Consumer Perceived Ethicality: An Impression Formation Perspective

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This research investigates the process of how consumers form ethical perceptions of companies or brands by means of twenty in-depth interviews with general consumers. The study offers illustrative examples of evidence that the formation of consumer perceived ethicality (CPE) appears more in line with the configural model of impression formation, suggesting that perception formation is holistic and gestalt-like, rather than following the algebraic model, which takes a piecemeal information integration position. Given the explorative nature of the study, the paper concludes with developing research propositions for future – confirmative – testing.

Keywords: Ethical Consumerism, Impression Formation, Brand Perceptions, Consumer Perceived Ethicality (CPE), Corporate Ethics/CSR, Qualitative Research.

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Abstract
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Track: Social Responsibility, Ethics and Consumer Protection
1. INTRODUCTION

Over the years, consumers have become increasingly sophisticated. Gradually growing into a more active role, a sizeable segment of consumers is able to make a link between their purchases and the environment, social values and issues. A result of this ‘coming-of-age’ process is consumers’ stronger awareness of their power in the market. Current trends and events support the notion of the more active and responsible consumer and underline that a certain segment of consumers act in accordance with their beliefs. Market shares and penetrations of sustainable products, such as organic or fair trade items are growing steadily despite their premium retail prices. Moreover, many companies have evidenced the punishing hand of the consumer responding to what he/she perceived as irresponsible business practices. Among others, Gap and Nike (sweatshop and child labour at manufacturing firms in Asia), Nestlé (aggressive baby-milk formula marketing in Africa) as well as Shell Oil (Brent Spa and Nigerian drilling controversy) experienced the gravity of their transgressions, with subsequent consumer boycotts severely damaging sales revenues and tainting overall reputation.

2. LITERATURE

2.1. Corporate Ethics/CSR and consumer responses

Recently researchers have investigated a plethora of diverse issues relating to the broad subject of ethical consumerism. The book The Ethical Consumer (Harrison, Newholm,
& Shaw, 2005) and the October 2007 special edition of the Journal of Consumer Behaviour which studied ethical consumption (Newholm & Shaw, 2007) reflect expanding interest in this increasingly important area of research. Acknowledging that the subject is barely in its adolescence and that many questions remain open, various scholars emphasize the need for further in-depth exploration of the consumer (versus corporate) perspective of business ethics and CSR (Mohr, Webb, & Harris, 2001; Newholm & Shaw, 2007; Sen & Bhattacharya, 2001).

While there is ample evidence of the impact of un/ethical and socially ir/responsible company behavior on consumer reactions (Berens, Van Riel, & Van Bruggen, 2005; Biehal & Sheinin, 2007; Brown & Dacin, 1997; Creyer & Ross, 1997 & 1996; De Pelsmacker, Driesen, & Rayp, 2005; Folkes & Kamins, 1999; Gürhan-Canli & Batra, 2004; Lichtenstein, Drumwright, & Braig, 2004; Luo & Bhattacharya, 2006; Mohr & Webb, 2005; Sen & Bhattacharya, 2001), the process of how a positive or negative ethical perception of a company or brand emerges in the consumer’s mind has not been explored.

Brunk (2010) studied sources of ‘consumer perceived ethicality’ (CPE) and identified a large variety of business and social activities that may evoke un/ethical company/brand perceptions among consumers. The developed ‘Domains of CPE Origin’ taxonomy delineates six core domains relating to the impact corporate behavior has on: (1) consumers, (2) employees, (3) the environment, (4) the overseas community, (5) the local economy and community, and (6) the business community (Appendix). While this framework addresses what generates un/favorable CPE, we know little about how consumers arrive at their aggregate perception of a subject’s ethicality. This research sets out to gain insight into how consumers integrate information and form an overall ethical impression of a company or brand. Conceptualizing this process will facilitate a deeper understanding of ethical consumerism and constitute an essential extension to existing research.
2.2. Impression formation

Often consumers may have multiple pieces of data on which their global evaluative impression of a company or brand is based. In the context of ethical perception a consumer may have heard of a specific company donating a share of its revenue to support the local school while simultaneously being aware that the company is notorious for environmental pollution. How do consumers integrate multiple components of observation and information into an overall aggregate ethical perception?

Social psychology, specifically person perception research, offers two fundamentally different (competitive) theories of how people form impressions of others: the algebraic and configural model (Fiske & Taylor, 1991). Algebraic models represent the elemental approach to psychology, hence take a piecemeal information integration position. According to cognitive algebra, perceptions are formed following a bottom-up approach by evaluating each individual element of information in isolation from each other and combining these evaluations into a general summary impression. Anderson’s (1981, 1996) information integration theory (IIT) is a widely supported algebraic model of information averaging applied in person cognition, attitude and attribution formation. In terms of CPE formation, this model implies that ethical evaluation is a mathematical process that integrates evaluative ratings of each of the un/ethical behaviors with which consumers associate the company. If CPE formation is assumed to follow algebraic rules, CPE may be positive if the amount of virtuous activities the consumer is aware of exceeds the number of transgressions. In other words, positive behavior has the ability to compensate for negative behavior.
The configural model on the other hand contrasts with the algebraic model. Rooted in the Gestalt tradition of psychology, the approach suggests a holistic, top-down approach of impression formation where the processes of information evaluation and integration are reversed. The configural model posits that first people form a holistic impression about a subject and then assign an evaluation. Gestalt psychologists argue that information is perceived, understood and integrated in relation to other pieces of information and that the resulting impression cannot be produced from evaluation of those information components in isolation (Asch, 1957; Asch & Zuiker, 1984). According to this perspective, people almost instantaneously form an integrated, unified impression based on whichever information they are presented with. The valence of the first information encountered can determine the overall direction of the impression, with consecutive information being fitted to the prevailing direction potentially resulting in a change of meaning effect (Asch, 1957; Kunda, Sinclair, & Griffin 1997). In terms of ethical perception formation the configural model suggests that consumers interpret new pieces of information or cues about a company’s behavior in relation to the established direction of CPE (positive or negative). Consequently, a company’s virtuous behavior may not be able to compensate for a preceding transgression and vice versa.

3. METHODOLOGY

Findings are based on a larger qualitative study exploring consumers’ ethical perceptions (Brunk, 2010). Twenty long interviews (McCracken, 1988) with general consumers serve as the main source of data collection. To create a diverse pool of participants, a theoretical sampling approach was employed, guided by its characteristic
ongoing comparison process (Strauss & Corbin, 1990). Interviewees were recruited via convenience and multiplicity (snowball) sampling to guarantee the sample offered the required demographic variety (Berg, 2006). The resulting sample displays diversity in terms of age, gender, marital status, education, and employment status to include students, retirees, self-employed, unemployed, as well as employees at various seniority levels (management versus non management). A full list of all interviewees’ demographic profiles is available upon request.

Interviews were conducted at the participants’ home. A semi-structured interview format provided a focused, yet open form of dialog and encouraged discussion. The more informal interview style combined with meeting interviewees in the familiar and comfortable surroundings of their home created a relaxed atmosphere and consequently found participants willing to engage and answer openly, which was crucial, given the sensitivity of the research subject and the objective of minimizing social desirability bias (Vantomme, Geuens, De Houwer, & De Pelsmacker, 2006). Following the interview guide, all participants covered the same topics, starting with more general questions that turned increasingly specific as the interview progressed. Interviewing concluded with a discussion of company-specific cases. The question format was open. Depending on the level of active participation and interaction, interviews lasted up to two hours. Upon theoretical saturation, the data collection phase was terminated (Silvermann, 2000).

With permission of the participants, interviews were audio-taped at full length. Transcripts were re-read repeatedly in search of patterns, themes and relationships. In line with Spiggle (1994), analysis proceeded by employing the recommended procedures of categorization (coding deductively and inductively), abstraction, comparison, dimensionalization, integration, iteration, and refutation. Data analysis was an ongoing process, gradually evolving throughout the data collection process (Charmaz, 2005; Strauss
& Corbin, 1990). This constant comparative method and subsequent interview guide refinement allowed both processes to intermingle, a strategy particularly conducive for exploratory research purposes (McCracken, 1988). After analyzing and integrating the data, member checking and peer reviews were initiated to strengthen the validity of the results (Kvale, 1996). The following findings reflect this confirmation process.

4. FINDINGS

4.1. Ethical perceptions as holistic impressions?

Do consumer narratives lend support or refute either the configural or the algebraic approaches of impression formation, meaning do consumers gain an overall, categorical impression of a company’s ethicality (Asch, 1957) or do they evaluate each piece of information separately and in isolation, gaining an impression from its composite behaviors (Anderson, 1981, 1996)?

According to this exploration, CPE is not a summative evaluation. It appears that one specific corporate action can determine the direction of overall CPE loading, regardless of other known activities and information available to the consumer. Therefore, information integration processes leading to the formation of CPE do not appear to fit with assumptions from classical cognitive algebra theory (Anderson, 1981, 1996). Peter, one of the interviewees, describes his negative ethical evaluation of the brand Starbucks as follows:

“I hate Starbucks! They do close a lot of companies down. But they look after their staff very well and they also do fair trade coffee. It’s a double-edged sword, isn’t it? [pauses and thinks] No! They’re unethical, I can’t stand them!”
The quote highlights that, despite the positive behaviors of focusing on ethical sourcing and looking after their employees, one negative behavior – the perceived transgression of pushing other competitors out of business – shapes the negative overall direction of CPE. This outcome fails to support the averaging rule – the most prominent rule in IIT (Anderson, 1981; 1996; Lynch, 1985). The illustrated dynamic appears to be more in line with Asch’s gestalt-like configural model which suggests that ethical perceptions emerge as holistic impressions (rather than resulting from a mathematical process of combining separate pieces of information) whereby not every piece of information at hand is considered for judgment.

4.2. Primacy effects and diagnosticity of unethical behavior

Which cues are actually used for CPE formation depends on the order and perceived diagnosticity of the accessible information. Frank’s narrative provides evidence for the presence of a primacy effect:

“… behind our backs they (the company) leak their waste into the river but then they say, yes, but here we made a big donation, making a big fuss and that way just diverting attention away from the things where they do not behave correctly… and when I read things like that, I really don’t want anything to do with them (company) anymore.”

His first acquaintance with the company (environmental pollution) set up an overall negative direction of CPE with subsequent positive – hence inconsistent – information (philanthropic activities) being discredited and fitted to the prevailing negative direction (Asch & Zuiker 1984). This dynamic showcases the change of meaning effect which is central to theories of holistic impression formation yet inconsistent with algebraic models. The notion may also explain Madrigal and Boush’s (2008) observation that study participants who were exposed to an advertisement describing a brand as environmentally friendly
automatically assumed higher social responsibility of that brand, despite the fact that social responsibility reaches far beyond the environment.

Furthermore, the degree of perceived diagnosticity of the available information determines which cue(s) shape the overall direction of the holistic impression. Consumer accounts from this study indicate the presence of a negativity bias, meaning that perceived immoral company conduct has a stronger impact on CPE formation than virtuous behavior does. The notion is consistent with Skowronski and Carlston’s (1987) cue diagnosticity framework of impression formation. The authors demonstrate a negativity bias when making morality based judgments, which builds on the assumption that bad people do not consistently display negative behavior but sometimes act in a virtuous way. Good people on the other hand almost exclusively act in a positive way. For someone to be considered positive, behavior must be consistently virtuous while transgressing once might be sufficiently diagnostic to establish a negative perception, as the previously referred to quote by Peter about Starbucks highlights. Susan provides further evidence by elaborating on her overall ethical impression of a company that on one hand employs children in its overseas operations, yet on the other hand strongly engages itself in improving life in the local community:

“Negative, there is no question about it. If they do something positive and something negative, then I would say that they are bad, yes. If I employ children and then I do something just to look good, no.”

Hence, if positive and negative information about a company’s ethics is received and considered simultaneously, the negative behavior will most likely determine the direction of CPE due to its higher degree of diagnosticity. In line with theories of holistic impression formation, Skowronski and Carlston (1987; 697) observe that: “… some highly diagnostic cues may be sufficient to accomplish categorization, independent of the other evidence available.”
4.3. Reflections on the curiosity of positive CPE

While negative examples of CPE were plentiful and diverse, interview participants felt highly challenged or even unable to provide examples of companies or brands of which they held favorable ethical perceptions, an observation Worchester and Dawkins (2005) and Folkes and Kamins (1999) share. The fact that CPE appears to emerge as a holistic impression, combined with the negativity bias of morality based judgments, certainly constitute possible explanations for the observation that positive CPE is such a rare occurrence.

Additionally, the lesser likelihood of positive CPE may also – at least partially – be attributed to the type of information on which consumers base their judgment. In line with Berry and McEachern (2005) and Mohr and Webb (2005), this study supports that consumers mistrust company-initiated information. Hence, any form of corporate communication (i.e. advertising, PR campaigns, sponsoring efforts, corporate brochures, displays in outlets, CEO blogs, annual reports) aimed primarily at showcasing virtuous behavior is likely to suffer from a lack of credibility and consequently fails to impact CPE in an inspired way. Instead, consumers almost exclusively trust and rely on the independent media as their primary source of information. However, prevailing sensationalism fosters predominantly negative reporting, meaning that media content skews towards highlighting misconduct, thereby guiding consumers’ attention specifically towards the very type of unfavorable behavior shown to be most diagnostic in impression formation, magnifying the existing negativity effect.

5. PROPOSITIONS FOR FUTURE QUANTITATIVE TESTING
Evidence from this exploratory study suggests that consumers form a holistic impression of a company or brand’s ethicality. The presented finding must be viewed with the usual drawbacks of the qualitative methodology in mind. Hence, quantitative testing would constitute a natural extension to allow generalization and facilitate a more fundamental empirical basis for theory building.

To gain insights on the actual emergence of CPE and its formation dynamics, experimental studies using fictitious brands would be the most appropriate methodological choice. In this case, consumers should be presented with vignettes describing an unknown brand/company and its either ethical or unethical behavior. After measuring direction and strength of CPE, consumers should be exposed to additional but counter-directional information. The resulting CPE will give an indication of the information integration and impression formation processes at work. Furthermore, the observation of a change-of-meaning effect would substantiate the hypothesis of holistic impression formation.

To understand whether CPE displays typical properties of a holistic impression, survey research using well-established brands may prove a suitable approach. Brunk’s (2010) domains of CPE origin framework can be used as a lens for analyzing (dis)confirmation of the hypothesis that CPE formation follows the configurational model. In this case, consumers are expected to evaluate a company’s performance on all six domains similarly. High correlations among all domains should therefore be indicative of the configurational model of impression formation, where one piece of information creates a gestalt-like impression and shapes the overall direction of evaluation for all the other domains. In order to test these dynamics effectively, it is advisable to select companies or test brands with either negative or positive CPE (rather than a neutral image).

Take Nike for example, a brand suffering from negative CPE due to their involvement in sweat-shop and child-labor. If ethical impression formation is holistic, knowledge of this
transgression should subsequently cause negative evaluation of the other domains. Hence, not only should consumers evaluate the affected domains ‘employees’ and ‘overseas community’ poorly, but also all other domains such as ‘consumer’ or ‘environment’, which are unrelated to the actual transgression. Conversely, and building on the assumption that the way the company handles overseas workers is not diagnostic for its treatment of the environment or its behavior towards the consumer, low correlations between the evaluation of the affected and unaffected domains would be evidence against the hypothesis of holistic CPE formation.
Appendix – Consumer Perceived Ethicality (CPE) – Domains of Origin (Brunk, 2010)
Bibliography


