility". However, they also observed that CSR has a positive influence on consumer response to new products. Researchers have begun investigating the conditions under which CA association and CSR association may influence consumers' preferences, and in some cases, their results are contradictory. Sen and Bhattacharya (2001) found that consumers are more sensitive to negative CSR than positive CSR and that the consumers' perceptions of the tradeoffs between CSR and CA efforts play a significant role in their final response. Berens et al (2004) found that the effect of CA association and CSR association on product evaluations and purchase intentions is different depending on the accessibility of the associations, their diagnostic value, and the corporate brand strategy that a company uses.

The experimental results of Mohr and Webb (2005) indicated that CSR had an important and positive influence on company evaluation and purchase intent. Their results showed that American consumers “reacted more strongly to negative than to positive CSR” and that a “low price did not appear to compensate for a low level of social responsibility”. According to Berens et al. (2005), academic researchers, on the influence of corporate associations in consumer response, “have found that association with a company’s corporate ability (CA) and its corporate social responsibility (CSR) both influence product evaluations but that CA associations have a stronger effect than CSR associations”. In contrast, Marin and Ruiz (2007) demonstrated that the contribution of CSR is stronger than CA. The authors suggested that the increasing competition and the decreasing CA-based variation in the marketplace may be responsible for this result. Moreover, they claimed that “CA may have become a base line below which companies face great difficulties to stay in the market, and above which companies benefit from competitive advantage in the form of associations obtained from the undertaken CSR activities”.

It can thus be said that in some situations, a good CA can compensate for a relatively poor CSR, and similarly, that in some situations, a good CSR can compensate for a poor CA. Research also shows that people continue to buy from companies with a publicly known poor CSR record because they like their products (e.g., Carrigan and Attalla, 2001). For them, the product’s good quality (CA) offsets the poor CSR. Similarly, some idealistic people may continue to buy from companies with a good CSR record despite a relatively poor quality (CA), in which case a good CSR offsets a poor quality. There are studies that show that for some attributes, negative information threatens a person’s personal values and goals (Baumeister et al, 2001).

When such goals are threatened people may resist trading off one attribute with another (Luce et al., 1999). While purchasing a car the attribute of safety is one which most people will not compromise on. Consumers will not tradeoff safety with any other attribute. Irrespective of the price consumers would prefer a safe car to an unsafe car. Research has also shown that personal goals and value is more than just an evaluation of attribute importance (Luce et al., 1999, 2000). When choosing a car, a person may judge safety to be equally important as style or price, but still find an unsafe car to far be more personally threatening than an ugly or expensive car. We can thus say that when a product attribute is relevant to a consumer then he

or she will not enter into a relationship with a company that ranks low on that particular attribute.

People may also perceive CA information to be less irrelevant and they may find the quality of the products itself less relevant in fulfilling their goals. This particularly is true for low involvement products like fast moving consumer goods (Berens et al, 2007). Auger et al (2010) argue that environmental attributes of low involvement products like batteries are more likely to be known to the consumers compared to labour attributes of high involvement products like athletic shoes. The authors explain this by saying that environmental issues have a more direct impact and that environmental attributes are more functional than labour attributes. The authors also found that consumers value ethical attributes relative to the functional attributes of a product and their willingness to pay for products with ethical features was higher. The study also suggests that while there are consumers influenced by ethical issues their level of influence varies depending on the type of product and the issue in question. The authors argue that firms stand on ethical issues could be used to differentiate products but effective differentiation requires market segmentation and understanding the needs of consumers in those segments.

Howard and Patricia (2006) studied consumers' concerns regarding different ethical issues relating to the production of food in California. They found that ethical treatment of animals in the production of meat and dairy products had most support followed by local production and wage for workers producing food. Their study also showed that preferences varied across consumer groups. Women, European-American and younger people were more likely to purchase labels that emphasized ethical treatment of animals. Locally produced labels were likely to be chosen by older people and households with children. Latinos were most concerned about the wages paid to workers involved in the production of food.

2.3 ETHICAL CONSUMER BEHAVIOUR

A growing body of academic research supports this new corporate global approach. Researchers claim that the business case of CSR includes improved financial performance, reduced operating costs, long-term sustainability of the company, increased staff commitment and involvement, long-term return on investments, enhanced capacity to innovate, enhanced brand value and reputations, development of closer links with customers, and greater awareness of their needs (Jones, Comfort, Hillier, & Eastwood, 2005).

Researchers have investigated the interface between CSR and the customer broadly, and as the literature shows, this is a truly complex matter. Many surveys developed at an international level suggest that a positive relationship exists between a company's CSR actions and consumers' reaction to that company and its product (Bhattacharya & Sen, 2004; Sen & Bhattacharya, 2001).

A growing body of academic research corroborates and attests to the generally positive influence of CSR on consumers' company evaluations and product purchase intentions (Brown & Dacin, 1997; Carrigan et al., 2004; Creyer & Ross, 1997; Maignan, 2001; Schroeder & McEachern, 2005; Uusitalo & Oksanen, 2004). This kind of consumerism mainly incorporates environmental issues but also extends to animal welfare, human rights, and labor working conditions in the third world (Tallontire et al., 2001). The links to consumers' positive product and brand valuations, brand choice, and brand recommendations documented the relationship between CSR and consumer attitudes. As a result of the broad literature, Devinney, Auger, et al. (2006) proposed a new concept highlighting the important role that CSR plays in consumer behavior, *consumer social responsibility*: "The conscious and deliberate choice to make certain consumption choices based on personal and moral beliefs". This concept has ethical and consumerism components, which can appear as an "expressed activity in terms of purchasing or no purchasing behavior; and as an expressed opinion in surveys or other forms of market research".

Conversely, recent investigations demonstrate that the relationship between CSR and ethical consumerism is not always direct and evident. The results are in many cases contradictory and establish numerous factors that affect whether a firm's CSR activities translate into consumer purchase. They include tradeoffs with traditional criteria like price, quality, and convenience and lack of information (Mohr et al., 2001); corporate brand dominance (Berens et al., 2005); and the type of CSR, quality of products, consumers' personal support for the CSR issues, and their general beliefs about CSR (Sen & Bhattacharya, 2001). There seems to be a contradiction between what the international polls and surveys established in terms of intentions to buy products with CSR features and the real purchasing of them (Devinney, Auger et al., 2006).

Auger et al. (2003) explained that the differences occurred because in the former studies, researchers used surveys to rank the importance of some CSR issues, without any trade-off between traditional features and CSR product features. These types of instrument overstate the relevance of CSR issues because Likert-type scales do not give “incentives to answer questions truthfully” (Auger & Devinney, 2005) and because “respondents may want to edit their private judgment before they report it to the researcher, due to reasons of social desirability and self-presentations”. Hence, “these surveys may overstate the importance of social features, since there are clearly more socially acceptable answers” (Auger et al., 2006).

A study by Muncy and Eastman (1998) found that consumers that are more materialistic are less concerned about ethical issues. However, the causality between the relationships is unclear. This has implication for the marketing of CSR as it shows that certain segments of consumers will be less affected by CSR initiative irrespective of the ethical issue in focus.

Roberts (1995) used an 18 item scale measured social responsible consumer behavior focusing on the consumers ecological and societal concerns. Using cluster analysis he found that the segment that was most socially responsible was also highly concerned about the environment while the segment that was most ecologically conscious cared least about the social issues. The group that was most ecological conscious comprised of women with high income and education.

In another study Creyer and Ross (1997) show that consumers do take ethical or unethical behavior of business into account when buying. Consumers expect firm to behave ethically and are willing to punish firms that do not. Consumers are willing to pay higher prices for products that are ethically produced and will only purchase similar products from unethical firms at lower prices. Some consumers even actively seek out firms that are ethical which shows the importance of defining clear ethical position.

There are some that found that consumers don't care about ethics. Carrigan, M. & Attalla (2001) found that consumers do not care much about ethics of businesses. However they go on to say that the link between CSR and purchase behavior is unclear. They encourage marketers to conduct research to find out the ethical issues that really matter to consumers and those that have a profound impact on them. Roberts (1996) found that while a large segment of the population cared about social and environmental problems there was also a substantial

segment that did not. He also says that expressed concern about environment or social issues does not necessarily translate into behavior.

Some researchers have stressed the fact that sufficient information is important in making ethical judgments and that consumers need more information to make ethical purchase (Carrigan, M. & Attalla, 2001; Uusitalo and Oksanen, 2004). In a recent study of factors impeding ethical consumption Bray et al (2011) conclude that consumers need to be fully informed in order to make effective purchase decisions. Shaw et al (2006) studying the role of fair trade on clothing choice found that consumers lacked information regarding the origin of the products and the company's policy regarding sweat-shop produced clothing. The result of these studies show that companies engaging in ethical activities related to a product have a lot to gain if they are effective in communicating their ethical stand.

2.4 THEORETICAL FOUNDATION OF ADOPTION MODELS

A consumer goes through a number of stages before a full-fledged adoption or acceptance of a product. These stages can range from gathering information, developing positive attitude and finally trying it out (Rogers, 2003). Consumers can reject the adoption at any stage so having adopted the first stage in the adoption process does not guarantee adoption (Thøgersen, et al, 2012).

Adoption can take place either through a high effort path or low effort path. It is assumed that when adoption takes place through the high effort path then the adopters are highly involved in the decision making (Hoyer & MacInnis, 2006). However adoption also takes place through the low effort path provided that the adoption involves low risk where trial follows awareness with attitude formation (Hoyer & MacInnis, 2006). All the stages of adoption are influenced by a number of product related and socio-demographic factors. Product related factors include both CSR attributes and CA attributes and as discussed earlier these attributes are a bundle of utilities. This variation in utility of goods differs from person to person and originates from different perceptions of the nature and amount of characteristics of the goods or different valuation of the characteristics of the goods. Perception on the other hand is related to socio-demographic factors.

Researchers examine factors influencing the adoption of products/services in different aspects and also using a variety of theoretical perspectives. Literature shows that the widely used theoretical constructs include the theory of reasoned action (TRA) (Fishbein & Ajzen, 1975),

the Theory of Planned Behavior (TPB) (Ajzen, 1985, 1991), the Social Cognitive Theory (SCT) (Bandura, 1986). This research offers valuable insight into the cognitive, affective, and behavioral reactions of individuals and also into the factors that influence their reactions. Because these three models are extensively used and referred to have validity in examining factors influencing adoption, they are considered to be useful theories and then used as a theoretical foundation in developing a comprehensive research framework for this study. The details of each theoretical construct are presented below.

2.4.1 Theory of reasoned action (TRA)

TRA tells us that individual’s behavior is a positive function of his/her behavioral intention to perform the behavior. According to the theory of reasoned action (TRA), one should consider attitudes toward the act of buying or using a product, rather than attitudes toward the product itself, if one wishes to predict and understand consumer behavior (Ajzen & Fishbein, 1980). While the attitudes toward a product are highly related to attitudes toward buying it, the distinction must be made because the former is an external variable with no necessary relationship with buying attitudes. The main factor in this theory is the individual’s intention to engage in a given behavior, and thus behavioral intentions are linked with attitudes and subjective norms. In order to gain a deeper understanding of the factors influencing behavior, we should look for the determinants of the attitudinal and normative components. Ajzen and Fishbein (1980) suggest that the determinants are beliefs individuals hold about themselves and their environment. Those beliefs are viewed as the bases for an individual’s attitudes and subjective Norms which ultimately determine an individual’s intentions. The model explains that the behavior is influenced by the intention. The intention is influenced by attitude and subjective norm. Figure 2.1 below presents the TRA model.

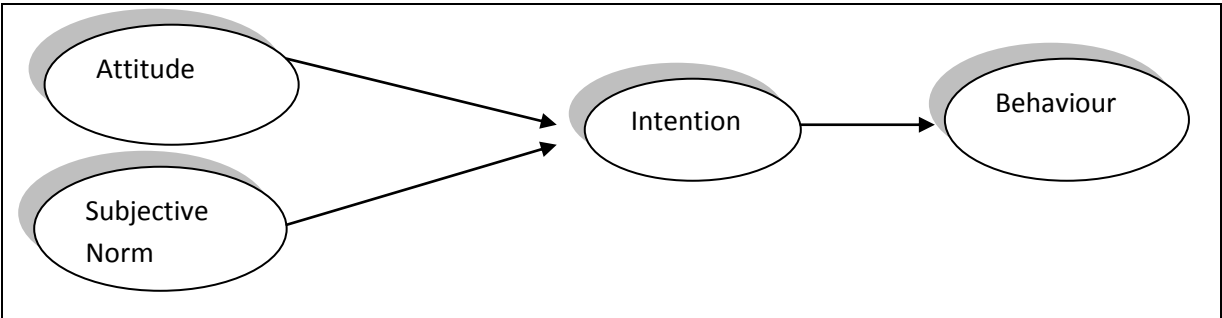


Figure 2.1: Theory of Reasoned Action (TRA)

In the TRA model, an attitude consists of 1) a belief that particular behavior leads to a certain outcome and 2) an evaluation of the outcome. This is to say that if an act seems beneficial to the individual, he/she may then intend to or actually participate in a particular behavior. Subjective norm on the other hand is an individual’s perception of what others want the individual to do. Whether or not an individual participates or intends to participate in any behavior is influenced strongly by other people around him/her.

2.4.2 Theory of Planned Behavior (TPB)

The theory of planned behavior (TPB) is an extension of the theory of reasoned action (TRA), and is often used to describe the attitudinal processes of human behavior (see Ajzen, 1991). The difference between the theories is that TPB incorporates the concept of perceived behavioral control, which overcomes the original model’s limitations in dealing with behaviors over which people have incomplete volitional control (Ajzen, 1991). Both theories have been found to be very useful in predicting a wide range of behaviors (Sheppard, Hartwick, & Warshaw, 1988). However, even though TRA and TPB provide useful frameworks for predicting behavior from attitudes, it seems that attitudes predict, at best, intentions to buy the products. However, it is to be expected that positive attitudes toward buying products with social attributes will have a positive relationship with purchasing frequency, even if this relationship is weak. The TPB model is presented in Figure 2.2 below.

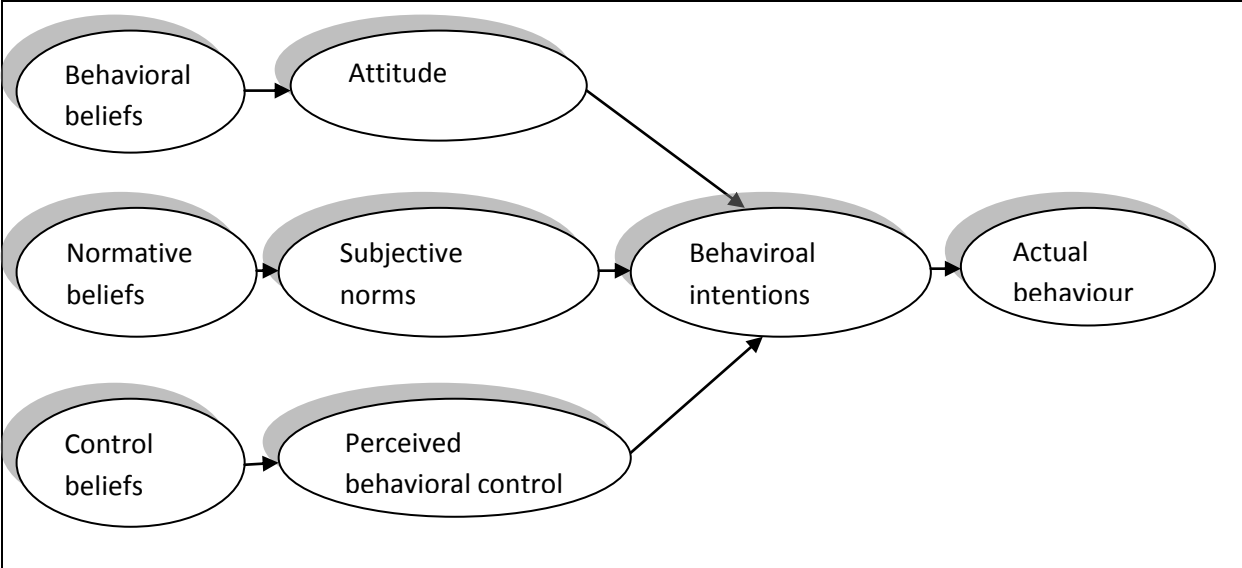


Figure 2.2: Theory of Planned Behaviour (TPB)

Ajzen (1991) reviews several studies using the TPB model and states that Attitude, Subjective Norms, and perceived behavioral control are usually found to predict behavioral intentions with a high degree of accuracy. The TPB model can be used in several contexts. For adoption of products with social attributes, TPB has been successfully applied to understand individual acceptance and ethical products (e.g. Polonsky et al, 2012; Tarkiainen and Sundqvist, 2009).

2.4.3 Social Cognitive Theory (SCT)

Social Cognitive Theory (SCT) was developed by Bandura (1986) who was influenced by the Social Learning Theory (SLT). The SCT evolved under the umbrella of behaviorism, which is a subset of psychological theories intended to explain why people and animals behave the way that they do. The SCT model is widely used to understand and predict individual and group behavior. According to the theory, Bandura (1986) views individual behavior as a triadic reciprocity consisting of personal factors, behavior, and environment. Individuals choose the environments in which they exist in addition to being influenced by those environmental factors, e.g. social pressures and unique situation. Moreover, behavior in a given situation is affected by environmental factors, which in turn is affected by behavior. The last reciprocal interaction is that behavior is influenced by the individual’s cognitive and personal factors, which in turn affects those same factors. This triadic reciprocal interaction is presented in Figure 2.3 below.

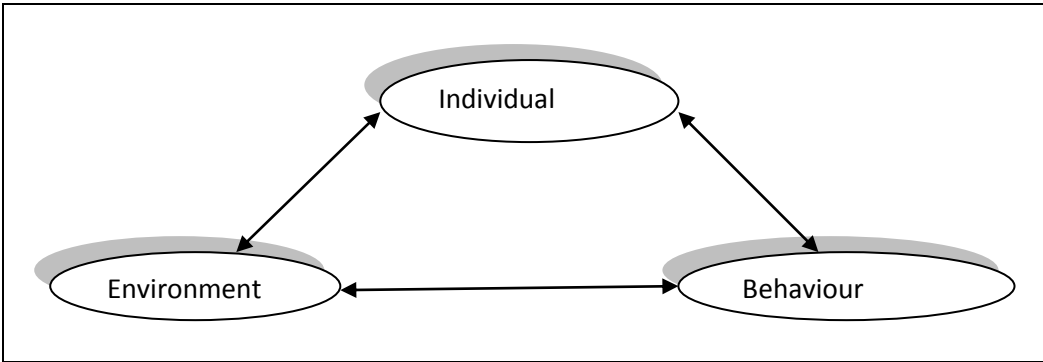


Figure 2.3: Social Cognitive Theory

The SCT has been widely used in the area of public health services. Nonetheless, the theory is also applicable to predict an individual’s behavior toward ethics. Kuo and Hsu (2001) apply and extend SCT to the context of software piracy. They emphasize the role of cognitive factors within the original SCT model. They emphasize self-efficacy of expectations as the major cognitive force guiding human behavior. Self-efficacy means the beliefs about one’s

ability to perform a particular behavior. Self-efficacy influences choices about which behaviors to accept, the effort and persistence exerted in the face of obstacles to the performance of those behaviors, and therefore the mastery of the behaviors.

Based on self-efficacy, Kuo and Hsu (2001) extend the dimension of self-efficacy into the context of ethical consumer behavior. Ethical computer self-efficacy is developed and refers to people's perceived confidence in sanctioning their conducts in using technology. The three dimensions of ethical computer self-efficacy are clarified below:

- **Magnitude** – refers to the level of difficulty that one believes is attainable. Magnitude of ethical computer self-efficacy reflects the level of capability expected. Individuals with high level of ethical self-efficacy might be expected to perceive that they are more able to sanction themselves against making difficult ethical violations than those with lower level of ethical self-efficacy. Thus self-efficacy is the capability of interest.

- **Strength** – means the level of conviction about the judgment, or the confidence an individual has regarding his or her ability to perform the various ethical tasks. Individuals with high ethical self-efficacy will perceive themselves as able to accomplish more difficult tasks (high magnitude) and will also display greater confidence about their ability to successfully overcome whatever obstacles exist.

- **Generalizability** – refers to the degree to which the judgment is limited to a particular situation. Within an ethical context, the situation it might be considered to reflect different events over which personal influence is exercised. This might entail regulating one's own motivation, thought process, performance level, emotional states or changing environmental conditions.

Ethical computer self-efficacy (Kuo and Hsu, 2001) is influenced by three principal factors: use and keep, distribution and persuasion. Use and keep refers to not using pirated goods, distribution refers to not distributing pirated goods and persuasion refers to persuading others not to commit piracy. The schematic of the model is presented in Figure 2.4:

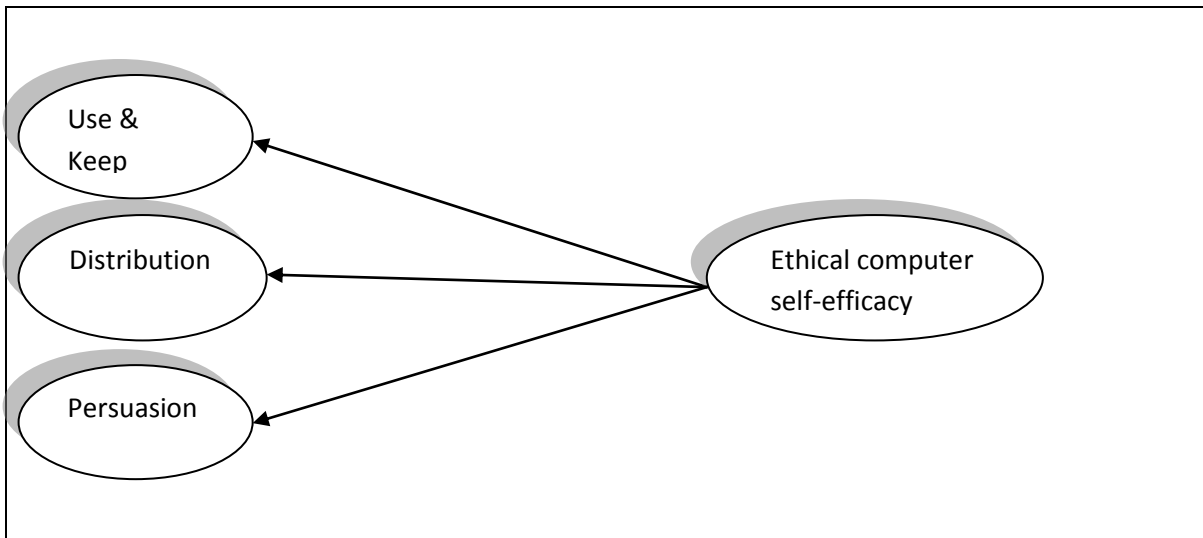


Figure 2.4: Ethical computer self-efficacy based on SCT concept

The adoption models of TRA, TPB and SCT are used to understand the cognitive, affective, and behavioral reactions of individuals to ethics. They are also used to examine the factors that influence individuals' reactions. However, review of their theoretical constructs shows that similarities and differences exist among these three models. Some of their constructs overlap close to each other. The present study uses these three adoption models as a background for developing a comprehensive research framework in subsequent sections.

2.5 ADOPTION MODELS IN ETHICAL CONSUMER BEHAVIOUR CONTEXT

The theoretical constructs of TRA, TPB and SCT appear in ethical consumer behavior literature. Some models are merged or extended to better explain the adoption of ethical products/services. A number of studies using these models have been conducted to determine factors influencing the adoption of specific attribute related products/services. Since the present study focuses on the adoption of ethical product innovation, previous studies in this context are reviewed.

2.5.1 Relevant Studies Using Theory of Reasoned Action (TRA)

Thøgersen, et al, 2012 employed the TRA model to determine the factors affecting early adopters of organic food in China. It was found that the factors influencing the early adoption of organic food in China is positively related to what Schwartz termed ‘universalism values’. The personal attitude towards buying organic food in China is strongly linked to beliefs about its healthiness, taste, and environmental friendliness. Social norms play a minor role for the intention to buy organic food, probably because the early adopters have few role models and face few expectations in this respect. When it comes to the adoption of organic food in China, there are reasons to expect that a high-effort path is most common. Most importantly, consumers often fear being cheated by unscrupulous sellers when products are promoted with ‘green’ claims. The perceived risk of being cheated when buying organic food is the most important reason to expect a high-effort adoption process. In addition, it is usually assumed that consumers who buy organic food products are highly involved in these products.

Polonsky et al, 2012 using the Theory of Reasoned Action (TRA) as a guiding framework, presented a structural equation model that tests the relationships between carbon and environmental knowledge, environmental attitude and behaviour using a sample of US consumers. The findings of the research suggest that a positive relationship was found between general and carbon-specific knowledge, attitude towards the environment, and general and carbon-specific behaviours. Therefore, general and carbon-specific environmental behaviours are related and may be driven by general attitudes and knowledge (i.e. both carbon-specific and general environmental knowledge). The implications of the study would suggest that marketers, working in tandem with government policymakers, need to focus efforts on developing consumers’ knowledge about specific sub-issues, such as global warming. However, the authors conclude that additional research needs to be undertaken to develop marketing communication that accurately reflects the environmental impact of consumption behaviour, thereby allowing for considered consumption.

Tarkiainen and Sundqvist (2009) used TRA to study if positive attitudes toward organically produced food are related to positive attitudes toward buying such food. The study showed that there was positive correlation between attitudes toward organically produced food in general and toward buying organic food.

2.5.2 Relevant Studies Using Theory of Planned Behaviour (TPB)

Regarding ethical consumer behavior studies using TPB, Tarkiainen and Sundqvist (2009) used the TPB model to explain and predict the adoption of organic food among 200 Finnish consumers. Their findings indicate that organic food buying frequency is positively influenced by consumers' attitudes toward buying organically produced items. This hypothesis gained support in each of the product categories, which accords with the TRA and the TPB.

Kim and Chung (2011) studied consumers purchase for organic personal care products using the TPB model. The results indicate that environmental consciousness and appearance consciousness positively influence attitude toward buying organic personal care products. The addition of past experiences as a predictor of purchase intention and perceived behavioral control as a moderator of the attitude-purchase intention relationship yielded an improvement on the TPB model. Using the same theoretical concept Lodorfos & Dennis (2008) study the determinants that influence consumers' intention to purchase organic products. Using Ajzen's theory of planned behavior (TPB) a survey of 144 consumers was used to determine the beliefs which determine consumers' intent to purchase organic food. Furthermore, attitudes, subjective norm, and perceived behavioral control were examined to determine whether they affect consumers' intention to make organic products purchases. The findings offer considerable support for the robustness of the TPB in explaining intention in the sample. In addition, empirical evidence suggest that price, availability of organic products, product information and the subjective opinions of others are important determinants of consumers intent to buy organic products.

Kim and Heesup, 2010, employed the theory of planned behavior (TPB) to understand customers' behaviors to explain customers' decision formation to pay comparable regular-hotel prices for a green hotel. This study modified the TPB by including environmental concerns, perceived customer effectiveness and environmentally conscious behaviors, which are critical in explaining eco-friendly consumer behaviors. A survey obtained 389 respondents. The findings from the structural equation modeling showed that the proposed model had a satisfactory fit to the data and better predicted hotel customers' intention than the original TPB. The results also indicated that all antecedent variables of intention significantly contributed to forming the intention to pay conventional-hotel prices for a green hotel.

Respondents were happy to have minor inconveniences, e.g. reusing towels and using recycled products, and were keen to learn about the positive environmental attributes of green hotels. Benefit awareness was shown to be important in customer decision-making.

2.5.1 Relevant Studies Using Social Cognitive Theory (SCT)

The theoretical construct of the SCT model normally appears in research emphasizing the individual level. In the context of ethical consumption acceptance and adoption, a number of studies have been conducted.

Larose and Kim (2001) examined normative influences on media consumption behavior. Downloaders face moral, legal, and ethical quandaries that can be conceptualized as normative influences within the self-regulatory mechanism of social cognitive theory. The music industry hopes to eliminate illegal file sharing and to divert illegal downloaders to pay services by asserting normative influence through selective prosecutions and public information campaigns. However the deficient self-regulation of downloaders counters these efforts maintaining file sharing as a persistent habit that defies attempts to establish normative control. The study tests and extends the social cognitive theory of downloading on a sample of college students. The expected outcomes of downloading behavior and deficient self-regulation of that behavior were found to be important determinants of intentions to continue downloading. Consistent with social cognitive theory but in contrast to the theory of planned behavior, it was found that descriptive and prescriptive norms influenced deficient self-regulation but had no direct impact on behavioral intentions.

Based on social cognitive theory Kuo and Hsu (2001) employs self-efficacy for investigating people's ethical behavior related to computer use. Specifically, an ethical computer self-efficacy (ECSE) construct concerning software piracy is developed and validated. The measurement model of the construct was rigorously tested and validated through confirmatory factor analysis.

2.6 A COMPREHENSIVE RESEARCH FRAMEWORK

The extensive literature review in the previous section undoubtedly provides evidence that the three adoption models are applicable for examining determinant factors in several ethical product innovations. The three adoption models (TRA, TPB and SCT) are considered to be useful theories and then used as a theoretical foundation in developing a comprehensive research framework for this study. The framework is developed in two steps. First, the three adoption models are merged since their constructs overlap. This is to obliterate repetition between models. Secondly, to simplify and clarify the research framework, a schematic model is drawn representing the comprehensive research framework.

2.6.1 The Conjunction of the Three Adoption Models

There are similarities and differences in the theoretical construct of TRA, TPB and SCT. In a broader perspective, they all are similar in that they tend to predict and explain the individuals' behavior toward ethical product innovation (e.g. adopting, implementing, using). Nevertheless, they are inconsistent in their focused context and the terminologies they use. In other words, in each model, behavior is determined by a set of beliefs toward a particular ethical innovation and a set of affective responses to the behavior. The beliefs and affective responses are demonstrated by Attitude and Subjective Norm in TRA; by Attitude, Subjective Norm, and perceived behavioral control in TPB; and by Self-efficacy, environment, and individual in SCT. These factors are typically used as independent variables that influence ethical product adoption either positively or negatively. Considering the definitions given in each model from its originators and previous studies, it could be argued that some factors are close to each other and can be merged into a single factor. Therefore, the present study combines related factors to reduce the repetition. Some factors are renamed and some terminologies are used as they are.

Attitude

The original construct of Attitude in TRA is fundamental to the TPB model. An Attitude is defined as “an individual’s positive or negative feelings (evaluative affect) about performing the target behavior” (Fishbein & Ajzen, 1975, p. 216). It can be explained that if the outcome of behavior is mentally evaluated to have benefit to the individual, he/she may intend to perform that behavior but if it is evaluated to have disadvantage, he/she may decide not to perform the particular behavior. The construct of SCT model, individual, can be merged into

this construct since it reflects positive side and negative side of an individual's feeling. These meanings fit and can be seen as a subset of Attitude. Then individual in the SCT model are merged with Attitude in the TPB model. The terminology of Attitude remains used in this study.

Subjective Norm

Both TRA and TPB models include the Subjective Norm. Thus, there is no doubt that this construct matches well between TRA and TPB. Subjective Norm is defined as “a person's perception that most people who are important to him/her think he/she should or should not perform the behavior in question” (Fishbein & Ajzen, 1975, p. 302). According to SCT individuals are also influenced by environmental factors like social pressure, thus the environment can rightly be merged into this construct. This could be described by saying that any individual's behavior is also influenced by other people surrounding him/her. These people can be friends, classmates, family, relatives, parents, colleagues, leaders, celebrities, and so forth. Therefore, the Subjective Norm construct is used without change in this study.

Perceived Behavior Control

The Perceived Behaviour Control is derived from TPB and self-efficacy in SCT. Bandura (1986) defined self-efficacy as the conviction that one can successfully execute the behavior required to produce the outcomes. He states that self-efficacy is the most important precondition for behavioral change, since it determines the initiation of coping behavior. For perceived behavioral control construct, Ajzen (1991, p. 188) defines it as “the perceived ease or difficulty of performing the behavior.” In other words, perceived behavioral control is the capability a person thinks he/she has in performing a particular behavior, which means adopting ethical product innovation in this study. It could be argued that this definition underlies the construct of self-efficacy. Both the constructs deals with the effort to learn and adopt ethical products. Perceived ease of use and complexity represent an individual perception on the opposite end of the scale. This is to say the higher a person perceives ease of use, the higher the conviction of use. Based on this explanation, both constructs could be placed on one single scale and then combined for the purpose of the present study.

2.6.2 The Conjunction of Pertinent Influencing Factors

As shown in previous studies, these adoption models are typically employed with some additional factors depending on the research question and the purpose of the study. These adoption models are powerful in explaining the circumstances of ethical product adoption, and most of their constructs focus on the attitude of the individual, social norms and perceived behavioral control. Research shows that all these factors are in turn influenced by socio-demographic factors like age, gender, education and income.

Given the extensive research suggesting that the TRA has validity in pro ethical behaviours contexts, this study builds on the theory to suggest that social demographic factors like education influences attitudes, which, in turn, influence behaviour (rather than behavioural intentions). This paper proposes that different social demographic factors shape overall ethical attitudes which then shape both generic and specific behaviours. For example, Bang et al. (2000) used the TRA as a theoretical framework, and found that there was a positive relationship between environmental knowledge and environmental attitudes and consumers' willingness to pay more for renewable energy.

There are many factors including marketing and economic variables as well as social and demographic that influence choice. Subjective norm is used to measure the social influences on a person's behavior. Subjective Norm is also based on salient beliefs, called normative beliefs, about whether particular referents think the respondent should or should not do the action in question. Including the Subjective Norm in measures of ethical behaviour should lead to more accurate estimates of ethical consumer behavior. Indeed the opinions of family and friends are reported to influence an individual's attitude, intentions, and behavior (Ajzen and Fishbein, 1980).

Perceived behavioral control refers to the degree of control that an individual perceives over performing the behavior (Chen, 2007). Thus, those who perceive a higher degree of personal control tend to have stronger behavioral intention to engage in a certain behavior (Ajzen, 1991). In particular, when people believe they have more resources such as time, money, and skills their perceptions of control are high and hence their behavioral intentions increase. Therefore, it is assumed that intention to buy ethical products is higher when consumers perceive more control over buying these products. Although numerous studies have shown that a person may have a favorable attitude toward a certain behavior, he/she might not have

the intention to accomplish the behavior when perceiving difficulties to do so (Chen, 2007). Vermeir and Verbeke (2006) claimed that the relationship between a consumer’s attitude and intention is inconsistent because purchase intention for ethical products may be influenced by factors such as price. Higher prices of green products compared with conventional products, consumers become more price-sensitive when purchasing products with ethical attributes. If consumers perceive that they cannot afford organic personal care products at a higher price, they may choose not to purchase them even though they have positive attitudes toward buying the products. That is, positive attitudes toward buying ethical products may not always lead to intention to purchase the products. Accordingly, it is expected that the positive relationship between attitude and intention may be moderated by the degree of perceived behavioral control.

2.6.3 Schematic Model of a Comprehensive Research Framework

A schematic model is drawn to clarify the linkage between the three contexts and the adoption of innovation.

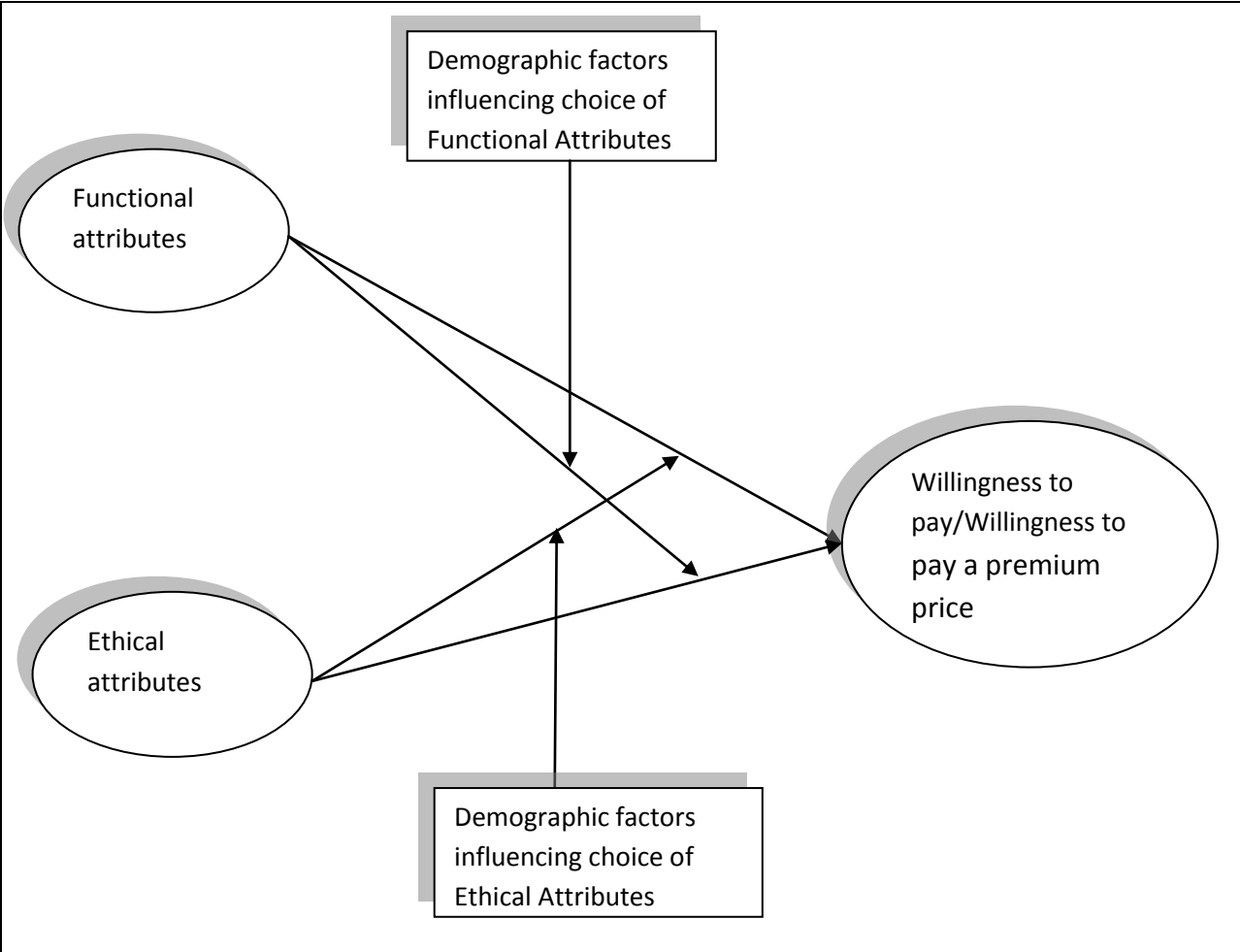


Figure 2.5: A schematic model of a comprehensive research framework

CHAPTER 3: FORMULATING HYPOTHESES

This chapter reviews prior similar research in the area of ethical product adoption, as a background to formulate research hypotheses. Using a comprehensive research framework, there are a number of potential determinant factors within each context. The general hypothesis is that the adoption of ethical products depends on a combination of ethical attributes, functional attributes and demographic factors that form our attitude. Operational hypotheses are formulated for each context. A clear definition of each factor is also provided.

From the previous chapter, a comprehensive research framework was developed covering a number of factors that affect ethical consumer behaviour. Thus, the hypotheses are developed based on the research framework. Prior similar research in the area of ethical product adoption is reviewed as a background for formulating each hypothesis. Then, the alternative hypothesis statement is proposed. A summary of hypotheses in each context is also provided at the end of each context.

3.1 DEMOGRAPHIC ATTRIBUTES

Consumers are not equally interested in buying ethical products. Moreover, depending upon demographic characteristics, different ethical dimensions may result in differences in willingness to (not) buy products incorporating ethical values. Several studies have tried to identify the ethical consumer in terms of demographic characteristics. There are studies that have found that an ethical consumer is a person with a relatively high income, education, and social status (Roberts, 1996; Carrigan and Attalla, 2001). A review of several studies by Torgler and Gracia- Valinás (2007), point out differences in preferences according to age, gender, income and education. The consumer is indeed confronted with budget constraints that may limit expenditure, particularly on green products. The education level may also impact on consumer attitude in their knowledge of environmental issues and their treatment of eco-information. In this study, the focus is on exploring the differences in preferences for ethical product attributes between socio-demographic consumer segments.

Brécard et al. (2009) studying the determinants of demand of green products found that young and well educated women have higher level of sensitivity to environmental issues, eco-labeling as well as resource preservation. In another study Roberts (1995) measured social responsible consumer behavior focusing on the consumers ecologically and societal concerns. The group that was most ecological conscious comprised of women with high income and

education. De Pelsmacker et al. (2005), report that older adults tend to be less willing to pay higher prices for environmentally friendly products. However, Radman (2005) suggested that willingness to pay for organic food is higher for older adults.

Saphores et al. (2007) found that young adults and households having higher income were willing to pay a higher price premium. Wealthier households tend to have more disposable income and thus may be more willing to pay higher prices for 'green' electronics. Young adults were more willing to pay extra for 'green' products, whereas older adults are less likely to support these price premiums. The largest effect was for the 'not willing to pay higher prices' category where a lack of a college education.

Income is often positively correlated with willingness to pay for environmentally friendly products, as illustrated by studies of participation in 'green' electricity programs (Zarnikau, 2003; Menges et al., 2005). Likewise, many studies find that more education leads to more interest in organic and locally produced food (Radman, 2005), 'green' cars (Mourato et al., 2004). Gender appears to influence consumer preferences, particularly for organic food. Recent findings indicate that women are willing to pay higher prices than men (Loureiro & Hine, 2004).

Kuhar and Juvancic (2010) studying the determinants of purchasing behavior for organic products found that income status of consumers considerably determines purchasing frequency for organic products. Frequency of purchase significantly increases with higher household disposable incomes and low income level very likely determines the purchase of organic products. A study by Wells et al. (2011) also showed that sociodemographic variables can be useful in understanding and predicting pro-environmental behaviours. The study suggests that females are more concerned than men about the environment and there is a positive relationship with education and age. Lodorfos & Dennis (2008) found that gender was a significant factor in influencing consumers' intent to buy organic food.

However there are studies that suggest that demographic factors are not good predictors of socially responsible behavior (Straughan and Roberts, 1999). For this reason Straughan and Roberts (1999) suggest that segmentation should be done based on psychographic factors like liberalism and altruism.

Consequently, this construct has four sub-hypotheses as follows:

Hypothesis 1a: Gender has an effect on the adoption of ethical products.

Hypothesis 1b: Age has an effect on the adoption of ethical products.

Hypothesis 1c: Education has an effect on the adoption of ethical products

Hypothesis 1d: Income has an effect on the adoption of ethical products.

3.2 ETHICAL ATTRIBUTES

An attribute that reflects a person's conscience can be called an ethical attribute (Ehrich and Irwin 2005; Irwin and Baron 2001). Products can have negative and positive levels on an ethical attribute. For example a car that is environment friendly can be said to have positive levels on an ethical attribute and a car that is not environmental friendly can be said to have negative levels on an ethical attribute. Consumers can express their concerns by buying products for their positive ethical qualities (e.g. fair trade, organic or environmental) or by boycotting products for their perceived unethical characteristics (Carrigan and Attalla, 2001). Ethical attributes are often linked to our sacred or core values, which are values that people state they are unwilling (or at least reluctant) to trade off, no matter what the benefits of doing so may be (Irwin and Baron 2001).

3.2.1 Environment

The rise in consumers' ecological consciousness in recent years has increased their willingness-to pay for green products (OECD, 2002). OECD points out that 27% of consumers in OECD countries can be labeled "green consumers" due to their strong willingness-to-pay and strong environmental activism. 10% of these are "green activists" with high environmental activism but lower willingness-to-pay. In its 2005 paper on the effects of eco-labeling schemes, OECD compiles several studies revealing greater consumer willingness-to-pay for eco-labeled products. The question of the determinants of demand for "green products" is particularly significant. In a standard microeconomic approach, the willingness-to-pay more for a green product reflects a higher marginal utility when buying a green product. It also reveals the consumer's environmental preferences.

Consuming a given product because of its perceived positive environmental impact (e.g. buying an environmental friendly car or coffee with a eco-label) can be described as ecological behavior. It is generally accepted that environmental concern is an important factor in consumer decision making, and a number of studies have found it to be an important determinant in green buying and organic food consumption (Tanner & Wölfing Kast, 2003). Thus, given that green attitudes reflect deeper environmental values, it is proposed that:

Hypothesis 2a: A positive relationship exists between environmental attributes and the willingness to pay a premium price attitude for coffee.

Hypothesis 2b: A positive relationship exists between environmental attributes and the willingness to pay a premium price attitude for jeans.

3.2.2 Labour

Many studies have shown the importance of labour related issues in the choice of ethical products. Labour related issues may involve guaranteeing a fair price to farmers in developing countries, which enables them to invest in their own production methods for their future. It may also involve social issues like not using child or forced labour.

A study by Auger et al. (2007) ranked sixteen different ethical issues (grouped in six categories) using the best-worst scaling methodology. According to the study labour issues were the most important ethical attributes considered by the consumer. De Pelsmacker et al. (2005) found that the most important attributes for the marketing of ethically labeled coffee were fair wages and other labour issues like no child labour. This argument is applicable to this study. Therefore, the following hypothesis is formulated:

Hypothesis 3a: A positive relationship exists between labour attributes and the willingness to pay a premium price attitude for coffee.

Hypothesis 3b: A positive relationship exists between labour attributes and the willingness to pay a premium price attitude for jeans.

3.3 FUNCTIONAL ATTRIBUTES

Functional attributes are attributes that define products' functionality and quality. Functional attributes may refer to manufacturing expertise, product quality and innovativeness. If a consumer has to choose between the products of two companies, one has excellent products, but also has a reputation for polluting the environment, the other company's products and services are of below average quality, but it has an excellent track record regarding environment. Which company will the person choose, and why? Will the company with a better CSR record be chosen, even though it has a relatively low quality?

3.3.1 Consumer protection

In the purchase of ethical products, it can be concluded that there is a complex tradeoff between ethical and functional attributes. Consumers may not simply try to reduce and avoid feelings of guilt by recycling or re-using their old things, they may simultaneously seek utilitarian value (Lin, 2009). Ethical consumers may also search to express their ideology and self-identity through their purchase decisions, that is, egoistic motives.

For example numerous studies have shown that the values associated with the consumption of organic food are often health-related, Health-related values represent the individualistic side of the motivational domain of values proposed by Schwartz and Bilsky (1990), whereas environmental or green values reflect the collectivist domain. Chrysosoidis and Krystallis (2005) found that health-related issues had the strongest influence on the consumption of organic foods. Health values are also pertinent to ethical consumers in their decision-making in consumption. Thøgersen et al, (2012) found that the attitude of buying organic food in China was highly influenced to beliefs about its healthiness.

Consumers consider functional attributes in a product when integrating ethical attributes in their decision making process (Green and Peloza, 2011). Consumers buy energy efficient products not only because of their positive environmental impact but also because their positive effect on energy costs. In a similar way consumers would consider purchasing cars that use less or no non-renewable sources of energy not only because of the environmental aspects but also because of the cost benefits. Consequently, the present study proposes:

Hypothesis 4: A positive relationship exists between consumer protection attributes and the willingness to pay a premium price attitude.

3.3.2 Price

Many studies in consumer ethics have identified high prices of ethical products as the main hindrance in ethical consumerism. Their financial limitations lead consumers to prioritise price, even though they want to ensure fair wages and (expensive) natural materials in order to live up to their altruistic and biospheric values (Jägel et al, 2012). Saphores (2007) studying the willingness to pay for green electronics found that while most respondents are willing to pay more for environmentally friendly electronics, they would only support a small price increase. Brécard (2009), found that one of the main determinants of the demand for green products was price.

The importance of price as a barrier to purchase fruit and vegetable from nonconventional production systems is confirmed by an increasing amount of research that assess the consumers' willingness to pay a premium for organic or safe products. Production yields are considerably lower for green products and therefore achieved price premium is a key determinant for organic farming attractiveness and profitability. Consumers' willingness-to-pay a premium shows the value they place on the product attributes. That low availability and high prices are the main barriers reducing consumer purchase of green products. Vermeir and Verbeke (2006) claimed that the relationship between a consumer's attitude and intention is inconsistent because purchase intention for organic foods may be influenced by factors such as price.

Kuhar and Juvancic (2010) found that price consciousness has no significant impact on purchase of quality fruits and vegetables. The results suggest that price of higher quality products is not a decisive element of purchasing behaviour. Purchasers are likely to continue buying such products notwithstanding higher prices of such products. However, Lodorfos (2008) found that many consumers do not buy significant quantities of organic products due to the perceived barriers such as price. If consumers perceive that they cannot afford green products at a higher price, they may choose not to purchase them even though they have positive attitudes toward buying the products.

Hypothesis 5: A negative relationship exists between price and the adoption of ethical products.

CHAPTER 4: RESEARCH DESIGN AND METHODOLOGY

This chapter presents the research design and methodology used in this study. Several philosophical beliefs of researchers are discussed and the philosophical standpoint of the author is acknowledged. Then, diverse alternatives for research approaches, designs, strategies, and time dimension are discussed, and the specific choice made in this study is clarified. Moreover, this chapter elaborates the details of research methodologies in regard to sampling procedure and questionnaire development.

4.1 RESEARCH PHILOSOPHY

The beliefs and experiences of a researcher somehow influence the way a particular research project is conducted. In particular, the way a researcher views environments or the world surrounding him/her will underlie the choice of which research practices should be used including research approaches, research strategies, etc. In the research community, the researcher's beliefs and experiences are called research philosophy or sometimes called the research paradigm. Research philosophy concerns the development of knowledge, particularly how the truth is discovered or how the knowledge is created. There are several philosophical standpoints that have been criticized and debated among researchers. A clear understanding of different philosophical standpoints is essential for a researcher to clarify his/her fundamental beliefs and to justify 'why,' 'what,' and 'how' particular research practices are chosen.

Easterby-Smith *et al.* (2002) suggest three reasons why it is useful to better understand the different philosophical standpoints. First, such understanding can help clarify research design issues, such as what kind of evidence is required, how it is to be gathered and interpreted, and how the chosen practices will provide good answers to the basic questions being investigated in the research project. Second, it can help researcher recognize which designs will work and which will not. It should enable him/her to avoid going up too many 'blind alleys' and should identify the limitations of particular approaches. Third, knowledge of research philosophy can help the researcher identify and perhaps create designs that may be outside his or her past experiences. It could also suggest how to adapt research designs according to the constraints of different subject or knowledge structures. Therefore, this suggestion reflects clearly that a researcher should be aware of and understand the differences among research philosophies.

In a broader sense, there are three major ways of thinking about research philosophy: epistemology, ontology and axiology. Each contains important differences that will influence the way researchers think about the research process (Saunders *et al.*, 2007). Nonetheless, epistemological and ontological approaches are prominent when discussing research philosophy. They are briefly presented here. Epistemology is defined as “a general set of assumptions about the best ways of inquiring into the nature of the world” (Easterby-Smith *et al.*, 2002, p. 31). It concerns what constitutes acceptable knowledge in a field of study. The key epistemological question is ‘Can the approach to studying the social world be the same as the approach to studying the natural sciences?’ The answer to this question points the way to the acceptability of the knowledge developed from the research process (Saunders *et al.*, 2007). Ontology refers to “assumptions that we make about the nature of reality” (Easterby-Smith *et al.*, 2002, p. 31). It raises questions related to the assumptions researchers have about the way the world operates and the commitment held to particular views. It is concerned with the nature of reality in which social phenomena are described either objectively or subjectively (Saunders *et al.*, 2007).

Research philosophy is discussed from a variety of perspectives. For instance, Babbie (2004, p. 33) uses the term social science paradigm which is defined as “a model or framework for observation and understanding, which shapes both what we see and how we understand it.” He recommends that the conflict paradigm causes us to see social behavior one way whereas the interactionist paradigm causes us to see it differently. Research paradigms discussed in his book include early positivism, social Darwinism, conflict paradigm, symbolic interactionism, ethnomethodology, structural functionalism, and feminist paradigms. Similarly, Burrell and Morgan (1979) propose four research paradigms: functionalist, interpretive, radical humanist, and radical structuralist. The four paradigms are based on two contrasting concepts: subjective-objective notion and regulation-radical change. These research paradigms can be considered as equivalent to research philosophy but using different terminology. They also influence the way research is conducted in the same way as they influence research philosophy, but the research paradigms are explained and described in different ways. In the present study, the author is aware of the existence of different paradigms and treats them in the same way as research philosophy. In particular, this study does not discuss each paradigm in detail, but rather emphasizes the major research philosophies that are widely referred to in the literature. The author identifies and affirms the research philosophy that is well suited with his beliefs and experiences.

There are two major philosophical traditions which are remarkably opposite viewpoints, positivism and social constructionism. Positivist tradition states that the social world exists externally and its properties should be measured through objective methods, rather than being inferred subjectively through sensation, reflection or intuition. Its ontological assumption is that reality is external and objective. Its epistemological assumption is that knowledge is only of significance if it is based on observations of this external reality (Easterby-Smith *et al.*, 2002). A social researcher with the positivist view is similar to physical and natural scientists in the way the research outcome can be generalized. The research project is typically highly structured allowing further observation and replication. Knowledge is normally gained deductively via statistical probability. A positivist researcher believes that the researcher is independent from what is being observed. Positivism is referred to as objectivism and those who adopt this tradition may be called ‘resources’ researchers (Saunders *et al.*, 2007).

On the other hand, social constructionism claims that reality is determined by people rather than by objective and external factors. Hence, a social constructionist should focus on what people, individually and collectively, are thinking and feeling and the way people communicate with each other, whether verbally or non-verbally. Social constructionists should eventually attempt to understand and explain why people have different experiences, rather than search for external causes and fundamental laws to explain their behavior. Human action is the result of the sense people have in different situations (Easterby-Smith *et al.*, 2002). In addition, this philosophical tradition can be called subjectivism based on ontological assumption and interpretivism based on epistemological assumption. Those who adopt this view may be called ‘feeling’ researchers (Saunders *et al.*, 2007). There are clear distinctions between the two philosophical traditions which are summarized in Table 4.1.

Table 4.1: Contrasting implications of positivism and social constructionism.

	Positivism	Social Constructionism
The observer	-must be independent	-is part of being observed
Human interests	-should be irrelevant	-are the main drivers of science
Explanations	-must demonstrate causality	-aim to increase general understanding of the situation
Research progresses	-through hypotheses and deduction	-through gathering rich data to induce ideas
Concepts	-need to be operationalized	-should incorporate stakeholder perspectives
Unit of analysis	-should be in simple terms	-may include complexity of the whole situation
Generalization through	-statistical probability	-theoretical abstraction
Sampling requires	-large numbers selected randomly	-small number of cases chosen for specific reasons

Source: Easterby-Smith *et al.* (2002, p. 30)

Even though positivism and social constructionism have clear philosophical standpoints, some researchers cannot identify themselves with a specific tradition because in practice it is possible they may agree with the foundational concepts of one tradition but prefer collecting data and generalizing the findings using the other tradition. Furthermore, the philosophical view adopted might be inconsistent in a particular individual researcher. Indeed, it appears occasionally that a researcher from one view produces ideas which belong more neatly to those of the other view (Easterby-Smith *et al.*, 2002). This divergence results in many researchers pay no attention to explicitly expressing which philosophical standpoint they have. Additionally, mixtures of both positivism and social constructionism have emerged which is known as realism (Saunders *et al.*, 2007), pragmatism (Tashakkori & Teddlie, 1998), and relativism (Easterby-Smith *et al.*, 2002). These emerging views share some aspects from positivism and social constructionism as well as having their own philosophical standpoint. It could be argued that those who do not position themselves explicitly with either positivism or social constructionism are likely to have a mixed view and fall into one of these emerging views.

According to Saunders *et al.* (2007), realism holds the assumption of epistemology and has some notions similar to positivism and interpretivism. There are two contrasting forms of realism, direct and critical realism. Direct realism states that what you see is what you get. This means what we experience through our senses portrays the world accurately. On the other hand, critical realism argues that what we experience are sensations, the images of the things in the real world, not the things directly. Sometimes, our senses are unreliable.

For the pragmatist view, Tashakkori and Teddlie (1998) suggest it would be beneficial for researchers in a particular research project to think of the philosophy adopted as a continuum rather than opposite positions. They suggest that in some situations, a researcher has to be interactively involved in what is being studied while in another situation, a researcher could be independent from what is being studied. Pragmatist researchers tend to avoid the concept of what is truth and reality. They emphasize more on using different ways they believe appropriate and using the results in ways that make positive consequences within their value system.

Another emerging philosophical view is relativism, which also shares some notions from positivism and social constructionism. It tends to combine the strengths and avoid the limitations of each traditional view. Easterby-Smith *et al.* (2002) assert that relativism accepts

the value of using multiple sources of data and perspectives. It can be conducted efficiently enabling generalizations to be made beyond the borders of the situation under study.

The research philosophies presented above provide a comprehensive understanding of the differences between philosophical views. Nonetheless, researchers should not think that one view is superior to the other. There is no right-wrong, good-bad view when discussing philosophical standpoints. They are based on different assumptions and look at the world from different angles. As suggested by Saunders *et al.* (2007), each view is better at doing specific things and the choice of which view to use depends on the research question(s) researchers seek to answer. Thus, it could be said that a better understanding of different research philosophies would facilitate a researcher to conduct a research project more effectively which leads to greater reliability and validity of research outcomes.

However, while the distinction between philosophical views is considerably clear at the theoretical level, many scholars argue that when it comes to the choice of specific methods and research designs, the distinction appears to break down at the practical level (Bulmer, 1988; Burrell & Morgan, 1979; Easterby-Smith *et al.*, 2002). This breakdown does not necessarily mean that a researcher should not clarify his/her philosophical standpoint. Rather, he/she should attempt to explicitly express his/her standpoints as much as possible, be it a pure view or a mixed view. This expression allows readers and other researchers to understand the logic behind the practical considerations in a particular research project.

The philosophical standpoint of positivism is grounded by the scientific approach. Consequently, the author clearly declares that his research's philosophical standpoint falls in the realm of positivism.

4.2 RESEARCH APPROACH

There are two broad routes of reasoning, inductive and deductive approaches. The inductive approach typically moves from specific observations to broader generalizations and theories. This is often called a bottom-up approach (Trochim, 2006). The researchers may begin with specific observations and measures, begin to detect patterns and regularities, and then formulate some tentative hypotheses that they can explore. They might end up by developing some general conclusions or theories. The theory is drawn from empirical observations (Ghauri & Grønhaug, 2002). An inductive approach is likely to be particularly concerned with

the context in which such events were taking place. The study of a small sample size of subjects might be appropriate (Saunders *et al.*, 2007). Inductive reasoning moves from a set of specific observations to the discovery of a pattern that represents some degree of order among all the given events (Babbie, 2004).

In contrast, a deductive approach commonly works from the more general to the more specific. Some researchers call this reasoning a top-down approach (Trochim, 2006). Researchers might begin by examining theories related to their topic of interest. They then narrow those theories down to more specific research questions or hypotheses that can be tested. Then, the researchers answer questions or confirm hypotheses through a number of research methods, mainly in quantitative ways in order to be able to generalize the findings (Saunders *et al.*, 2007). Deductive reasoning moves from (1) a pattern that might be logically or theoretically expected to (2) observations that test whether the expected pattern actually occurs. It is the logical model in which specific expectations of hypotheses are developed on the basis of general principles (Babbie, 2004).

These two methods of reasoning are different ways to conduct research. Inductive reasoning is more open-ended and used to understand new or unknown phenomena. The theory usually follows data and the findings are often difficult to replicate. On the other hand, deductive reasoning is narrower in nature and is concerned with testing or confirming hypotheses. The theory will be developed through confirmed or rejected hypotheses and the findings can be replicable. In short, the difference between the two approaches is that one is building the theory (inductive) while the other one is testing the theory (deductive). Table 4.2 summarizes major differences between two approaches.

Table 4.2: Major differences between deductive and inductive approaches to research

Deduction emphasizes	Induction emphasizes
<ul style="list-style-type: none"> • scientific principles • moving from theory to data • the need to explain causal relationships between variables • the collection of quantitative data • the application of controls to ensure the validity of data • the operationalization of concepts to ensure clarity of definition • a highly structured approach • researcher independence of what is being researched • the necessity to select samples of sufficient size in order to generalize conclusions 	<ul style="list-style-type: none"> • gaining an understanding of the meanings humans attach to events • a close understanding of the research context • the collection of qualitative data • a more flexible structure to permit changes of research emphasis as the research progresses • a realization that the researcher is part of the research process • less concern with the need to generalize

Source: Saunders *et al.*, (2007, p. 120)

The selection of approach depends on the extent to which existing knowledge and theories are available related to the topic of interest. If prior knowledge and theories exist and are sufficient, a deductive approach is appropriate. On the other hand, if there is no theory to guide the research, then the inductive approach could be selected. For this study, a number of adoption models exist and have been extensively examined, but little research pays attention to tradeoff between functional and ethical attributes. In other words, the prior knowledge and theories concerning ethical product adoption exist, but they are insufficient in understanding the adoption in relation to functionality. Therefore, the deductive research approach is more applicable and employed for this study. Previous adoption models together with similar studies are reviewed and discussed to develop a research framework. A number of research hypotheses are formulated and will be tested in order to understand the adoption of ethical products among consumers.

4.3 RESEARCH DESIGN

A research design provides the basic direction for carrying out the research. Basically, in social research, there are three categories of research design: exploration, description, and explanation (Babbie, 2004; Saunders *et al.*, 2007). In business research, the explanatory category is also known as causal research (e.g. Aaker *et al.*, 2004; Churchill & Iacobucci, 2005; Hair *et al.*, 2003). These categories differ in several aspects including research purpose, the way research questions or hypotheses are formulated, and the way data are collected. The following describe more details of each category.

4.3.1 Exploratory Research

This type of research is typically used when a researcher examines a new interest or when the subject of study itself is relatively new (Babbie, 2004). The major emphasis of exploratory research is on the discovery of ideas and insights (Churchill & Iacobucci, 2005). It is used when seeking insight into the general nature of a problem, the possible decision alternatives, and relevant variables that need to be considered (Aaker *et al.*, 2004). Generally speaking, exploratory research is employed when the researcher has little prior knowledge on the topic of interest. The research questions or assumptions might be obscure because the phenomenon of interest is considerably new and unfamiliar to the researcher. More information is needed

to clarify the concept and scope of the study and to make the researcher understand the problem better.

The exploratory research could be conducted through a number of techniques including literature review, interviews, Delphi technique, focus group, case study, project test, experience survey, and ethnography. Most exploratory studies are done for three purposes: (1) to satisfy the researcher's curiosity and desire for better understanding, (2) to test the feasibility of undertaking a more extensive study, and (3) to develop the methods to be employed in any subsequent study (Babbie, 2004).

4.3.2 Descriptive Research

Descriptive research is conducted to describe situations and events. The researcher observes and then describes what was observed (Babbie, 2004). In general, things are described by providing measures of an event or activity and descriptive research often accomplishes this by using descriptive statistics. These include frequency counts (how many), measures of central tendency (mean or mode), and a measure of variation (standard deviation) (Hair *et al.*, 2003). Descriptive research is employed to provide an accurate snapshot of some aspect of the observed persons, events, situations, and environments.

This type of research design is frequently used when a problem is well structured. It is typically concerned with determining the frequency with which something occurs or the relationship between two variables (Churchill & Iacobucci, 2005). Initial tentative or speculative hypotheses often exist to guide the project. The relationships studied will not be causal in nature, but they still have utility in prediction (Aaker *et al.*, 2004). It can be conducted through sample surveys, an omnibus panel, a true panel, and longitudinal study.

4.3.3 Explanatory (causal) Research

The focus of this research design is on studying a situation or a problem in order to explain the relationships among variables (Saunders *et al.*, 2007). It is concerned with determining cause-and-effect relationships, which are studied via experiments (Churchill & Iacobucci, 2005). Explanatory research aims to develop precise theory that can be used to definitively explain the phenomena, which leads to the generalization from the research. In more detail, it

tests whether or not some event causes another, i.e. does X cause Y? Does a change in one event bring about a corresponding change in another event? This design is the most intricate, often takes a long time from planning to execution, and can be very expensive (Hair *et al.*, 2003).

Explanatory research is typically conducted through laboratory and field experiments. Hair *et al.* (2003) suggest that there are four conditions researchers look for in testing cause-and-effect relationships: (1) time sequence—the cause must occur before the effect, (2) covariance—a change in the cause is associated with a change in the effect, (3) non-spurious association—the relationship is true and not really due to something else that just happens to affect both the cause and effect, which means that other potential causes be controlled, and (4) theoretical support—a logical explanation exists for why the cause and effect relationship exists. Figure 4.1 summarizes the main uses and methods of the three research designs.

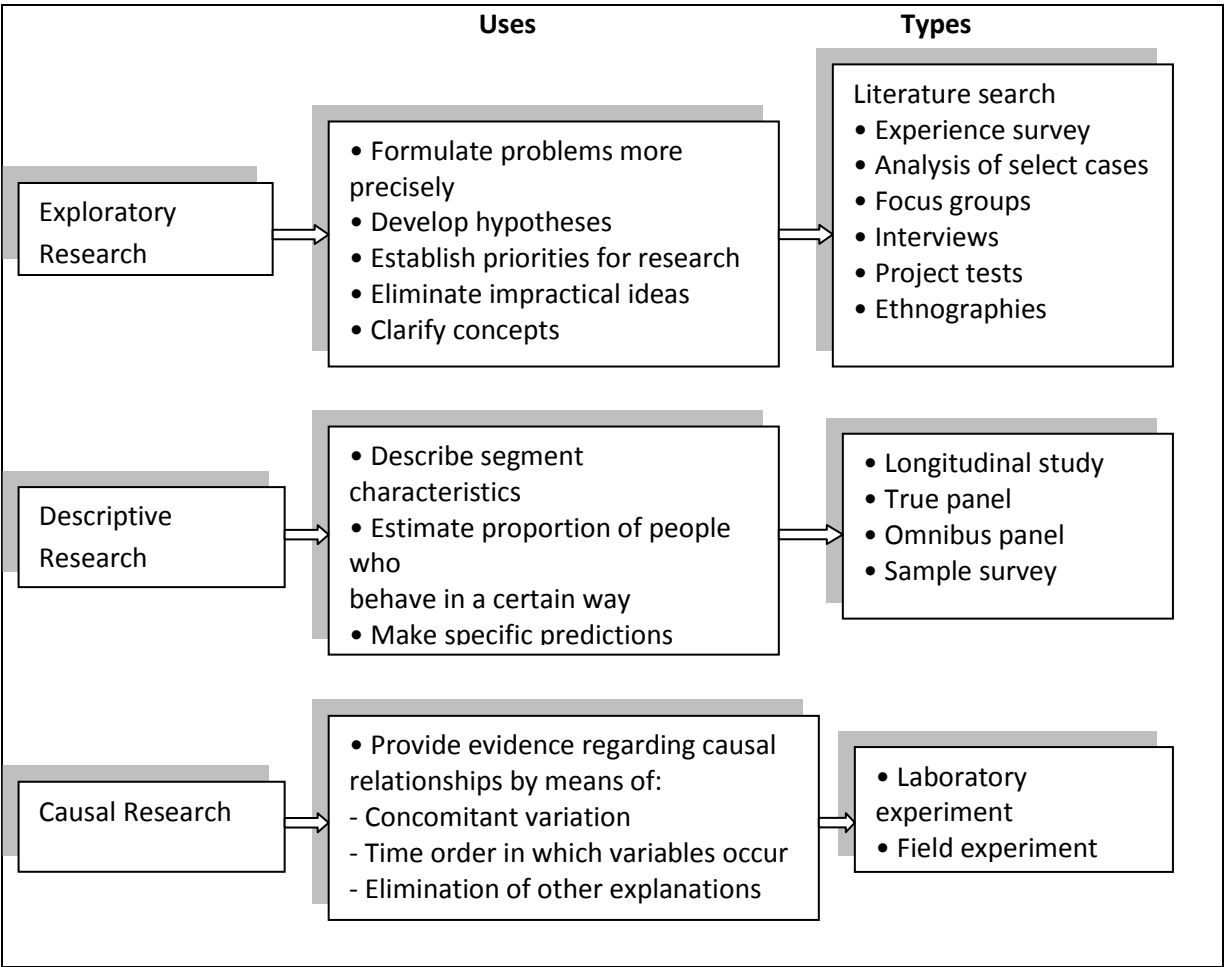


Figure 4.1: Overview of three research designs (Churchill & Iacobucci, 2005, p. 76)

4.3.4 Interrelation of Research Designs

There are distinctions among exploratory, descriptive, and explanatory research designs. Nonetheless, they have complementary roles in many research projects. The distinctions are not absolute because any research project is likely to serve several purposes and therefore require more than one research design. According to Churchill and Iacobucci (2005), the three research designs are interrelated as stages in a continuous process (see Figure 4.2). Exploratory research is often seen as the initial step. When researchers begin to investigate, they typically lack knowledge about the problem. Researchers often face overly broad research questions that cannot serve as a guide for research. Exploratory research helps narrow and refine the questions. With successful exploratory research, the possible explanations or hypotheses are developed and serve as guides for the subsequent descriptive or causal research projects.

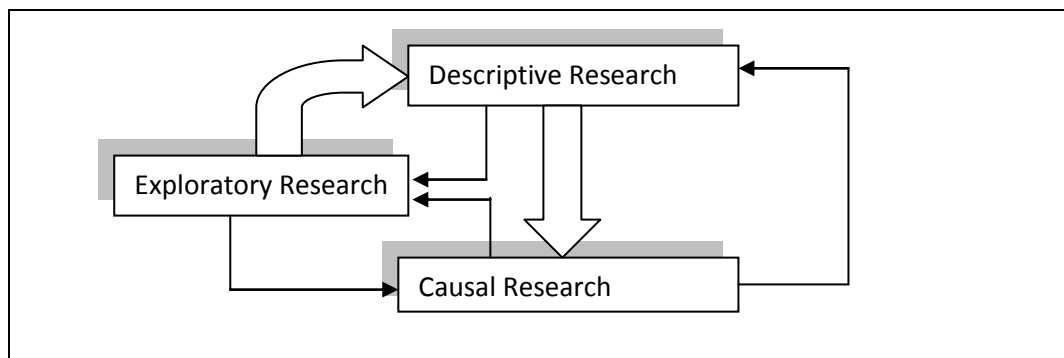


Figure 4.2: Relationship among research designs (Churchill & Iacobucci, 2005, p. 75)

This interrelationship, however, does not necessarily mean that all research projects must begin with an exploratory study. Instead, the beginning depends on whether researchers can be sufficiently specific in formulating the problem. Both descriptive and explanatory studies can be a starting point too, but most research projects often begin with exploratory study.

In this study, exploratory and descriptive research designs are applied. The study begins with an extensive review of literature about corporate social responsibility, corporate ability, and ethical consumer behaviour to understand better the current phenomena and to narrow the research topic. The scope of the study is then refined, leading to specific research question. Next, a number of hypotheses are developed based on previous similar studies and existing adoption models. This process produces a number of hypotheses representing independent

variables from three broader contexts. The dependent variable is the willingness to pay (see Table 4.3). The descriptive study is then used to test the hypotheses and describe the details of event. As suggested, descriptive research is used when the purpose is to describe characteristics of certain groups, estimate the proportion of people who behave in a certain way, and make specific predictions (Churchill & Iacobucci, 2005).

Table 4.3: Dependent and independent variables

Dependent variable	Independent variable	Context
Willingness to pay	<ul style="list-style-type: none"> • Age • Gender • Education • Income 	Demographics
	<ul style="list-style-type: none"> • Environemnt • Labour 	Ethical Attributes
	<ul style="list-style-type: none"> • Consumer protection • Price 	Functional Attributes

4.4 RESEARCH STRATEGY

A number of research strategies exist and can be employed for exploratory, descriptive, and explanatory research (Yin, 2003). The research strategy refers to the research procedure used to answer research question(s) and fulfill the purposes of the research. Research strategy is also called modes of observation (Babbie, 2004). The choice of research strategy is guided by the research question(s) and objectives, the extent of existing knowledge, the amount of time and other resources available, and the researcher’s philosophical foundation (Saunders *et al.*, 2007). It should be noted that no particular research strategy is inherently superior or inferior to another. Each has its own strengths and weaknesses for any particular research situation. In addition, research strategies can be used either jointly or separately in any research project. There are several prominent research procedures that can be labeled as research strategies including experiment, case study, action research, grounded theory, actor-network theory, discourse analysis, ethnography, narrative analysis, and survey. This section presents details of each research strategy and justifies the research strategy used in this study at the end.

4.4.1 Experiment

Experiment is used in both natural and social science research. The purpose of an experiment is to examine causal links; whether a change in one or more independent variables produces a change in a dependent variable (Hakim, 2000). Conventionally, any experiment involves three major pairs of components; (1) independent and dependent variables, (2) pre-testing and post-testing, and (3) experimental and control groups (Babbie, 2004). Experiment tends to be used in exploratory and explanatory study to answer ‘how’ and ‘why’ questions (Saunders *et al.*, 2007). Figure 4.3 clarifies the basic procedure in experimental design.

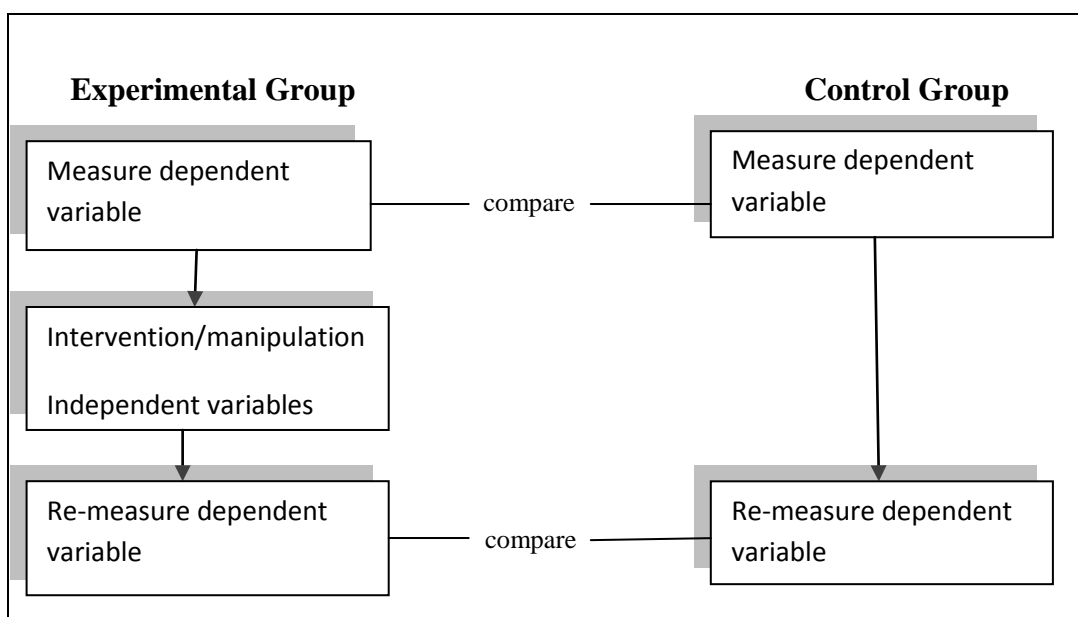


Figure 4.3: Diagram of basic experimental design (adapted from Babbie, 2004, p. 224)

Two groups are set and members in each group are essentially similar in all aspects. The researcher uses one group as the experimental group and another one as the control group. At the beginning, the dependent variable is measured for both groups, the measurements from each group are recorded, and the two measurements are compared with each other. Then, the researcher places some form of planned intervention or manipulation only to the experimental group. The intervention or manipulation is the independent variable. Finally, the dependent variable from each group is re-measured. The researcher is now able to compare the results before and after the manipulation of the independent variable for both the experimental and the control group. This allows the researcher to see if there is a causal relationship between the independent and dependent variables. This experimental research strategy can be conducted in either laboratory experiments or field experiments.

In business disciplines, an experiment strategy could be used in several ways. For example, in marketing campaigns, marketers would conduct an experiment to determine if the planned promotion campaign increases the purchasing rate of targeted consumers. This research strategy, however, is typically expensive and complicated.

4.4.2 Case Study

A case study is quite useful when researchers want to gain a rich understanding of a particular phenomenon. It refers to “a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence” (Robson, 2002, p. 178). A case study is most often used in exploratory and explanatory research with the ability to answer the question ‘why’ as well as ‘what’ and ‘how’ (Saunders *et al.*, 2007). According to Yin (2003), there are four case study strategies based upon two distinct dimensions: single vs. multiple cases, and holistic vs. embedded cases. A single case means a study of one specific unique case. It might be selected due to research constraints or when the object of study is extremely unique. Conversely, a study of more than one case is called a multi-case study. A multi-case study provides a better opportunity to generalize the findings of the study than a single case study. In the second dimension, more attention is given to the unit of analysis. Holistic case study views the object of study as a whole while embedded case study focuses on sub-units within the object of study. For example, a study of a single firm as a whole is considered as a holistic case while a study of each department or work group within that firm is considered an embedded case.

A case study is typically conducted using several data collection techniques such as interviews, observation, document gathering and analysis, focus groups, and questionnaires. Often, more than one data collection technique is employed in the case study. Nonetheless, a simply constructed case study is often criticized as it may produce some levels of suspicion in the scientific community. Researchers employing this strategy should be aware of such criticism. Saunders *et al.* (2007), however, argue that a case study can be a very worthwhile way of exploring existing theory. Moreover, a well-constructed case study can enable researchers to challenge an existing theory and also provide a source of new research questions.

4.4.3 Action Research

Action research was originally proposed by Lewin (1946). It was described as comparative research on the conditions and effects of various forms of social action and research leading to social action. Action research is a spiral of steps in which each spiral is composed of a circle of planning, action, and fact-finding about the result of the action. Lewin (1946) has been credited for the subsequent development of the concept of action research. In business research, action research has been interpreted in a variety of ways, but there are four common themes within the literature (Saunders *et al.*, 2007). The first theme pays attention to the purpose of the research, meaning research in action rather research about action (Coghlan & Brannick, 2005). In particular, the research is concerned with the resolution of organizational issues such as the implications of change together with those who experience the issues directly. The second theme focuses on the involvement of practitioners in the research and collaboration among practitioners and researchers. The third theme emphasizes the iterative nature of the process of diagnosing, planning, taking action and evaluating (see Figure 4.4). Saunders *et al.* (2007) indicate that the action research spiral commences within a specific context and with a clear purpose. Diagnosis, also known as fact finding and analysis, is undertaken to enable action planning and a decision about the actions to be taken. These actions are then taken and are evaluated as representing the end of the first cycle. Subsequent cycles involve further diagnosis, taking from previous evaluation, planning further actions, taking these actions, and then evaluating the actions taken. The final theme in action research suggests that the project should have implications beyond the immediate project. In other words, it must be clear that the results could inform other contexts.

Broadly speaking, action research is conducted with the intention to improve strategies, practices and knowledge of the environment surrounding the members of the examined community. It differs from other research strategies because its explicit focus is on action, in particular promoting change within the organization. This type of research is appropriate for 'how' questions. The strengths of an action research strategy are a focus on change, the recognition that time needs to be devoted to diagnosing, planning, taking action and evaluating which all actions involve the employees or practitioners throughout the process (Saunders *et al.*, 2007).

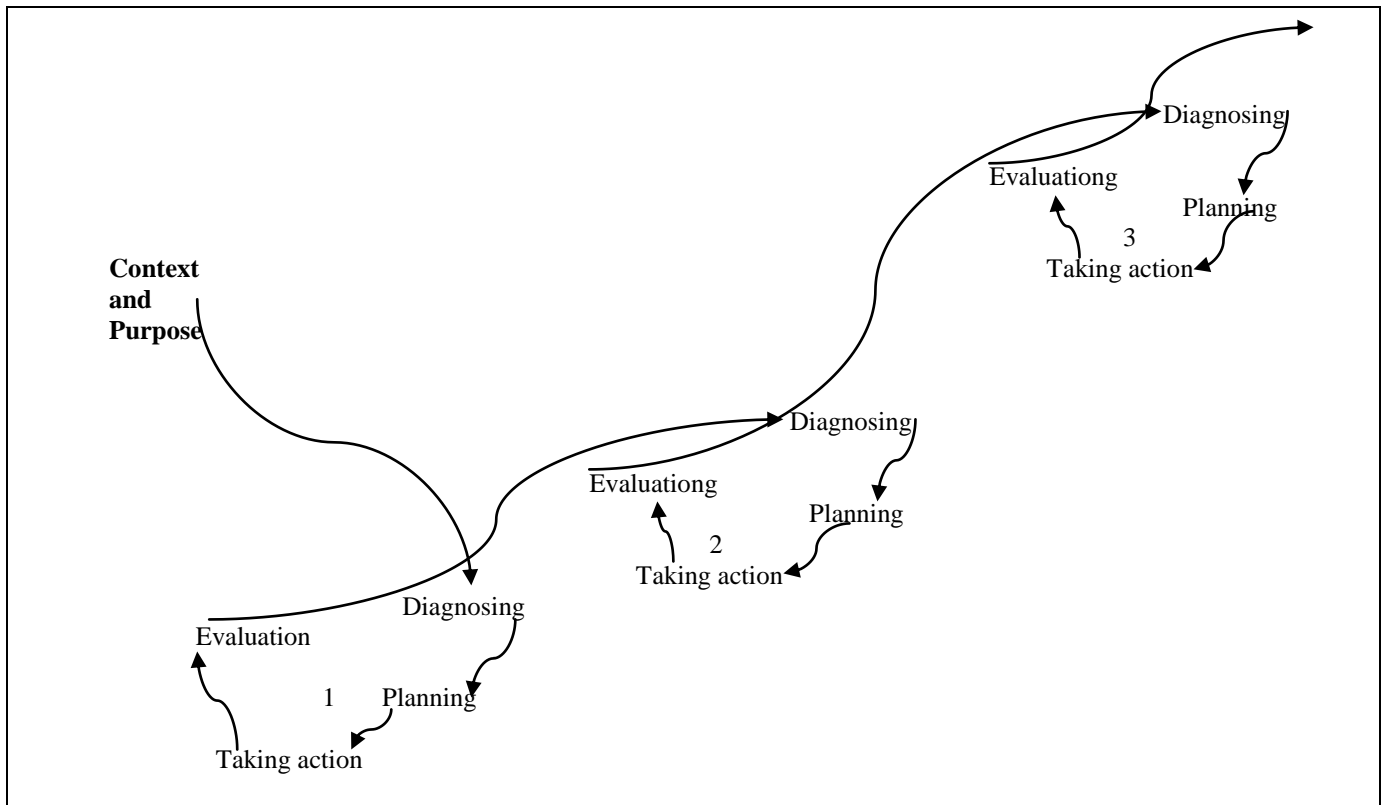


Figure 4.4: The action research spiral (Saunders *et al.*, 2007, p. 141)

4.4.4 Grounded Theory

Grounded theory was originally introduced by Glaser and Strauss (1967) in their book *The Discovery of Grounded Theory*. The fundamental concept is that the theory is developed inductively from an amount of data. The goal of grounded theory is to formulate hypotheses based on conceptual ideas that others may try to verify. The theory does not seek the ‘truth’ but rather to conceptualize ‘what is going on out there’ by using empirical data. The basic method is to read and also re-read empirical data until the researcher perceives a pattern of examined phenomenon and is able to explain the detail in the form of coding, naming, labelling, or categorizing.

However, there was a disagreement between the discoverers. Since the 1970s, Glaser and Strauss have developed two different versions of the methodology for grounded theory. Glaser retains the original concept emphasizing inductive research approach and theory is created within a clear structure of interested phenomenon while Strauss pays more attention to validation criteria and a systematic approach. Besides the views from originators, grounded theory has subsequently been developed and considered as a combination of inductive and

deductive approaches. In particular, data are collected and observed without the formation of an initial theoretical framework. Theory is created from data derived from a series of observations. These data lead to the generation of predictions which are then tested in further observations that may confirm the predictions. Theory is grounded from continual reference to the data. The continuous reference process, while developing theory, is viewed as deductive way and the whole process is therefore considered as an inductive/deductive research approach (Collis & Hussey, 2003).

4.4.5 Actor-Network Theory

This theory, also known as ANT, has evolved from the studies of Callon (1985; 1986) and Latour (1991; 2005). ANT is a research strategy for describing and explaining social, organizational, scientific and technological structures, processes and events. It assumes controversially that all the elements of a particular structure, whether human or non-human, form a network of relations that can be mapped and described in the same vocabulary terms. The basic concept of ANT has four main components: actor/actant, inscription, translation, and circulation. The first, actor/actant, refers to humans and non-humans that are treated in a symmetrical way. The second, inscription, means the process whereby technical objects are treated as a program of action that coordinates activities within the network. The third, translation, is the process of negotiation whereby actors assume the authority to speak on behalf of another. According to Callon (1986), translation has four stages: *problematization* – the network is established through a consensus on what problems need to be fixed and who the relevant actors are, *intressement* – the effort to get the actors interested in the network and determining the level of their involvement, *enrolment* – the actors accept the roles they are given within the network, and *mobilization of allies* – the coordination of active actors who build a strong network. The fourth component of ANT is circulation, which refers to how the resultant actor-network achieves longevity.

4.4.6 Discourse Analysis

Discourse analysis refers to a research strategy mainly used in qualitative research. It is used for analysis of language use. Language here can come in the form of writing, speaking, signing, and sometimes body language (Gee, 2005). Discourse analysis is used in a variety of social science disciplines including linguistics, anthropology, sociology, cognitive

psychology, social psychology, economics and business. Nonetheless, discourse analysis is used in different forms since each discipline has its own assumptions and methodologies. On one hand, discourse analysis is restricted to linguistic practices. The analysis is based on linguistic data such as conversations or written texts. On the other hand, discourse analysis can be used to explain human actions, organizational life, the way people interact with each other, how companies run the business, and so forth. The aim of discourse analysis is to reveal what is going on behind our backs and those of others and which determines our actions.

4.4.7 Ethnography

“Ethnography involves an ongoing attempt to place specific encounters, events and understandings into a fuller, more meaningful context” (Tedlock, 2003, p. 165). It is a research strategy to learn about the social and cultural lives of societies, organizations, and other settings. It is used to observe human behavior and the ways people live and behave in a particular environment. Furthermore, ethnographic study can be used for problem identification and solving in communities and institutions. In general, there are two methods of conducting ethnographic research, participant observation and the observation of participation. The distinction is the way of observing people in the society that is observed. Participant observation means the researcher is one of the participants embedded in a phenomenon being observed, while the researcher only takes the role of observer to observe participants in the observation of participation. (Tedlock, 2003) Aside from being participant or observer, interviewing is another data collection technique used in ethnographic research. This research strategy typically requires researchers to live in an observed society for an extended period of time, learn the local language and culture, participate in daily life, and steadily observe what is going on out there. This type of research strategy is not dominant in business studies but it might be suitable if researchers wish to gain insights about a particular context and better understand and interpret the insights from the perspectives of those involved (Saunders *et al.*, 2007).

4.4.8 Narrative Analysis

Narrative analysis is research strategy used to analyze a sequentially told story with an emphasis on how elements of the story are told, sequenced, and evaluated. It also focuses on how the past shapes perceptions of the present, how the present shapes perceptions of the

past, and how both shape perceptions of the future. The key elements in narrative analysis are *story*, *discourse*, and *telling*. The *story* is the abstract sequence of events, systematically related, the syntagmatic structure. *Discourse* is the text in which the story is manifested, the statement in a particular medium such as a novel, myth, lecture, film, conversation, or whatever. *Telling* is the action, the act of narrating, the communicative process that produces the story in discourse (Bruner, 2004). In narrative analyses, there are several models of analysis including rough transcription, Labov's model, Gee's model, Gee-Mishler's model, and poetry (Pointdexter, 2002). These models help researchers to interpret the story systematically and make the outcome more meaningful.

4.4.9 Survey

The survey research strategy is the most popular and common strategy for social research, including business disciplines (Babbie, 2004; Saunders *et al.*, 2007). This strategy can be used to answer 'who,' 'what,' 'where,' and 'how' questions and is mainly used in descriptive and exploratory research. It is generally associated with the deductive research approach. In addition, a survey strategy allows researchers to collect a large amount of data from a substantial population at a very low cost. The data are typically quantitative and gathered by questionnaire. The data can be easily compared and analyzed using various statistical techniques. Survey is usually the preferred research strategy for researchers who are interested in collecting original data to describe a population that is too large to observe directly. Careful probability sampling provides a group of respondents whose characteristics may be taken to reflect those of the larger population, and carefully constructed standardized questionnaires provide data in the same form from all respondents (Babbie, 2004). In more detail, a survey strategy provides researchers more control over the research process, and it is possible to generate findings that are representative of the whole population at a lower cost than collecting the data for the whole population (Saunders *et al.*, 2007).

In this research strategy, questionnaire construction and sampling procedures should be seriously considered because the better they are constructed, the more reliable and valid the data is obtained. The quality of respondents and the questions asked affect the research findings, which leads to more accurate research generalizations. Nevertheless, a questionnaire is not the only data collection technique in the survey research strategy. Structured

observation and interviews can also be employed in survey research, but the questionnaire remains the most commonly used tool in survey.

4.4.10 Supplementary Research Strategies

Apart from the prominent research strategies presented above, there are other forms of research strategy employed in some research projects. Babbie (2004) distinguishes modes of observation based on the degree of intrusion researchers have over what is being researched. In particular, the research strategy of studying social behavior without affecting what is observed is called unobtrusive research. According to Babbie (2004), there are three procedures in unobtrusive research strategy: content analysis, the analysis of existing statistics, and historical/comparative analysis. Content analysis is the study of recorded human communication (e.g. books, websites, and paintings). Analysis of existing statistics refers to the use of available statistical data to answer a particular research question. This approach is similar to secondary data analysis. However, the way researchers view and treat the data here are different from typically secondary data analysis, in which a researcher obtains a copy of someone else's data and undertakes his/her own statistical analysis. The method of analysis of existing statistics, by contrast, looks at ways of using the data analyses that others have already done. The last procedure, historical/comparative analysis, refers to the examination of societies or other social units over time and in comparison with one another.

In the same way, Saunders *et al.* (2007) propose what they call 'archival research' as a research strategy. The practice of archival research is similar to unobtrusive research described by Babbie (2004) in that it uses administrative records and documents as the principal source of data and views and treats these data differently from secondary analysis. In other words, these data are not collected for other research purposes but they are collected regularly by some firms as a routine procedure. The archival research strategy could be used in exploratory, descriptive, and explanatory research designs focusing on the change of particular phenomena over time periods. Nevertheless, the ability to answer such research questions will inevitably be constrained by the nature of the administrative records and documents (Saunders *et al.*, 2007).

4.4.11 Research Strategy Used in the Study

As mentioned earlier, no particular research strategy is inherently superior or inferior to another. Research strategies can be used either jointly or separately in any research project. For example, it is possible to combine case studies and surveys in a research project. A number of issues should be considered when choosing which research strategies to use, such as the researcher's philosophical belief, research approach, research design, research question and purposes, researcher's background and experience, time and budget available, etc. Regarding the problem statement in this study, there is a lack of research framework for examining the factors influencing the adoption of ethical products. The existing adoption models are insufficient in properly explaining which factors are involved in the adoption decision and which factors are more important, and are especially insufficient with regard to ethical products. It appears to the author that the survey research strategy is the most applicable. Specifically, the author's philosophical standpoint lies in the territory of positivism which typically applies a deductive research approach to test and verify existing theories in a new context. The generalization of the research findings from positivism relies on statistical probability and large sample size. The concepts examined should be measurable. The survey research strategy is well suited to these conditions. As seen in Chapter Two, the proposed comprehensive research framework consists of a number of factors. These concepts are measurable. A set of hypotheses is developed in Chapter Three requiring a large sample size in order to make generalizations. The survey research strategy is most appropriate since it allows researchers to collect a large amount of data from a large population in a short time and at a relatively low cost.

Moreover, the study is grounded in exploratory and descriptive research designs. Even though it is possible to apply other research strategies for exploratory and descriptive research, the survey is a common practical research strategy available to measure awareness, concepts, and perceptions from a large population as compared to other research strategies. The findings from the survey are typically replicable and are based on statistical probability. The strength of the survey strategy leads to solid research results. Consequently, the survey research strategy is selected and applied to carry out this study. Quantitative data are needed to examine the association of willingness to pay (dependent variable) and proposed determinant factors (independent variables). The survey uses self-administered questionnaire as a tool for

data collection. Therefore, questionnaire construction and sampling procedures must be carefully organized. These issues are discussed in subsequent sections.

4.5 RESEARCH METHOD

Theoretically, there are two major research methods, quantitative and qualitative. Each method is considerably different in the way data are collected and analyzed. The two research methods have advantages and disadvantages when applied to a particular phenomenon, but no one method is better or dominates the other. Both methods are widely used in social research including business research. The major distinction between quantitative and qualitative is the different focus on numerical data and non-numerical data (Babbie, 2004; Saunders *et al.*, 2007).

A quantitative method means that the data collection techniques (e.g. questionnaire) and data analysis procedures (such as statistics) that generate or use numerical data. In contrast, qualitative method refers to any data collection techniques (e.g. interview) and data analysis procedures (e.g. categorizing data) that generate or use non-numerical data (Saunders *et al.*, 2007). With regard to data analysis, quantitative analysis is the numerical representation and manipulation of observations for the purpose of describing and explaining the phenomena that those observations reflect while qualitative analysis refers to the non-numerical examination and interpretation of observations for the purpose of discovering underlying meanings and patterns of relationships (Babbie, 2004). The major differences between these two research methods are summarized in Table 4.4.

Table 4.4: The differences in emphasis in qualitative versus quantitative methods

Qualitative methods	Quantitative method
<ul style="list-style-type: none"> • Emphasis on understanding • Focus on understanding from respondent's/ informant's point of view • Interpretation and rational approach • Observations and measurements in natural settings • Subjective 'insider view' and closeness to data • Explorative orientation • Process oriented • Holistic perspective • Generalization by comparison of properties and contexts of individual organism 	<ul style="list-style-type: none"> • Emphasis on testing and verification • Focus on facts and/or reasons for social events • Logical and critical approach • Controlled measurement • Objective 'outsider view' distant from data • Hypothetical-deductive; focus on hypothesis testing • Result oriented • Particularistic and analytical • Generalization by population membership

Source: Ghauri and Grønhaug (2002, p. 86)

Basically, to conduct a qualitative study, researchers are required to have skills such as the ability to think abstractly and critically, and analyze and make judgment without bias. For quantitative study, the vital skills needed are the ability to develop proper hypotheses, test them with proper statistical techniques, and interpret statistical information into descriptive information. Nonetheless, the research problems and purposes will determine which method is more appropriate. Ghauri and Grønhaug (2002) suggest that the choice of data collection will depend upon an overall judgment on which type of data is needed for a particular research problem. Similarly, Creswell (2003) recommends that the choice of research method is based on the research problem, the researcher's personal experiences, and the audiences whom the researcher reports to.

In addition, it should be noted that qualitative and quantitative methods can be used independently and jointly in any particular research project. Both are useful and legitimate in social research. Some research situations and topics are amenable to qualitative examination, others to quantification. Often, a complete understanding of a topic requires both methods (Babbie, 2004). Because each method has its own strengths and weaknesses, a combination of methods may be used to reduce the limitations and allow researchers to conclude their findings confidently. Practically, one method could be initially used and followed by the other. For instance, a researcher may begin with qualitative study having a small number of respondents to form the precise direction of research questions. Then, a quantitative study with a large sample follows to generalize the findings. On the other hand, a researcher may start with quantitative method to examine a current trend or facts of phenomena of interest. A qualitative method is then followed to gain more insight and deeper understanding. So, it is clear that the choice of selection depends on several factors as suggested by Ghauri and Grønhaug (2002) and Creswell (2003) in the previous paragraph.

For this study, the quantitative research method was implemented because it needed quantitative data when applying survey strategy. Moreover, the characteristics of positivist research and the deductive approach tend to rely more on quantitative data and statistical probability. The way the research is conducted should be apparent and readily replicable by other researchers. A large sample size is preferred and the findings should be generalizable. Based on these reasons together with the research question and purposes, a quantitative research method is well suited and was eventually chosen. A large sample size was drawn and

data collection was done through survey research using questionnaires. The proposed hypotheses were examined by using multivariate statistical techniques.

4.5.1 Contingent ranking method

Contingent ranking method is one of the preference methods that are widely used by market researchers to evaluate potential new products and new markets for existing products (Garrod and Willis, 1997). In a contingent ranking method, respondents are asked to state their preferences for hypothetical alternatives which are composed of various levels of attributes or features describing a good, and their responses are then analysed using statistical models. This method is suitable for eliciting the value of new goods which are not yet on the market as well as nonmarket goods such as environmental goods and cultural heritage. The contingent ranking method has a number of advantages. Above all, it is easy to estimate the value of individual attributes that make up a good. This is useful since many policies are concerned with changing attribute levels, rather than good as a whole (Hanley et al., 1998). It allows respondents to systematically evaluate trade-offs among multiple attributes. This trade-off process may encourage respondents to be introspective and facilitate consistency checks on response patterns (Johnson and Desvousges, 1997). In addition, as it does not ask for respondents' WTP directly, it seems to reduce the number of protest responses. It also increases the amount of information obtained from each respondent, thus reducing the required sample, and hence reducing the costs of a survey.

4.5.2 Attributes of products

To identify the main attributes of the products studied, I selected a preliminary set of attributes which were derived by extensive literature reviews. The final attributes were decided through the five criteria listed below.

First, attributes should be independent of one another. Second, the number of attributes should be small. It is best that their number is not over eight, because trade-offs become difficult to understand if there are too many attributes (Phelps and Shanten, 1978). Third, attributes should be describable by simple. Fourth, attributes should be meaningful and any important fact should not be omitted. Fifth, attributes should be meaningful to people and related to their reasons for estimating WTP for the attributes

Using these five monitoring criteria, I identified three attributes of coffee and jeans. The attributes for both the products were kept constant in order to facilitate comparability. We chose organic production and labour conditions and price as the main attributes for consumers purchasing both coffee and jeans.

In order to keep the dimensions of the experiment within manageable proportions, only two levels of attribute were used. This implies that an increase in the price of the product above the market price level is accompanied by a reduction in the scale of health and environmental impacts and improvement in labour conditions. The levels were chosen in such a way as to maximise the amount of information contained in the survey responses, particularly with reference to the implicit prices embodied in the choice between alternatives.

It is important to ensure that the implicit prices offered in the survey spanned the range of true willingness to pay in the respondent population. If the implicit prices offered are too low or too high, then all respondents will produce the same ranking of all options, and the resulting data will not be very informative. Based on this consideration, it was decided to set the price attribute at 100%, 110%, 120% and 140% of market price.

4.5.3 Data set

A key problem encountered by a contingent ranking method is information overload with too many alternatives from too many complex attributes. Thus, a contingent ranking method essentially needs a data generating process of many alternatives. In this study, each attribute is specified at two levels except for price, which has four levels. Then, there are 16 ($2^2 \times 4$) possible combinations of attributes and prices to form the rank sets. It is clearly not feasible to rank the full set of 16 options from most to least preferred. Consequently, it was necessary to find some means of grouping the options into smaller sets (Louviere et al, 2000).

The most frequently used experimental design is the fractional factorial design and involves a selection or subset of the full factorial design in which the statistical properties are maintained in the best way possible (Louviere et al, 2000). Subsets of the full factorial design are selected using sampling techniques that result in practical and manageable designs with specific statistical properties. For example, fractional factorial designs can be orthogonal meaning that each of the attributes in the experiment has zero correlation with the rest of the attributes in

the experiment or balanced in which all levels of each attribute occur with equal frequency. SPSS is a commonly used software package with a relatively straightforward module for the construction of orthogonal fractional factorial designs. SPSS was used in this study to reduce the original 16 combinations to just eight. One infeasible combination was eliminated reducing the combinations to seven. This final set of seven combinations was used in the survey.

However, all fractional factorial designs come with some loss of statistical information such as the ability to capture higher order effects known as interactions between two or more attributes (Louviere et al, 2000). Most studies develop main effects fractional factorial designs in which all two-way or higher order interactions among attributes are assumed to be insignificant. Louviere (1988) and Louviere et al (2000) argue that omission of interactions effects does not necessarily lead to biased results as main effects account for as much as 90% of the explained variance.

4.5.4 Random utility model

The contingent ranking method shares a common theoretical framework with other valuation approaches in the random utility model (McFadden, 1974). Thus, in this study, the random utility model is used to explain individual ranking by specifying functions for the utility derived from the available alternatives. This function can be estimated with a rank-ordered logit that is extended from the multinomial logit. A rank-ordered logit model assumes that choices are consistent with the independence from irrelevant alternatives (IIA) property, which states that for any individual, the ratio of choice probabilities of any two alternatives is entirely unaffected by the systematic utilities of any other alternatives. According to this framework, the indirect utility function (U_{ij}) for each respondent i who chooses alternative j presented to the respondent can be expressed as:

$$U_{ij} = V_{ij}(Z_{ij}) + \epsilon_{ij}$$

The indirect utility function (U_{ij}) can be decomposed into the deterministic part (V_{ij}), which is typically specified as a function of the attributes Z_{ij} in alternative j chosen by the respondent i and the stochastic part ϵ_{ij} , which represents the unobservable influence on individual choice. And the distribution of the error term ϵ_{ij} is typically assumed as an extreme-value (Weibull) distribution. In this study, if respondent i ranks alternative 1 as first

and alternative 2 as second from a total of 5 alternatives, it means he or she prefers alternative 1, out of 5, and alternative 2 when 1 is excluded. Thus the probability of rank can be expressed as:

$$\text{Prob}(U_{i1} > U_{i2} > \dots > U_{iJ}) = \prod_{j=1}^{J-1} \text{Prob}(U_{ij^*} > U_{ij}, \text{ for } j = j^*, \dots, J)$$

The left side of the equation is the joint probability that alternative 1 is preferred to alternative 2 which is preferred to alternative 3 and so on to alternative J-1 which is preferred to alternative J for decision maker i. The right side of equation may be interpreted as the statistical definition of the independence of the events $(U_{i1} > U_{ij}, j = 1, 2, \dots, J)$, $(U_{i2} > U_{ij}, j = 2, 3, \dots, J)$ and so on.

4.6 RESEARCH TIME DIMENSION

For the time dimension of the study, two principal options are available to researchers, cross-sectional and longitudinal. Cross-sectional study is based on observations of a sample, population, or phenomenon that are made at a single point in time (Babbie, 2004). This type of study provides a snapshot of the phenomenon at a particular time (Saunders *et al.*, 2007). Most research projects, especially in business, are cross sectional studies because they often face a certain level of constraint, e.g. time, budget, staff, and resource allocation.

On the other hand, longitudinal study is designed to permit observations of the same phenomenon over an extended period of time. It involves the collection of data at different points in time (Babbie, 2004). This type of study is mainly intended to answer the question of 'Is there any change over a period of time?' In particular, data collected at successive points in time are compared to see if change occurs. Depending on the research question(s) and purposes, researchers may want to collect data at two different points in time or more than two. Nevertheless, it should be noted that subsequently collected data do not necessarily come from the same sample group that provided the original collected data. Babbie (2004) asserts that there are three special types of longitudinal study: *trend study* – a given characteristic of some population is monitored over time (e.g. the series of political polls showing the electorate's preference for political candidates over the course of a campaign, even though different samples were interviewed at each point), *cohort study* – some specific subpopulation, or cohort, is studied over time, although data may be collected from different members in each set of observations (e.g. a study of the occupational history of the class, in

which questionnaires were sent every five years), and *panel study* – data are collected from the same set of people (the sample or panel) at several points in time (e.g. interviewing the same sample of voters every month during an election campaign, asking for whom they intended to vote).

Based upon the literature review, most studies in the context of ethical product adoption were conducted through cross-sectional time dimension. A cross-sectional study is more appropriate and more common than longitudinal study to assess ethical product adoption. The present study follows this common practice in this research domain by employing a cross-sectional time dimension. Furthermore, the study is exploratory and descriptive research intended to describe the contemporary situation of ethical product adoption among consumers, not over a period of time. This objective signifies that a cross-sectional type is more suitable, so it is therefore applied for this study. Babbie (2004, p. 101) corroborates that “exploratory and descriptive studies are often cross-sectional.”

4.7 SAMPLING PROCEDURE

For some research, it might be possible to collect and analyze data from every possible case, element, or member of the whole interested population if such research focuses on a small group. However, most research needs to employ sampling procedures because the group of interest is typically large, containing too many cases, elements, or members which make it impossible to collect data from all of them. The present study uses a survey research strategy to answer the research question and fulfill the research purposes. In particular, it seeks to develop a comprehensive research framework and empirically examine the adoption of ethical products among consumers by using primary data collected from the consumers. The sampling consideration is required because the group of interest is large. This section discusses sampling procedures and explains where to collect data. The sampling procedures include sampling population, sampling frame, sample size, sampling techniques and sample size determination. More details follow under each sub-section.

4.7.1 Sampling Population

In sampling procedures, the term ‘population’ is not used in its generic sense and it does not necessarily mean people. Instead, it refers to the full set of cases from which a sample is taken

(Saunders *et al.*, 2007). It can also be called a ‘study population’ which refers to the aggregation of elements from which a sample is actually selected (Babbie, 2004). In addition the term ‘target population’ is used, referring to the totality of cases that conform to some designated specifications. The specifications define the elements that belong to the target group and those that do not (Churchill & Iacobucci, 2005). It depends on the research questions and the scope of the study. Some research can study all elements of the population of interest, but the ‘study population’ in many cases is often large, making it impossible to include all elements in the study. In the research project, the ‘study population’ should be explicit in order to facilitate the subsequent sample size determination and limit the boundary which a study makes inference to. As suggested, the simpler the definition of the target population, the higher the incidence and the easier and less costly it is to find the sample (Sudman, 1983). Because most studies cannot include all elements of the population of interest, a sampling frame needs to be identified.

4.7.2 Sampling Frame

A sampling frame refers to the list or quasi list of elements composing a target population from which the actual sample is selected (Babbie, 2004; Churchill & Iacobucci, 2005; Saunders *et al.*, 2007). It is the list that researchers can gain access to and use to draw a sample for the research project. It should be noted that the completeness of sampling frame is very important. An incomplete or inaccurate list means that some elements are excluded and this makes it impossible for every element in the population to have a chance of selection. Consequently, the selected sample may not be representative of the total population (Saunders *et al.*, 2007). Nonetheless, for those who target a large and dynamic population, it is generally impractical to find a complete list of the sampling frame. There is always some degree of incorrectness because the population of interest is too large or regularly changed. “There is rarely a perfect correspondence between the sampling frame and the target population of interest” (Churchill & Iacobucci, 2005, p. 324). Therefore, the researchers should be aware of this issue when generalizing the research findings to the entire population.

4.7.3 Sample Size

Basically, the size of the sample reflects the degree of being representative of the entire population from which it is drawn and how confidently researchers can make a generalization of the research findings. It could be simply argued that the larger sample the size, the better

researchers can generalize to the population. Theoretically, sample size can be determined either by using a statistical formula or through some *ad hoc* methods. *Ad hoc* methods are used when a researcher knows from experience what sample size to adopt or when there are some constraints (Aaker *et al.*, 2004). *Ad hoc* methods of determining sample size include rules of thumb, previous similar studies, researchers' experience, affordable sample size based on budget, and time allocation. To establish a more precise degree of being representative and to allow researchers to have more confidence when generalizing the findings, a statistical formula can be used to determine a minimum sample size needed. Statistically, the data analyzed should be normally distributed in order to prevent any possible spurious results. Statisticians have proven that the larger the size of a sample, the more closely its distribution will be to the normal distribution of the population. This relationship is referred as *central limit theorem*. In addition, a sample size of at least 30 will usually result in a sampling distribution for the mean that is very close to a normal distribution (Saunders *et al.*, 2007). Put simply, a larger sample size is more likely to be representative of the population from which it is drawn than a smaller sample size. Also, the mean calculated from a larger sample size is more likely to equal the mean for the population than from a smaller sample. Consequently, because the present study intends to generalize the research findings to the entire study population, a large sample size is required. As a result, the minimum sample size is determined using a statistical formula.

According to Saunders *et al.* (2007), when using a statistical formula, three decisions should be made: the degree of confidence, the specified level of precision or the margin of error that can be accepted, and the proportion of responses relating to some particular attribute. The following formula was used to determine the minimum sample size needed.

$$n = p\% \times q\% \times (z/e\%)^2$$

where:

n = the minimum sample size required

p% = the proportion of belonging to the specified category

q% = the proportion of not belonging to the specified category

z = the z value corresponding to the level of confidence required

e% = the margin of error required

In this study, p% and q% refer to the proportion of the population that is positive to ethical attributes of products and proportion that is not positive to ethical attributes of products.

Since the exact proportion is unknown, the worst case percentage of 50% was selected. A confidence level of 95% is widely used and accepted in the research community. It was also employed here and the z value was 1.96.

The margin of error is the amount of error that a researcher can tolerate. For example, at a confidence level of 95%, if 65% of the respondents answer ‘yes’ while 35% answer ‘no,’ and a margin of error of 5% is used, a researcher could estimate that around 60 to 70% of population would answer ‘yes’ or around 30 to 40% would answer ‘no’ if they were asked the same question. Table 4.5 presents the different sample sizes at a confidence level of 95%. It is clearly seen that lowering the margin of error requires a larger sample size. However, lowering the margin of error is increasing the precision of estimation of the population. For this study, a 5% margin of error was selected because it has been used in most studies in business research.

Table 4.5: Different in sample sizes at a confidence level of 95%

Population	Margin of error			
	5%	3%	2%	1%
50	44	48	49	50
100	79	91	96	99
150	108	132	141	148
200	132	168	185	196
250	151	203	225	244
300	168	234	267	291
400	196	291	343	384
500	270	340	414	475
750	254	440	571	696
1 000	278	516	706	906
2 000	322	696	1091	1655
5 000	357	379	1632	3288
10 000	370	964	1936	4899
100 000	383	1056	2345	8762
1 000 000	384	1066	2395	9513
10 000 000	384	1067	2400	9595

Source: Saunders *et al.*, 2007, p. 212

To calculate the minimum sample size required for this study, the relevant numbers were substituted in the statistical formula: p = 50%, q = 50%, z = 1.96, and e = 5%.

$$\begin{aligned}
 n &= 50 \times 50 \times (1.96/5)^2 \\
 &= 2500 \times (0.392)^2 \\
 &= 2500 \times 0.153664
 \end{aligned}$$

$$= 384.16$$

The calculation gave a minimum sample size needed of 384. It should be noted that the number of the population was not included in the statistical formula because the theory of probability proves that the size of the population is irrelevant when the examined population is large or unknown. The population size is likely to be the factor only when a researcher targets a relatively small group and the exact number of population size is known. In addition, when the known population size is less than 10,000, a smaller sample can be used without affecting the accuracy. This is called the adjusted minimum sample size (Saunders *et al.*, 2007).

Since the sampling frame for this study was considerably large and over 10,000, the statistical formula used to calculate an adjusted minimum sample size did little to change the number of the existing sample size. Therefore, there was no need to recalculate the minimum number of sample size required.

Besides the above statistical formula, other statistical formulas could be used to calculate the sample size using different components such as standard deviation of the population. In this study, the standard deviation was unknown. Therefore, other statistical formulas which require unavailable information were ignored and the statistical formula used above was viewed as applicable and sufficient for this study.

Furthermore, it is suggested that, when several types of questions or examining attributes are applied in a research project, the statistical formula that produces the largest sample size should be taken (Tull & Hawkins, 1993). The statistical formula used in this study was likely to produce a larger sample size than other formulas. Also, the produced sample size was sufficient to be representative of the examined population, and this conclusion is firmly supported by probability theory. This made this statistical formula the best alternative for this study.

From the calculation, the minimum sample size required was 384 in order to be representative of the population. However, it is unlikely that a 100% response rate can be achieved. Thus, the highest possible number of responses should be obtained. The exact response rate is unknown but adjustment should be made according to the expected response rate. For

example if the estimated response rate is 50% then we need to recalculate a new sample size needed in order to achieve the minimum sample size. This can be computed by the following formula and was called the actual sample size (Saunders *et al.*, 2007).

$$n^a = n \times 100 / re\%$$

where: n^a = the actual sample size

n = the minimum sample size

$re\%$ = the estimated response rate expressed as a percentage

The minimum sample size needed was 384 and the estimated response rate was 50%. These figures were substituted into the above formula.

$$\begin{aligned} n^a &= 384 \times 100 / 50\% \\ &= 768 \end{aligned}$$

The actual sample size was 768. However, to simplify and facilitate the administration of questionnaires, the number of 1000 was used. Therefore, the final sample size for this study was 1000. Table 4.6 summarizes the calculated number of sample size discussed above.

Table 4.6 summarizes the calculated number of sample size discussed above

Minimum sample size	Estimated response rate	Actual sample size	Adjusted sample size needed
384	50%	768	1000

4.7.4 Sampling Techniques

Sampling techniques are divided into two broad categories, probability and non-probability. In probability sampling, each unit or element in the sampling frame has an equally known, non-zero chance of being included in the sample, which allows for statistical inferences. This allows researchers to answer research questions and to achieve research purposes that require them to estimate statistically the characteristics of the population inferred from the sample. Probability sampling is often associated with survey and experimental research strategies. In contrast, in non-probability sampling, it is not possible to make valid inferences about the population. All non-probability samples rely on personal judgment somewhere in the process, which implies that such samples derived from non-probability sampling are not necessarily

representative of the entire population. Researchers may still be able to generalize from non-probability samples about the population, but not from a statistical standpoint. Non probability sampling is more generally used in case study research (Churchill & Iacobucci, 2005; Ghauri & Grønhaug, 2002; Saunders *et al.*, 2007).

The techniques in probability sampling include simple random sampling, systematic sampling, stratified sampling, cluster sampling, and multi-stage sampling. For non-probability sampling, the techniques are quota, purposive (judgemental), snowball, self-selection, and convenience. Figure 4.5 presents sampling techniques in probability and non-probability samplings.

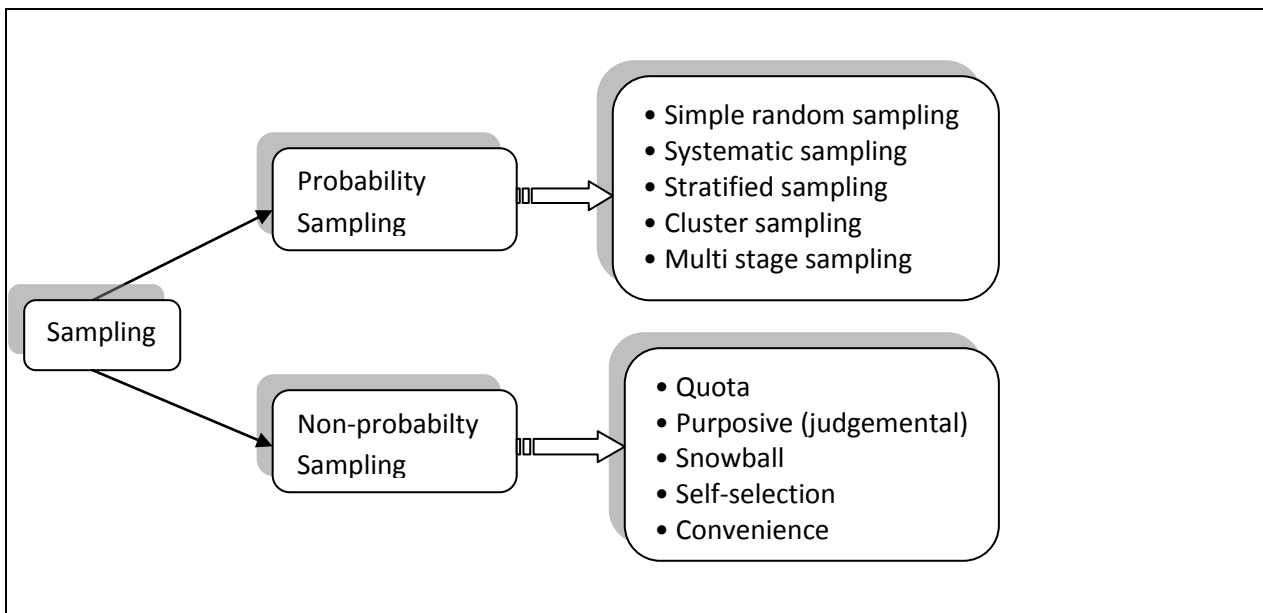


Figure 4.5: Probability and non-probability sampling techniques

Since the present study uses a survey research strategy, probability sampling is more appropriate than non-probability sampling. Aaker *et al.* (2004) state that probability sampling has several advantages over non-probability sampling. First, it permits the researcher to demonstrate the sample’s representativeness. Second, it allows an explicit statement as to how much variation is introduced because a sample is used instead of a census of the population. Finally, it makes possible the more explicit identification of possible biases. Moreover, probability sampling has been widely used in previous studies that have a similar construct to this study. “Today, probability sampling remains the primary method of selecting large, representative samples for social research” (Babbie, 2004, p. 182). Probability sampling was

therefore applied in this study. The following presents a brief description of each probability sampling technique.

- **Simple Random Sampling** – This is an approach in which each population member and all possible sample compositions have an equal probability of being selected. The implementation is straightforward. At the simplest level, for instance, a researcher could put the name of each person from the population on a tag and place the tags in a large bowl. Then, the contents of the bowl would be mixed thoroughly and the researcher would draw out the desired number for the sample. Researchers can also employ a random number generator rather than using a bowl. Presently, researchers often use computer software to randomly generate a list of samples if the sampling frame is in a digital format. This technique allows researchers to select samples without bias and be able to justify the claim that the sample is representative of the whole population. It works well when the sample size needed is over a few hundred. In particular, if a study population covers a large geographical area and face-to-face contact is not required, random sampling is beneficial because random selection means that selected cases are likely to be dispersed throughout the area (Saunders *et al.*, 2007).

- **Systematic Sampling** – This involves systematically spreading the sample through the list of population members. For example, if the list contains 10,000 (N) units and a sample size of 1,000 (n) is needed, then, the sampling interval is 10/1 (N/n). This indicates the frequency of selection. In this example, every tenth person is selected for the sample until the number reaches the needed sample size. The first unit is typically selected randomly. In general, the efficiency of systematic sampling is improved because it lowers costs while maintaining accuracy relative to simple random sampling. The ordering of the list, however, will determine sampling efficiency. In general, a prerequisite for applying systematic sampling is that the units in the population should be ordered in some systematic way but not in a periodic pattern. For instance, names that are ordered alphabetically in a telephone directory, houses that are ordered along a road, or customers who walk one by one through an entrance gate are appropriate use of systematic sampling (Ghauri & Grønhaug, 2002). Similar to simple random sampling, systematic sampling is suitable for studies which cover a large geographical area and in which face-to-face contact is not necessary in data collection. The selected samples are likely to be dispersed throughout the area. Furthermore, systematic sampling works well with all sample sizes while simple random sampling is only suitable for smaller sample sizes (Saunders *et al.*, 2007).

• **Stratified Sampling** – This is a modification of random sampling in which a population is divided into two or more relevant and significant strata based on one or a number of attributes. A simple random or systematic sampling technique is then used to draw samples from each stratum. Consequently, stratified sampling shares many of the advantages and disadvantages of simple random or systematic sampling (Saunders *et al.*, 2007). This technique improves the representativeness of a sample, at least in terms of the stratification variables (Babbie, 2004). In some cases, a list of the sampling frame may already be divided into strata and if systematic sampling is employed, selected samples are automatically representative according to the proportion of the strata. Stratified sampling is beneficial and used when researchers are willing to use simple random sampling or the sampling frame contains a periodic pattern.

• **Cluster Sampling** – This is similar to stratified sampling in which a population is divided into sub-groups prior to sampling. The sub-groups are called clusters rather than strata because all members of selected clusters will be included in the sample. The process of selecting clusters is usually a simple random technique, which makes cluster sampling a probability sampling technique. Nonetheless, this technique normally results in a sample that represents the total population less accurately than stratified random sampling. Thus, it has limitations with respect to being representative of the population (Saunders *et al.*, 2007). “Cluster sampling is useful when subgroups that are representative of the whole population can be identified” (Aaker *et al.*, 2004, p. 384).

• **Multistage Sampling** – This is a combination of the above sampling techniques and is sometimes known as multistage cluster sampling. It is normally employed to overcome problems associated with a geographically dispersed population when face-to-face contact is required or when it is expensive and time consuming to construct a sampling frame for a large geographical area (Saunders *et al.*, 2007). This technique involves the repetition of two basic steps; listing and sampling. The list of primary sampling units is compiled and maybe stratified for sampling. Then, a sample of those units is selected. The selected primary sampling units are then listed and maybe stratified. The list of secondary sampling units is then sampled, and so forth (Babbie, 2004).

4.7.5 Sample Size Determination

Using theoretical conceptions presented above, the sample size calculated earlier was determined using specific systematic sampling technique.

The sampling population selected is consumers in Sweden. A number of reasons are discussed to justify the selection. Few studies have paid attention to ethical product adoption in the Nordic countries. However, Nordic people differ in various aspects such as cultures, education, lifestyles, attitudes, and so forth.

The assumption here is that the outcome of the study will either replicate the findings from previous similar studies done in other countries or contribute new knowledge to the field from a Nordic perspective. The findings of the present study could also help in determining whether or not ethical adoption theories can be generalized across other settings.

Secondly, although there are several potential countries within the Nordic region which can be selected as a representative for the Nordic context, Sweden is the country where the author, as a researcher, is well connected and has a network. His current work position as a university lecturer enables him to conveniently access the data needed for the study. Moreover, the credibility of his job would increase the response rate of returning questionnaires. Therefore, the specific country of Sweden is chosen, and it is reasonable to consider it as one among potential countries in the Nordic setting.

Thirdly, Sweden is seen to have one of the world's best welfare systems. The Swedish People are well educated and the equality between men and women is the highest in the world. Sweden as the population is highly homogenous and the differences inside the country are little. Both men and women are given the same opportunity in all aspects of life. This fact indicates that the selected sample has a high reliability of being representative of the study population, which will lead to a high reliability of being able to generalize from the results. Then, in this study, it can be argued that the data collected from consumers are representative for all consumers in Sweden.

Last but not least, Sweden plays a significant role in the Nordic region in terms of economic growth, social development, political stability, and international contact agreements. The

country is highly industrialized and is a major supplier of industrial goods in the world market.

In addition, ethical product adoption is one of the issues that are actively supported by the consumers, corporate and the government. It is to be noted that the key factors found in this study could be incorporated in governmental initiatives and could be used in developing a strategy for promoting ethical product adoption among consumers in the Nordic region and in other parts of the world.

Based upon the above rationale and personal speculation, the consumers in Sweden were selected and served as the sampling population for this study.

In Sweden, marketing agencies provide lists of consumers for the entire country. A list of consumers with their email addresses was purchased from a marketing agency and this list was used for this study.

The list of 1000 samples was filed alphabetically and given a number from 1 to 1000 for the purpose of sending and receiving questionnaires. The next section discusses the process of designing a questionnaire which was used as a data collection tool in this study.

4.8 QUESTIONNAIRE DEVELOPMENT

A self-administered questionnaire will be developed for data collection. The questionnaire's development will take place in two stages. First, a number of questions will be developed based on previous similar studies and relevant literature in accordance with the proposed hypotheses presented in Chapter Three. Second, a questionnaire pretest will be conducted to determine the accuracy and consistency of the responses. The following sections explain in detail the development stage.

4.8.1 Questionnaire Construction and Measurement

The model developed based on the comprehensive framework presented in Chapter Two represents the hypotheses that CSR and CA influence CnSR, and CnSR is a predictor for behavioral response. This affects the positive willingness to purchase and willingness to pay

attitudes. The model represents the hypotheses that functional attributes and social and ethical attributes influence ethical consumer behaviour, and ethical consumer behaviour is a predictor for behavioral response. This affects the positive willingness to purchase and willingness to pay premium price attitudes.

The proposed study will involve testing 5 hypotheses to measure the effect of CSR on ethical consumer behaviour. This research will involve an attempt to enhance the understanding of the relationship among these variables and to establish a cause-and-effect relationship through quantitative data. The proposed study is a cross-sectional research in which data gathering occurs only once. The study will involve measuring respondents' behavior in terms of their intent to purchase and willingness to pay a premium price. The preferences of the consumers will be measured using the contingent ranking method. A stated preference discrete choice method will be used because, as Auger and Devinney (2005) suggested, this methodology forces "consumers to trade-off product attributes (including ethical attributes) against one another, which leads to more reliable estimates of relative valuation (or utility) than would be the case where such constraints on choice were not imposed".

The questionnaire consisted of two types of questions. The questions about demography were constructed to collect basic information about respondent and to test hypotheses 1a, 1b, 1c, and 1d. In order to test the proposed hypotheses 3-5 contingent rank were developed. The questionnaire contained the following major sections.

4.8.1.1 Characteristics of Respondent

This section consisted of questions relating to demographic and basic information of the respondents. The questions included gender, age, education level, income and social norm. A combination of scales was used in this section. Table 4.7 summarizes the constructs of questions in this section.

Table 4.7: Characteristics of respondent

Construct	Item description	Measurement
Gender	Gender	Nominal scale (1 Male, 2 Female)
Age	Age	Ordinal scale (1 18-24, 2 25-35, 3 36-45, 4 46-55, 5 55+)
Education	Your education level	Nominal scale (1 High school, 2 Bachelor, 3 Master, 4 Doctorate, 5 Other)
Income	Level of Income	Ordinal Scale (1 < 100000, 2 100000-200000, 3 200000-300000, 4 > 300000)
Social Norm	People who are important to me think I should purchase ethical products.	5-point Likert-type interval scale (1= strongly disagree to 5 strongly agree)

4.8.1.2 Ranking of attributes

In this section respondents were asked to rank different combination of attributes relating to two products namely coffee and jeans. Respondents were shown a list of alternatives addressing different ethical and social issues and were required to rank the different ethical aspects with reference to a particular product. This method is very efficient and no two attribute can have the same importance and imposes severe tradeoffs. This method overcomes the disadvantages of a traditional importance rating survey that overstate the importance of attributes and show little discrimination between attributes importance score (Maydeu-Olivares and Brown, 2010). The issues that were tested relate to environment, labour and price. This study also tries to find out if the level of involvement in the purchase of products has anything to do with their ethical preferences. Thus products were chosen keeping in mind the level of involvement where coffee is a low involvement product and jeans is a high involvement product. Earlier research has indicated that the level of product involvement could influence ethical and social preferences of consumers. Auger et al (2010) found that environmental issues were important for low involvement products like batteries and issues of child labour were important considerations for high involvement products like athletic shoes. Table 4.8 shows the combination of attributes used in this study.

Table 4.8: Ranking of product attributes

Attributes	Card 1	Card 2	Card 3	Card 4	Card 5	Card 6	Card 7
Labour	Fair trade	Fair trade	Non Fair trade	Fair trade	Non Fair trade	Fair trade	Non Fair trade
Environment	Organic	Non Organic	Organic	Organic	Non Organic	Non Organic	Organic
Price	Market price	40% above market price	40% above market price	10% above market price	Market price	20% above market price	20% above market price
Rank							

Given that the data collection was done in Sweden, the questionnaire was then translated into the local language using the back-translation method. This required two steps. In the first step, the questionnaire was translated into the Swedish language and the concepts and terminologies used in the original version were critically discussed. This was to make sure that the Swedish questionnaire was conceptually equivalent to the English version. It should be noted here that this was not a word-for-word or a literal translation. This translation aimed at the conceptual equivalent of a word or phrase which intended to produce a data collection tool that practically performed in the same way as the original version. In this first step, the questionnaire was translated from English to Swedish. There was a small change to the wording of one of the questions before the final version was made. The whole process of translation in this step took around one week.

In the second step, the questionnaire was re-translated back into English. Again, the same concept of translation was used, focusing on conceptual rather than literal translation. The original English questionnaire and the second re-translated English questionnaire were then compared and discussed to ensure they were naturally conceptually equivalent. Before administering the survey, the questionnaire was pretested to determine the accuracy and consistency of the responses. The following section describes the details of how the questionnaire was pretested.

4.8.2 Questionnaire Pretest

After the questionnaire was constructed it was presented to senior researchers in the field for comments and suggestions. Their recommendations were used to revise the questionnaire. The questionnaire was pretested during April 2013. A small sample of 100 respondents was drawn from the sampling frame. A package containing a cover letter and a questionnaire was

sent by email to 100 respondents asking them to fill out and return the questionnaire within two weeks. The respondents could also email their comments regarding their questionnaire. Forty-eight questionnaires were returned within two weeks constituting a 48% response rate. The questionnaire seemed to have been well understood by the respondents and revision to the questionnaire was deemed unnecessary. However there was a change in the wording to one of the questions.

CHAPTER 5: DATA ANALYSIS AND RESULTS

This chapter presents data analysis and the results. It begins with an explanation of the process used to administer the questionnaire. Then, the non-response bias is evaluated. Research results are based on a number of statistical techniques such as descriptive statistics, likelihood ratio test, Mc Fadden's R^2 , and standard t-statistics. Several tables are given to enhance the understanding of statistical results.

5.1 DATA COLLECTION AND RESPONSE RATE

From Chapter Four, a sample of 1000 consumers was purchased from a marketing company in Sweden. The data collection was conducted during May and June 2013. The data were collected as follows. First, a package containing a cover letter and a questionnaire was sent to 1000 consumers asking them to fill out and return the questionnaire within two weeks. The cover letter and questionnaire used in this study are shown in Appendixes A and B. There were 263 questionnaires received within the requested time, making a response rate of 26.3 %.

Second, to increase the response rate and the level of representation, a new package including a reminder letter and a questionnaire was sent to the remaining consumers that had not returned the questionnaire after the initial mailing. The reminder letter informed the respondents of the importance of this research and the necessity of receiving the questionnaire back. The reminder letter is presented in Appendix C. The respondents were asked to fill out and return the questionnaire within two weeks. There were 114 questionnaires returned within two weeks, raising the response rate to be 37.7%.

In total, 377 questionnaires were returned. However, 49 responses were excluded due to incomplete questionnaires or because the respondent did not rank the attributes correctly. This left 328 responses remaining for data analysis. It can be argued that the remaining usable responses were sufficient for data analysis and large enough to be representative of the targeted population. Table 5.1 summarizes the data collection procedure and the response rate.

Table 5.1: Data collection and response rate

	Sent out	Returned Questionnaire	Response rate
Initial Letter	1000	263	26.3%
Reminder letter	747	114	11.4%
Total returned questionnaires		377	37.7%
Incomplete questionnaires		49	
Usable questionnaires		328	

5.2 EVALUATION OF NON-RESPONSE BIAS

The method called extrapolation was applied to assess non response error. It consists of comparisons between early and late respondents in a study. If no differences are found between the early and late respondents, an assumption is made that the sample results are not affected by non response error (Armstrong & Overton, 1977; Collier & Bienstock, 2007). In this study, the non-response bias was evaluated by comparing the early responses and the late responses regarding demographic data (gender, age, education level, income). Early responses were defined as those who completed and returned the questionnaires within two weeks of the initial mailing while late responses referred to those who returned questionnaires within two weeks of the reminder mailing. No significant difference was found in terms of gender, age, education level, or income. The analysis suggests that the non-response biases in this study, if any, are not serious.

5.3 MODELL FITTING INFORMATION

The likelihood ratio test (LR-test) is used to test whether all the parameters are zero for the null hypotheses. In other words we want to look at an overall test of the null hypothesis that the location coefficients for all of the variables in the model are 0. You can base this on the change in -2 log-likelihood when the variables are added to a model that contains only the intercept. The change in likelihood function has a chi-square distribution even when there are cells with small observed and predicted counts. Models are compared by taking 2 times the difference between the models log-likelihoods.

$$\chi^2 = 2[\log\text{-likelihood for bigger model}] - [\log\text{-likelihood for smaller model}]$$

Often a model with intercept and predictors is compared to an intercept only model to test whether the predictors add over and above the intercept only. From Table 5.2 and 5.3, you see that the difference between the two log-likelihoods—the chi square—has an observed significance level of less than 0.0005. This means that you can reject the null hypothesis that the model without predictors is as good as the model with the predictors.

Table 5.2: Model Fitting Information for rank ordered model for coffee

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	5534,959			
Final	3847,744	1687,215	10	,000

Table 5.3; Model Fitting Information for rank ordered model for jeans

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	5650,179			
Final	3759,581	1890,599	10	,000

5.4 MEASURING STRENGTH OF ASSOCIATION

There are several R-squared like statistics that can be used to measure the strength of the association between the dependent variable and the predictor variables. They are not as useful as the statistic in regression, since their interpretation is not straightforward.

Three commonly used statistics are:

- Cox and Snell R^2

Cox and Snell is based on log-likelihood but it takes the sample size into account.

$$R^2_{cs} = 1 - \exp\{-2/n[LL(B) - LL(0)]\}$$

- Nagelkerke's R^2

The Nagelkerke measure adjusts the C and S measure for the maximum value so that 1 can be achieved:

$$R^2_N = R^2_{CS} / R^2_{MAX}, \text{ where } R^2_{MAX} = 1 - \exp[2(n^{-1})LL(0)]$$

- McFadden's R^2

$$R^2_M = 1 - LL(B) / LL(0)$$

McFadden's R^2 tends to be smaller than R-square and values of .2 to .4 are considered highly satisfactory.

In the above equations LL(B) is the log-likelihood function for the model with the estimated parameters and LL(0) is the log-likelihood with just the thresholds, and n is the number of cases (sum of all weights). In this study, the values of all of the pseudo R -square statistics are large for both the products studied. Table 5.4 and 5.5 shows the pseudo R -square statistics for both the products studied.

Table 5.4: Pseudo R-Square for ordered logit model (coffee)

Cox and Snell	,52
Nagelkerke	,53
McFadden	,19

Table 5.5: Pseudo R-Square for ordered logit model (jeans)

Cox and Snell	,56
Nagelkerke	,57
McFadden	,21

5.5 DESCRIPTIVE STATISTICS

This section presents descriptive statistics including demographic information of the respondents. The figures are presented in the following.

Demographic Information

Results indicate that the majority of the respondents were female (68%). Most respondents were well educated with 45.7% having a bachelor's degree and 11.0% having a master's degree. The respondent age was dispersed ranging from 18 to over 55. In addition, the incomes of respondents ranged from under SEK 100 000 to over SEK 300 000, however most of the respondents had an annual income under SEK 200000 (83.2%).

Table 5.6 : Demographic information

	N=328	%
Gender		
Male	105	32%
Female	223	68%
Age		
18-24	143	43.6%
25-35	136	41.4%
36-45	32	9.8%
46-55	15	4.6%
55+	2	0.6%
Education		
High School	118	36.0%
Bachelors	150	45.7%
Masters	36	11.0%
Doctorate	3	0.9%
Other	21	6.4%
Income		
< 100000	218	66.5%
100000-200000	55	16.7%
20000-300000	20	6.1%
300000	35	10.7%

5.6 Hypothesis Testing

The hypotheses were assessed by estimation of the coefficients associated with each attribute. The coefficients were estimated using the rank-ordered logit model. I only estimate the main effects, assuming that the preference of each attribute is independent of the level of other attribute. As explained in the research method, for choice models, the main effects typically account for 90% of the explained variance.

Since the most preferred alternative was ranked number 1, and the least preferred with 7, positive coefficients indicate negative preference for the respective product characteristic, while negative signs imply a positive preference.

The estimations results for rank ordered logit model for coffee are shown in the table below. The table shows the estimated coefficients the standard deviations, and the significance levels. From Table 5.7, you see that price, labour and environment are all related to the ratings and are statistically significant. Labour and environment have negative coefficient while price has positive coefficient. This means that consumers prefer coffee that is cheap, produced with labour friendly conditions and environment and health conscious methods. Price, labour and environment are both highly significant at 1% level and likely to be a good predictor of willingness to pay. Gender, age, income and education are either not related to the rating or are statistically not significant.

Table 5.7: Parameter Estimates for rank ordered logit model for coffee.

Variable	Coefficient	Standard Error	Wald
Male Respondent	0.031	0.083	0.137
Age	-0.020	0.056	0.122
Education	0.000	0.037	0.000
Income	0.012	0.048	0.060
Social Norm	0.000	0.033	0.000
Price	1.294***	0.041	1000.078
Labour	-1.781***	0.090	391.054
Environment	-2.107***	0.091	531.634

*** Statistically significant at 1%.

The estimations results for rank ordered logit model for jeans are shown in the Table 5.8. From the observed significance levels in the table, you see that price, labour and environment are all related to the ratings and are statistically significant. Price has positive sign while

labour and environment have negative signs. This means that consumers prefer jeans that are cheap, produced using labour friendly conditions and environment and health conscious methods. Price, Labour and environment are all highly significant at 1% level and likely to be a good predictor of willingness to pay. Gender age, income and education are again either not related to the rating or statistically not significant.

Table 5.8: Parameter Estimates for rank ordered logit model for jeans.

Variable	Coefficient	Standard Error	Wald
Male Respondent	0.047	0.085	0.306
Age	0.000	0.056	0.000
Education	0.004	0.037	0.013
Income	-0.001	0.049	0.001
Social Norm	0.000	0.033	0.000
Price	1.523***	0.044	1203.362
Labour	-2.001***	0.090	489.633
Environment	-1.665***	0.089	347.986

*** Statistically significant at 1%.

Comparing the results of the two tables you can see that both labour and environment have negative coefficients for both the products studied and suggest positive preference of these attributes. However, it is interesting to note that environment has a larger negative coefficient than labour for coffee and labour has a larger negative coefficient than environment for jeans. This means that environmental attributes are more important than labour attributes for coffee and labour attributes are more important than environmental attributes for jeans. Environmental issues of coffee have a more direct impact on the consumer and are more functional than labour attributes and thus more preferable than labour attributes. On the other hand the environmental attributes of jeans do not have a direct impact on the consumer and are less functional. The results suggest that hypotheses 2a, 2b, 3a, 3b, 4 and 5 are supported.

Table 5.9: Summary of hypothesis testing

Hypothesis	Determinant factors	Results
<i>Demographic actors</i>		
H1a	Gender	Not supported
H1b	Age	Not supported
H1c	Education	Not supported
H1d	Income	Not supported
<i>Contingent ranking</i>		
H2a	Environment	Supported
H2b	Environment	Supported
H3a	Labour	Supported
H3b	Labour	Supported
H4	Consumer protection	Supported
H5	Price	Supported

CHAPTER 6: DISCUSSION AND FINDINGS

This chapter interprets the figures from statistical analysis into descriptive statements. The findings are discussed in accordance with previous research. Possible explanations are discussed and some suggestions are made. The influence of each determinant factor affecting the adoption decision is exhaustively discussed. The findings are beneficial to both governmental and private corporations who want to increase the adoption rate of ethical and social products.

6.1 GENERAL CHARACTERISTICS OF CONSUMERS

The present study employed a large sample size of 1000 consumers. The usable responses for data analysis were from 328 consumers. It is argued that the sample size was large enough for analysis and could be representative for the target population, which are consumers in Sweden. The findings reveal that the consumers surveyed are more female (68%) than male (32%). The age range is dispersed but they tend to be young and 85% of the respondents are under the age of 36. The majority are between 18-24 (43.6%) years, followed by a range of between 25-35 (41.4%) and <35 (15%).

Furthermore, these consumers are well educated with nearly 56.7% having at least a bachelor's degree. Most of them have annual incomes under SEK 200 000 (83.2%). The regression results in the previous chapter show that demographic factors have no effect on the willingness to pay for ethical attributes of products. Previous studies do not show a clear relation between demographic factors and willingness to pay for ethical attributes. Some studies claim that demographic factors influence a consumer's attitude towards ethical products while other studies suggest that demographic factors are not good predictors of socially responsible behavior. Rather, consumers can be better characterized based on their distinctive preferences for various product attributes. This result fits well with contemporary theories on consumer culture: the differentiation and grouping of consumers should be based on common interests, preferences and tastes rather than social background.

The results of demographic factors are however not surprising in the context of Sweden as the population is highly homogenous. Previous studies have found education to be an important factor in influencing positive attitude towards willingness to pay for ethical attributes (Bang et

al. 2000). The Swedish population is generally well educated where a large percentage goes on to achieve academic degrees at university. As both males and females in have equal opportunity in all aspects of life including education this factor does not affect the attitude to pay for ethically desirable attributes.

High level of education also indicates that consumers in Sweden are highly aware of ethical and social issues related to products and the opinion of family and friends are less important in their buying behavior. The results indicate that there is no effect of social norm in the purchase of ethical products.

Self-efficacy has been found to be an influencing factor in other studies of ethical behavior (Kuo and Hsu, 2001). The distribution of income in Sweden is very equitable and the country has one of the world's best welfare systems. This means that Self-efficacy factor appears to have no effect on the adoption decision. The higher or lower Self-efficacy of the consumer is not crucial for adoption decision in this study and may be attributed to the equal distribution of income. Realizing the potential advantages of ethical products might be sufficient for them to be willing to pay a higher price. The findings here suggest that this factor has no effect on the adoption of ethical products. So, it is possible to pay less attention or ignore this factor in some situations like the one of Sweden where the income is equally distributed. However, further study is needed to validate the influence of Self-efficacy on the adoption of ethical products.

6.2 WILLINGNESS TO PAY FOR ETHICAL ATTRIBUTES

This thesis was undertaken to find out whether consumers are willing to pay for ethical attributes of products and the factors influencing this behavior. WTP for different attributes is calculated using the contingent ranking method. The Table 6.1 shows the attribute and level of valuation in the contingent ranking experiment for both the products studied.

Table 6.1: Attributes and levels of valuation in contingent ranking experiment

Attribute	Levels
Labour	Fair-trade marked Non fair-trade marked
Environment	Organic production Non organic production
Price	Market price +10% relative to current market price +20% relative to current market price +40% relative to current market price

Using contingent ranking methodology to calculate WTP has two main benefits. This methodology allows for more information to be drawn from the instrument and allows for better alignment of the underlying decision model to the instrument. The forced choice trade-offs is representative of real life situations and is a good alternative to monitoring individuals in realistic environments.

The WTP is calculated by dividing the regression coefficient of the attribute we want to value by the regression coefficient of the monetary attribute. Thus the WTP for labour attribute is calculated by dividing the coefficients of labour by the coefficient of price, similarly the WTP for the environmental attribute is calculated by dividing the coefficients of environment by the coefficient of price.

The Table 6.2 shows WTP for each attribute of coffee. Organic production has the biggest utility effect for coffee: consumers are willing to pay 163% of market price. The result is obviously driven by health benefits of organic coffee. It also means that health benefits of food crops have the potential to increase consumer utility. This finding confirms that consumers value ethical attributes in relation to functional attributes and the willingness to pay for ethical products increases when functional attributes are integrated (Green and Peloza, 2011).

Fair-trade and better labour conditions for the workers in coffee production also have similar effect on consumer utility and they are willing to pay for 138% of market price. However, the positive labour condition of the plantation workers is less functional than environmental attributes resulting in a lesser WTP.

Table 6.2: Rank ordered logit model for coffee

Variables	Coefficients	Standard error	WTP
Price	1.294***	0.041	
Labour	-1.781***	0.090	1.38
Environment	-2.107***	0.091	1.63

Notes:

Number of observations is n=2296

**** Statistically significant at 1% level*

According to Holbrook's (2006) CSR activities like production of organic food is utilitarian whereas CSR activities related to fair-trade is ideological. Consumers derive more utility from the environmental attribute of coffee than the labour attribute and are thus willing to pay more for that attribute. Consumers are willing to pay more for organic coffee than fair-trade coffee not only because of the positive environmental impact but also because their positive effect on health. For CSR to have most effect on consumer behaviour it should not be viewed parallel to traditional product performance but rather integrated. In the case of coffee CSR activity of positive environment impact is integrated with positive health effects and this increases the willingness to pay.

The findings suggest that organic labels are significantly more preferable than fair-trade labels. This is in contradiction to earlier studies that suggest that consumers believe that fair-trade and social rights are obvious and normal way of doing business (De Pelsmacker et al., 2005). On the other hand the results are in line with the findings of Maietta (2003) that suggest that the WTP for fair-trade coffee was substantially lower than for bio-coffee. It might be expected that organic and environmental friendly production issues are more of concern to people because they directly affects the environment in which they live, while fair-trade production are issues that affect people in faraway places. This also supports the

findings of Auger et al (2010) that environmental attributes are more likely to be known and recognized for low involvement products like coffee.

Another conclusion that can be drawn from the Swedish consumers' preference for organic coffee is that they associate health dimensions with organic coffee while the association with the environmental dimensions is weak. Organic coffee is perceived to be free from harmful substances. This could explain why the results of this study contradict with the majority of previous studies. If consumers associate environmental dimensions with organic coffee then the willingness to pay will probably be lower as environmental dimension are not as functional as health dimensions.

The results show that labour attributes though less important than environmental attributes cannot be ignored. The WTP for fair-trade coffee is 138% of market price showing that consumers place huge importance to labour attributes in the production of coffee. What can thus be said is that while labour issues cannot be ignored the focus should be on organic labels.

The WTP for each attributes of jeans is shown in the Table 6.3. In the case of jeans consumer's gets maximum utility from the labour attribute and the WTP is 131% of market price. The high willingness to pay for labour attribute in Sweden is probably due to the high level of awareness of labour conditions of garment workers in developing countries from where the majority of the clothes are imported.

While the WTP for the environmental attribute of jeans is positive it is only marginally more than the market price. The WTP for the environmental attribute of jeans is 109% of market price. The environmental attribute of jeans is not as functional as the environmental attribute of coffee and thus the WTP for the attribute is less. This finding reflects the market reality where consumers are not known to purchase clothes based on their organic production.

Table 6.3: Rank ordered logit model for jeans

Variables	Coefficients	Standard error	WTP
Price	1.523***	0.044	
Labour	-2.001***	0.090	1.31
Environment	1.665***	0.089	1.09

Notes:

Number of observations is n=2296

**** Statistically significant at 1% level*

As environment is a public good no one can be excluded from enjoying the benefits of improved environment in the production of organic clothes. But as health is a private good only the one who consumes benefits from positive health effects of organic clothes. The consumers in Sweden associate only the environmental dimensions with organic clothes while the association with health is weak or nonexistent. As the health benefits are unknown the consumers make trade-offs between the two non-functional attributes of environment and labour. Labour issues of the garment industry are better known among Swedish consumers than environmental issues thus increasing their WTP for fair-trade jeans.

Earlier studies have shown that information and awareness of a particular attribute can increase ethical consumption (Carrigan, M. & Attalla, 2001; Uusitalo and Oksanen, 2004; Shaw et al, 2006; Bray et al, 2011). According to Giannakas (2002) consumers cannot directly observe the organic characteristic of a product and thus communication about the attribute is important. Companies in the garment business have a lot to gain if they make consumers aware of the benefits of organic cotton. Besides the positive effect on the environment organic clothes are known to be good for the skin. However, this functional attribute of organic clothes is unknown to consumers and making this attribute known could increase the WTP.

Comparing the WTP for coffee and jeans we find that consumers are less willing to pay for ethical attributes of jeans compared to ethical attributes of coffee. This means that consumers are more willing to sacrifice ethical product features of jeans for more utilitarian attributes

like price. On the other hand consumers are less willing to make trade-offs between ethical attributes and prices when it comes to coffee. As environmental attributes are more functional for coffee than for jeans the result is not surprising. However, the result is quite surprising when it concerns labour attributes. Labour attributes are non-functional for both jeans and coffee so the marginal WTP should be the same for both the products. Perhaps one of the reasons for the disparity is that labour issues of clothes have been an important issue for many years (at least in Sweden), and people find them less appealing, while fair trade products like coffee are relatively new and have been subject to less public scrutiny.

Price is a more important factor in the decision making process when it comes to the purchase of ethical clothes compared to the purchase of ethical coffee. This has important implications for pricing of the two products. Ethical clothes seem to be more price sensitive compared to ethical coffee so marketers should be careful not to price ethical clothes too high. If the price is too high, other preferences will have minimal effect. However, there will always be consumers with strongly held moral values who will not buy products no matter how cheap they may be.

Financial limitations lead consumers to prioritize price, even though they want to ensure fair wages and organic materials in order to live up to their moral values. Furthermore, ethical clothing does not always fit with their fashion and style preferences that they need in their pursuit for respect.

Price remains a significant barrier to the purchase of ethical products. This observation confirms past studies (De Pelsmacker et al., 2005; Shaw et al., 2006) that regard price, quality, and brand as the main purchase determinants. Therefore, companies should expand their offers by featuring, for example, utilitarian features, as well as competitively priced products. Furthermore, marketing professionals should invest in detailed tracking systems to understand customers' satisfaction and behavior. Carrigan and Attalla (2001) observe that "ethics only matter to consumers if they have a vested personal interest in," which implies that ethical attributes alone may not be sufficient to capture customers and build loyalty. The results of this study show that health attributes generate higher commitment among consumers so we imagine that adding organic and health attributes to ethical products could increase market success.

It can also be questioned if products like coffee would remain a low involvement product if it includes ethical attributes. The relevance for the consumer increases as he is willing to pay a higher price for its ethical attributes, thus suggesting that level of involvement is not permanent but rather varying. However, since food shopping is often assumed to be a low-involvement activity, it is possible that those who buy organically produced food do not spend time searching for organic alternatives when doing their shopping. In other words, food shopping can be said to be habitual behavior, which does not include the cognitive processing of beliefs and attitudes (Tarkiainen and Sundqvist, 2009).

The result of this study suggests that consumers are influenced by ethical issues and their level of influence varies depending on the type of product and the issue in question. Consumers are willing to pay a higher price for a particular ethical attribute but this WTP varies between products and the issue in question. This difference in willingness to pay is influenced by the consumer's perception and valuation about the different characteristics of the good.

When studying the importance of ethical aspects of products, we need to take into account that product choices are typically multi-attribute choices. Therefore, plain measurement of ethical attitudes may not be enough to predict actual purchasing behaviour. Instead, an understanding of the context-specific preferences in terms of pricing, product design and quality involved in the choice should be explored.

CHAPTER 7: CONCLUSIONS, IMPLICATIONS AND FURTHER RESEARCH

This chapter presents the overall conclusions of the study. The main issues of each chapter are summarized. Then, theoretical and practical research implications are discussed. The chapter acknowledges limitations of the study and ends with suggestions for further research.

The three widely used adoption models, the Theory of Reasoned Action (TRA), the Theory of Planned Behavior (TPB) and Social Cognitive Theory (SCT) were reviewed together with prior studies in this research domain. Functional attributes, ethical attributes and demographic factors were suggested in a developed research framework in chapter 2. The survey research type was conducted and the sample was purchased from a marketing company. The empirical data were collected by using self-administered questionnaires and the data analysis was based on 328 consumers in Sweden. Using random utility model, the findings indicate the effect of each proposed determinant factor.

None of the demographic factors are important in influencing purchase of ethical products. Both ethical and functional attributes are important in the purchase of ethical products. The degree of influence of each attribute is presented in Chapter Six. The empirical investigation in this study reveals that in the case of the adoption of ethical coffee organic production is placed in the first priority. There is very high WTP for this factor. The fair-trade labeled coffee also has positive utility for consumers but consumers are willing to pay less for this attribute. In case of jeans there is also positive utility from both organic production and fair-trade marked garments. Utility from fair-trade labeled garments is nearly as large as for fair-trade marked coffee and the WTP for this attribute is almost equal for both the products. However, the utility and thus the WTP for organic garments are only marginally above the market price.

The study has several theoretical implications that are important for researchers in the field of ethical consumerism. This study expands marketing theory by integrating the three adoption models. A comprehensive research framework is drawn representing the association between the adoption of ethical attributes and the determinant factors. As the ranking of determinant factors is possible the research framework can be used as a research tool in examining determinant factors in the decision to adopt other products as well. The approach used in this study is characterized by significant efficiency and more information can be drawn from the

instrument with any specific sample size. The ranking methodology approach allow for better alignment of the underlying decision model to the instrument. The forced choice trade-offs create more opportunities for creating incentive compatible scale instruments that is representative of real life situations.

The study has a number of practical implications for organizations endorsing ethical products by means of labels, and for companies marketing ethical products. The findings show that the adoption rate is rather low thus offering guidance to governments and corporate, especially those who attempt to encourage the purchase of social desirable products by consumers. WTP for ethical attributes is complex requiring cautious consideration of a number of factors. The prospective consumers should be provided sufficient and clear information from firms who are encouraging purchase of ethical products. Companies need to not only pay attention to issues for which consumers have a preference – but also to pay attention to the other issues which they are willing to trade-off. Promoting organic labels in Sweden seem to be more top of the mind with consumers compared to fair-trade labels. The results if this study show that because of the complexity of individuals' social preferences, such a priori segmentation is not likely to be useful. As noted earlier, little if any of the segment differences can be predicted using observable demographics.

All in all, the study has answered the research question and fulfilled research purposes. A comprehensive research framework for examining the adoption of ethical products was developed in Chapter Two.

7.1 SYNOPSIS OF THE DISSERTATION

This section reviews and presents the main issues from Chapter One through Chapter Six. In other words, it intends to reflect on what has been done and how it has been achieved in this study.

7.1.1 Chapter One – Introduction

The author points out the necessity of conducting this study by providing the background explaining the role of CSR in consumer behaviour. Communication of CSR product attributes that are relevant to the consumer is important if a company wants to influence consumers' preferences. Consequently, firms focusing on specific attribute have more chance to win over

firms that are not selective in their focus. From literature search, a number of studies suggest that focusing on the attribute valued by the customer is a vital factor in determining a firm's success or failure. It is therefore suggested that a firm should analyze consumption practices and find the attribute most valued by the consumer. The author, then, specifies the scope of the study that lies in the field of CSR and ethical consumer behavior.

The, the problem in this research is to address the lack of a research framework for examining the factors influencing consumer purchases behavior with regards to socially desirable products. Moreover, the author also points out that the existing models are insufficient in properly explaining which factors are involved in the purchase decision and which factors are most important. So, a comprehensive research model that covers all possible potential aspects is needed to better explain the adoption decision. Based on the above reasoning, this study attempts to answers the following research question.

Does CSR influence consumer purchasing behavior?

There are two major purposes of the study. The first purpose is to develop a comprehensive research framework that will be used to explore if CSR influences consumer behavior. The second purpose is to apply the developed research framework for empirically investigating the factors influencing this ethical behavior.

7.1.2 Chapter Two – Theoretical Framework

The author reviews theoretical foundation and literature relating to CSR, CA and ethical behaviour. More detail of the definition of 'corporate ability' is discussed to clarify the scope of the terminology used. To accomplish the first purpose of the study, the theoretical foundation of adoption models is reviewed. The three prominent adoption models are discussed and integrated, resulting in a number of social economic factors. Moreover, previous studies on this research domain are reviewed and functional and ethical factor are extracted. The potential determinant factors are classified into one of the three contexts: demographic, ethical and functional. A clear definition of each factor is given followed by a schematic model of a comprehensive research framework. The framework clarifies the linkage between the three contexts and the adoption of ethical products. In a broader

perspective, environmental and labour can be viewed as ethical attributes while price and consumer protection can be seen as functional attributes.

7.1.3 Chapter Three – Formulating Hypotheses

Using the comprehensive research framework proposed in Chapter Two, a framework was transformed into a research model for empirical investigation. This chapter reviews prior similar research in the area of ethical consumer behaviour as a background in formulating research hypotheses. Based on the research framework, there are 8 potential determinant factors within three contexts. The general hypothesis is that the adoption of ethical products depends on a combination of demographic, ethical, and functional factors. The operational hypotheses are formulated regarding each context. There are four sub-hypotheses for demographic context, two hypotheses and two sub-hypotheses for ethical context and two hypotheses for functional context. A clear definition of each factor is provided together with a summary of hypotheses to be examined in the study.

7.1.4 Chapter Four – Research Design and Methodology

This chapter discusses the research design and methodology applied in the study. The author presents several research philosophical standpoints which have been debated in the literature and clearly states that his philosophical standpoint lies in the realm of positivism. The deductive research approach is applied into the study. The reasoning behind this selection is that few studies pay attention to the factors that influence adoption of ethical goods. So, the deductive research approach is more applicable than the inductive approach. In addition, the study is designed within exploratory and descriptive research. The scope of the study is refined leading to the specific research question. Descriptive research is then used to test the hypotheses and describe the details of events. The aim of descriptive research is to describe attributes of products that are most valued by consumers.

Furthermore, the author employs a survey as a research strategy since his philosophical standpoint falls within the territory of positivism which typically uses the deductive research approach aiming to test and verify existing theories in a new context. The generalization of the research findings for positivism relies on statistical probability and large sample size. The concepts examined should be measurable. From these conditions, the survey research strategy is well suited as it allows researchers to collect a large amount of data from a large population

in a short time at a low cost. By that logic, the quantitative research method is applied and the data is collected using cross-sectional type.

For research methodology, the author discusses the three-step sampling procedure. First, the sampling population is identified. The consumers in Sweden are selected and serve as the sampling population since Sweden is where the author, as a researcher, has good connections and networks. The credibility of his position as a university lecturer allows him to access the data from marketing agencies without difficulty. So, this selectivity provides a chance to collect empirical data effectually.

A self-administered questionnaire is developed for data collection. The questionnaire development takes three stages. First, a number of questions are developed based on similar previous studies and relevant literature in accordance with the proposed hypotheses in Chapter Three. Second, a questionnaire pretest is conducted to determine the accuracy and consistency of the responses. No revision was done to the questionnaire as it was well understood by the respondents in the pilot study. The questionnaire is translated into Swedish language to help the respondents to fill out the questionnaire. When the questionnaire was ready, a package containing a cover letter, a questionnaire, were sent out to 1000 consumers.

7.1.5 Chapter Five – Data Analysis and Results

This chapter presents data analysis and results. The process of administering questionnaires is described and the non-response bias is evaluated. The analysis suggests no non-response biases found in the study. The likelihood ratio test (LR-test) is used to test whether all the parameters are zero for the null hypotheses. The McFadden R² is used to measure the goodness of fit (Train, 2003). Likelihood ratio test suggests that the model fits well and the McFadden R² suggests strong association between the dependent and the independent variable.

The descriptive statistic is used in presenting demographic information of the respondents. The next analysis examines hypotheses. The findings confirm that 4 factors can be considered as determinant factors in the WTP for ethical goods in this study.

7.1.6 Chapter Six – Discussion of Findings

This chapter interprets the figures from Chapter Five into descriptive statements. The author discusses the findings in accordance with previous research. Possible explanations are discussed and some suggestions are made. Demographic factors do not influence the decision to buy products with ethical attributes. Further discussion pays attention to the degree of influence each functional and ethical attribute has on the adoption decision. Each ethical and functional attribute has a certain degree of influence but that influence differs among attributes and between products. For coffee consumers derive most utility from the organic attribute followed by fair-trade labeled attribute. For jeans on the other hand consumers derive most utility from the fair-trade attribute followed by the organic attribute. It is suggested that the findings are beneficial to both governments and corporations who want to increase the adoption rate of ethical products.

7.2 THEORETICAL IMPLICATIONS

Communicating the relevant CSR product attribute plays a significant role in today's business competition. It is suggested that marketing of selective CSR product attribute can lead the firm to greater business competency, improve its business performance, and ensure it retains its competitive advantages. The adoption of ethical attributes has been examined in the marketing discipline. A number of adoption models have been developed in literature but there are three prominent adoption models that have been used extensively: the Theory of Reasoned Action (TRA), the Theory of Planned Behavior (TPB) and Social Cognitive Theory (SCT). Nonetheless, it appears that these models only partially explain the phenomena of the adoption decision. What is lacking is an inclusive model that is able to explain all possible aspects of the phenomena. This leads to the theoretical contribution of this study.

There are five main theoretical implications.

First, this study expands marketing theory by integrating the three adoption models. A number of previous studies are reviewed to identify other relevant factors. Ethical and functional attributes are specified. A comprehensive research framework is drawn representing the association between the adoption of ethical attributes and the determinant factors.

Second, the proposed comprehensive research framework is empirically tested. The findings provide evidence supporting the validity and reliability of the framework.

This leads us to the third implication. The importance ranking of determinant factors is also possible. Therefore, it could be claimed that this comprehensive research framework can be used as a research tool in examining determinant factors in the decision to adopt other products as well.

A fourth implication that follows is that in the use of rating scales. The approach used in this study has two main benefits that researcher could adopt. The first is that the ranking methodology approach to discern individual's attitudes, beliefs, and preferences are characterized by significant efficiency. This allows for more information being drawn from an instrument with any specific sample size. Second, ranking methodology approach allow for better alignment of the underlying decision model to the instrument. Using such an approach would allow for a deeper understanding not just of ethical preferences but ethical decision models.

The final implication is that forced choice trade-offs create more opportunities for creating incentive compatible scale instruments. One of the major problems in consumer ethics related research is how to get the individual to answer in a manner that is representative of real life situations. One could create realistic circumstances or to monitor individuals in realistic environments, however, this is an expensive alternative. Ranking of attributes are a good second alternative as there is little room for deception if the instrument is designed carefully.

7.3 PRACTICAL IMPLICATIONS

A number of practical implications can be acknowledged from this study. First, the findings offer guidance to governments and corporate, especially those who attempt to encourage the purchase of social desirable products by consumers. Since the adoption rate is rather low, there is ample room to boost it. The study identifies determinant attribute that affect the adoption decision. The implication is that encouraging this type of product adoption successfully requires a thorough understanding of the importance of each determinant attribute.

Second, WTP for ethical attributes is complex requiring cautious consideration. A consumer typically considers several factors and these considerations are often guided by perception. Thus, the implication here is that prospective consumers should be provided sufficient and clear information from firms who are encouraging purchase of ethical products.

Third, companies need to approach cause related marketing with caution. Consumers have different ethical preferences for the two goods in this study. For example, organic attribute was more important than the labour attribute for coffee and labour attribute was more important than the organic attribute for jeans. This means that consumers are willing to make trade-off amongst many of the issues. What this implies is that companies need to not only pay attention to issues for which consumers have a preference – but also to pay attention to the other issues which they are willing to trade-off. In a world where companies are increasingly engaging in cause related marketing exercises they must be prepared to do battle over which ethical issues resonate best with their customers and in which combination.

The fourth implication is for companies marketing ethical products, especially in Sweden. Promoting organic labels seem to be more top of the mind with consumers compared to fair-trade labels. It does not mean that fair trade labels should be ignored. It only means that to attract the attention of customers organic labels are perceived to be more attractive.

The fifth implication is perhaps the most important. Marketing managers like to have specific segments of consumers to target. However, the complexity of preferences when looking at multiple ethical issues makes it difficult to make generalization. Finding characteristics of people's ethical preferences is unlikely to be easy. The results of this study show that because of the complexity of individuals' social preferences, such a priori segmentation is not likely to be useful. As noted earlier, little if any of the segment differences can be predicted using observable demographics. Whether this is possible with an expanded set of demographic and behavioral questions is an empirical question. However, what we do know is that you cannot just understand an individual's social issue preferences by looking at simple factors such as gender, age, education, income and social norm.

7.4 LIMITATIONS AND SUGGESTIONS FOR FURTHER RESEARCH

Although the findings reveal interesting insights about the attributes affecting the adoption of ethical products, some limitations must be addressed.

First, the study focuses only on the adoption decision using cross-sectional data collection but not on how ethical product is implemented. A longitudinal study on the implementation issue is recommended to facilitate the understanding of ethical product implementation among consumers. In addition, the terms ‘adoption’ and ‘implementation’ are sometimes used interchangeably. The adoption in this study, however, refers to accepting and obtaining something while implementation typically means sequential phases of using something. Further research looking at the effect of determinant factors in each implementation phase is suggested.

Second, although the sample is sufficient for being representative of consumers in Sweden. This selectivity restricts the ability to generalize the results since consumers differ from region to region. Consumers in North America, Europe, and other parts of the world may exhibit similar or different results. The results in this study only represent consumers in Sweden. Hence, further comparative research should be encouraged to replicate the results found in this study.

Third, one low involvement and one high involvement product are the main focus of this study. Other low and high involvement products may exhibit different determining attributes. It would be interesting to examine the determining attributes of other products to see if differences exist.

Fourth, this study is restricted to a relatively narrow set of ethical issues. However, even with this limitation we found some interesting results that have potentially profound implications for public policy and the way corporations’ view their customers.

In addition, this study does not study into the factors affecting these preferences, we do not know why specific individuals in specific contexts have such attitudes and if they would change based upon new information or events. We certainly do not we know what would be necessary to alter people’s preference structures.

Consequently, the results presented in this study should be interpreted in light of these limitations.

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APPENDIX A: Cover Letter

Dear Consumers,

Subject: Asking a favor of filling questionnaire

My name is Gautam Agarwal, PhD Candidate at the University of Milan, Italy. I am conducting a research on the topic relating to the adoption of ethical products among consumers. This study is a part of my PhD education.

Ethical products are produced keeping in mind the negative social, environmental and economic impact of production. This study intends to investigate the factors involved in the adoption of the ethical products.

You can participate in this study by clicking on the link below and fill out a questionnaire. If you complete the survey you will be able to participate in a draw of a number of gift certificates worth SEK 500. Of course, all answers will be confidential and will only be used in the research.

The questionnaire contains 2 sections which will take approximately 5-7 minutes to complete. Please fill out the form and return the completed questionnaire at your earliest convenience.

In case you have any questions, please contact me via this telephone number 070-200 2109 or the email below.

Thank you very much.

Sincerely

Gautam Agarwal

Doctoral candidate, University of Milan, Italy

E-mail: gautam.agarwal@hig.se

APPENDIX B: Questionnaire

The Adoption of ethical products

Instruction:

This questionnaire has the objective to collect the information in relation to the adoption of ethical products among consumers. Your answer is important to the accuracy and preciseness of this research. In this connection, your personal information shall be kept strictly confidential and the data will be exclusively used for this research only. The questionnaire comprises three sections. Please read the questions in each section carefully and complete the questionnaire according to the given instructions.

Section I: General Information

What is your gender?

Male

Female

What is your age?

18-24 years

25-35 years

36-45 years

46-55 years

55+

Level of education

High School

Bachelors Degree

Masters Degree

PhD

Other

Annual income (before taxes)

0-100000

100001-200000

200001-300000

300000+

Social Norm

1 = “Don’t agree at all” 5=“Agree very strongly”

Most people who are important to me think I should purchase ethical products.

1 2 3 4 5

Section II: Ranking of attributes

The next two questions present a series of choices in the form of cards. The choices relate to two products; Coffee and Jeans. Each card contains a number of attributes. We would like you to place yourself where you are offered these choices. These choices are imaginary and not real, but we would like you to think how you would act if you were in these situations. In each case please rank the cards in order of your preference. In the questions below 1 = “Most preferred” and 5=“Least preferred”.

Some explanation:

Organic: Raw materials used to manufacture these products are grown without use of pesticides or fertilizers.

Non-organic: Raw materials used to manufacture these products are grown with pesticides or chemical fertilizers.

Fair-trade: Fair-trade labeled products creates opportunities for farmers and workers in developing countries to improve their working and living conditions

Non Fair Tagged: Does not create conditions for farmers and workers in developing countries to improve their working and living conditions

Price: The market price is an expression of the market value

Example In the example below combination of attributes in card 1 is the most preferred thus it is given rank 1 and combination of attributes in card 5 considered least preferred and thus given rank 7.

Attributes relating to Chocolates:

Attributes	Card 1	Card 2	Card 3	Card 4	Card 5	Card 6	Card 7
Labour	Fair trade	Fair trade	Non Fair trade	Fair trade	Non Fair trade	Fair trade	Non Fair trade
Environment	Organic	Non Organic	Organic	Organic	Non Organic	Non Organic	Organic
Price	Market price	40% above market price	40% above market price	10% above market price	Market price	20% above market price	20% above market price
Rank	1	6	5	2	7	4	3

1) Please rank the attributes relating to **Coffee**:

Attributes	Card 1	Card 2	Card 3	Card 4	Card 5	Card 6	Card 7
Labour	Fair trade	Fair trade	Non Fair trade	Fair trade	Non Fair trade	Fair trade	Non Fair trade
Environment	Organic	Non Organic	Organic	Organic	Non Organic	Non Organic	Organic
Price	Market price	40% above market price	40% above market price	10% above market price	Market price	20% above market price	20% above market price
Rank							

2) Please rank the attributes relating to **Jeans**:

Attributes	Card 1	Card 2	Card 3	Card 4	Card 5	Card 6	Card 7
Labour	Fair trade	Fair trade	Non Fair trade	Fair trade	Non Fair trade	Fair trade	Non Fair trade
Environment	Organic	Non Organic	Organic	Organic	Non Organic	Non Organic	Organic
Price	Market price	40% above market price	40% above market price	10% above market price	Market price	20% above market price	20% above market price
Rank							

APPEXDIX C: Reminder letter

Dear Consumers,

Subject: Reminder-Survey on ethical products

My name is Gautam Agarwal, doctoral student at the University of Milan, Italy. A few weeks ago I sent out a survey to investigate the adoption of ethical products among consumers. Many of you have already completed the questionnaire, but those of you who have not yet done so still have the opportunity to complete it. I am conducting a research and the study is a part of my PhD education.

You can participate in this study by clicking on the link below and fill out a questionnaire. If you complete the survey you will be able to participate in a draw of a number of gift certificates worth SEK 500. Of course, all answers will be confidential and will only be used in the research.

The questionnaire contains 2 sections which will take approximately 5-7 minutes to complete. Please fill out the form and return the completed questionnaire at your earlier convenience.

In case you have any question, please contact me via this telephone number 070-200 2109 or the email below.

Those of you who have already completed the survey may look away from this reminder.

Thanks in advance!

Sincerely

Gautam Agarwal

Doctoral candidate, University of Milan, Italy

E-mail: gautam.agarwal@hig.se