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**Consumers' Punishment and Rewarding  
Process via Purchasing Behavior**

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# **Consumer' Punishment and Rewarding Process via Purchasing Behavior**

## **ABSTRACT**

While there have been many studies of the ethical behavior of managers, little research investigated the ethical beliefs and ideologies of consumers. Moreover, even less is known about the relationship between consumer beliefs and ideology and purchasing behavior. The present study investigates the extent to which consumers punish or reward what they perceive as either a firm's ethical or unethical behavior. The research model was tested on samples of Israeli and Turkish respondents. The results indicate that personal economic benefit, ideology (idealism versus relativism), economic cost to others and locus of control explain consumer reaction to ethical, purchasing dilemmas. Cultural differences between the two populations studies also contributed to an understanding of different behavior outcomes.

## **INTRODUCTION**

A company's perceived unethical activities may be constrained by punitive actions on the part of consumers such as boycotts and lobbying (Smith 1990). However, there are instances when consumers may reward, rather than punish unethical business behavior. This study presents a descriptive model to explain the consumer's response process toward unethical and ethical events via purchasing behavior. Specifically, the research endeavored to determine under what circumstances consumers would punish or reward what they perceive as unethical or ethical business behavior, respectively. The basic assumption of our model is that consumers discriminate in their perceptions and attitudes towards unethical events or dilemmas. The magnitude of the perceptual differences depends upon the extent to which an unethical event impacts the consumer's welfare. The determinants of that impact are moral intensity of the event, the consumer's predisposition of what constitutes right or wrong in his/her society, his/her ethical ideology and his/her degree of idealism, relativism and locus of control.

Following a review of the literature relevant to this study, a conceptual framework of the consumer response process is presented. This is followed by a discussion of the research model, hypothesis testing and findings.

## LITERATURE REVIEW

Most previous research of consumer ethical decision making has employed the respondent's perception of the ethicality of an event as the dependent variable, while moral predisposition, ethical ideology and personality characteristics have been used as explanatory variables.

Vitell et al (1991) investigated the relationships between ethical beliefs, Machiavellianism and ethical ideology among elderly American consumers. They used the "Consumer Ethics" scale developed by Muncy and Vitell (1989) to measure ethical beliefs. Respondents were asked to rate on a five-point scale whether they perceived given actions as being wrong (unethical) or not wrong (ethical). The results indicate that elderly consumers, while generally being more ethical than younger consumers, have diverse ethical beliefs.

Fullerton, et al (1996) examined consumer judgments of potentially unethical actions across a range of consumer purchasing situations where the buyer and seller are in direct contact with each other. The results show that situations in which consumers are ambivalent tend to be those where the seller suffers little or no economic harm from the consumers action. Younger, more educated and higher income consumers appear more accepting of these transgressions.

Rawwas (1996) investigated ethical beliefs of Austrian consumers and the relationships between ethical beliefs, ethical ideology and Machiavellianism. The results indicate that Austrian consumers are mostly "situationist" who, while rejecting moral rules, judge the ethics of behavior by the consequences of its outcomes. Rawwas, et al (1998) applied a similar methodology to a study of Irish and Lebanese consumers. They found that both groups exhibited low sensitivity to ethical issues, purportedly owing to the effect of civil disruption occurring at the time in both countries.

Rallapalli, et al (1994) examined the relationships between consumer ethical beliefs and personality traits. The authors found that individuals with a high need for autonomy, innovation and aggression, as well as individuals with a high propensity for taking risks tend to have "less ethical" beliefs concerning possible consumer actions. Individuals with a high need for social desirability and with a strong problem solving- coping style tend to have "more ethical" beliefs. The needs for achievement, affiliation, complexity and an emotion-solving coping style were not significantly correlated with consumer ethical beliefs.

Vitell and Muncy (1992) investigated general attitudes of consumers relative to business, government and people in general, and compared these attitudes to their beliefs concerning

various questionable consumer practices. The results show that consumers' ethical beliefs are determined, in part, by whom is at fault in the unethical behavior (the seller or the buyer). The results also indicate that those with a more positive attitude toward business are less likely to engage in questionable consumer practices.

Strutton, et al (1997) examined ethical behavioral tendencies of the Baby Boomers and Primal Boomers. The findings suggest that "Thirteen's" are more likely to attempt to rationalize away unethical retailing consumption behaviors than their parents' generation.

Swinyard, et al. (1989) investigated the effects of some types of rewards (money and land) on individual moral action in terms of the utility of outcome variables (self/community/family). A comparison was made of American and Singaporean students. It was concluded that the utilities for the outcome variables (self/community/family) were higher for the Singaporeans, while the utilities for the decision variables (money/land) were higher for the Americans. Both groups, however, were more interested in community than personal welfare.

While consumers do not have any obligation or responsibility to anyone but themselves for unethical purchasing behavior, they might have some informal (voluntary) responsibilities. Engel and Blackwell (1982) have defined those kinds of people as "socially conscious consumers" i.e., "those persons who not only are concerned with their own personal satisfactions, but also buy with some consideration of the social and environmental well being of others" (p. 610). In addition, this suggests that the socially responsible consumer is in general "... less dogmatic, less conservative, less status conscious, less alienated and less personality competent" (Smith 1990, pp. 178-9). In summary, consumers act ethically for individual satisfaction via behaving in accordance with their personal values, beliefs, attitudes and group orientation. On the other hand, consumers may act unethically in order to maximize their individual and family economic welfare (Swinyard 1989).

## **MODELING THE CONSUMER'S PUNISHMENT AND REWARDING PROCESS**

While the above literature review has suggested a number of parameters for explaining consumers ethical/unethical behavior and response to a business's ethical/unethical behavior, none have attempted to build a general model of the consumer ethical decision making process when confronted with an ethical dilemma by business. The purpose of this paper is to develop such a model and empirically test some of its elements.

The model (Figure 1) consists of four sequential steps. It begins on the left side with the occurrence of a moral event posed by a business to the consumer. It continues with the consumer's perception of the moral event, and his or her evaluation of it. The model culminates with the resulted consumer's response and the impact the response will have on the business that posed the event. In the model, each step is conditional on the previous ones. For the sake of clarity, we consider only two possible branches in each step. Thus, the three main stages of the model result in eight alternative outcomes (2<sup>3</sup>). The model can be extended readily to more complex formats without effecting its overall structure and validity. We now turn to the explanation of the model and the formulation of hypotheses.

**Figure 1:**  
**A Model of Consumers' Reward and Punishment Response Process to a Moral Issue**

Moral Issue or Event	Perception of Moral Issue	Evaluation and Intention for Rewarding or Punishing	Outcomes to the Firm
	Expectations Moral Intensity of Event	Economic Consequences Ethical Ideology Locus of Control	\$ Revenue (loss) Moral Revenue (loss)

***Step 1: Occurrence of a Moral Event***

The process begins with the posing of a moral event, or dilemma, to the consumer by a business. Velasquez and Rostankowski (1985) have defined a moral dilemma, or moral event, as present when a person's actions, when freely performed, may harm or benefit others. Objectively, the event posed by the business may be either ethical or unethical, depending on whether it will harm or benefit others, or not. The two leftmost branches that begin the model present these alternatives.

### *Step 2: The Perception of the Event as a Moral Dilemma*

In the second step, the consumer perceives the presented event and may consider it as being either ethical or unethical. In our model, we assume that the event presented by the company confronts the consumer with a moral dilemma if the latter perceives it as potentially causing harm to others and if s/he cooperates with the firm by making a purchase. We assume that the perception of an event as being ethical or unethical is a function of the consumer's moral expectations. Moral expectations are based upon personal convictions about what is right or wrong in society and how one expects others to behave when faced with moral dilemmas. Bartels (1967) posited that "personal convictions concerning one's duties and obligations to others in society... probably furnish the greatest encouragement for an evolving body of ethics" (p.25). Such personal convictions usually arise from respect for law, honesty, fairness and the like. So, a moral person will have sensitivity to ethicality along with "right" and "wrong" values that relate to the event itself. Otherwise, if a consumer is not morally sensitive s/he cannot be aware of an event as a moral issue. (Walters 1978).

If an individual has some predisposition of "right" and "wrong" s/he could have some expectations in terms of morality from others. Sligo and Stirton (1998, p.112) suggest that "within an expectancy framework people are deemed to behave in a utilitarian fashion, making rational decisions to take action on their own behalf according to the perceived likelihood of benefiting from their activities". Expectancy theory suggests that people are able to predict the outcomes of any act that maximizes their benefits. So people who are sensitive to moral events will have some expectations about ethical or unethical events in terms of their outcomes.

Expectations refer to the degree of ethicality the individual expects others, and in particular businesses with whom s/he deals, to behave and are usually the result of her/his internal assessment of environmental conditions. The consumer utilizes information available through his or her past procurement experience to derive a set of basic expectations for the procurement at hand. Perception of the ethicality of an event is a function of that initial reference point (Puto 1987). Unfavorable reactions to unethical behaviors might not be valued highly by consumers who expect unethical behavior to be the norm in their society. The above discussion leads to our first hypothesis:

*H1: The lower a consumer's moral expectations, the more likely s/he will purchase in an unethical store situation.*

### *Step 3: Evaluation of the Moral Event*

In the evaluation step of the model, the consumer considers how to respond to the event, namely, whether to reward the company by making a purchase, or punish it by shopping elsewhere. When the event is perceived as unethical, the consumer's dilemma is self-evident. When an event is perceived as ethical, it may still pose an ethical dilemma to the consumer. For example, take the case when a consumer believes that ethical business practices lead to higher prices (for instance, by paying honest taxes) and s/he considers the dilemma of either rewarding the company by a purchase, or punishing the company by shopping elsewhere. In either case, the evaluation hinges upon the moral intensity of the event on the one hand and on personal attributes or personality traits of the consumer (cf. Rallapalli, et al, 1994).

### **Moral Intensity**

The concept of moral intensity in ethical decision making was introduced by Jones (1991) and is based on the premise that people tend to become much more concerned about moral issues that affect those close to them rather than those with whom they have little or no contact, namely, by the proximity of the event. Also, people tend to react more strongly to what they perceive as an injustice if it has immediate effects as opposed to an injustice whose effects will only impact in the future (Jones, 1991, p.371). Robin, et al (1996) and Singhapakdi, et al (1999) demonstrated the effect of moral intensity on the perception of ethical issues. The components of moral intensity most relevant to this study are the magnitude of consequences and proximity. Magnitude of consequences is the sum of the benefits or harms done to the beneficiaries or victims of a moral event, respectively. For example, an event that causes 1000 people to suffer has greater magnitude of consequence than an event that similarly impacts upon 100 people. Therefore, moral events that have significant beneficiary or serious harmful consequences are more likely to lead to an ethical response. We consider in this paper benefits and harm in terms of economic consequences. Based on the above, the following overall-effect hypothesis can be formulated:

*H2: Moral intensity impacts consumer's choice when faced with an ethical dilemma.*

Proximity refers to the nearness (or remoteness) that a person feels for beneficiaries or victims of a moral event. Intuitively, people care more about those close to them physically and emotionally (e.g., family members, club associates, co-workers) than those who are remote. This proposition is supported by Jones (1991) who posited that "Attributions of responsibility are related to perceived control over an event.... Proximity, an element of moral intensity, is likely



to affect perceived control and, in turn, attributions of responsibility” (p.386). For example, an individual may feel some responsibility for the solution of national environmental problems, but not at the international level, since his or her ability to affect international events is low. On this basis we suggest the following hypothesis:

*H3: The more proximate a consumer to harmed others, the lower the likelihood of purchasing in an unethical store situation.*

In evaluating moral events, consumers deal with sellers’ actions in terms of two dimensions. First, consumers weigh the effects of an event in terms of their wealth, health or convenience (Whalen et al 1991). Generally, consumers want to maximize their economic benefit from purchasing. Economic benefit is a consequence that motivates consumers to behave rationally to a large extent regardless of their cognitive moral development level and ethical ideology. Second, there may be situations where the seller and buyer have some higher benefit for any purchasing (or selling), i.e. collusion, which creates an absolute loss for all of society, because both sides can easily ignore the ethical dimension of the event. For example, in order to avoid paying taxes, sellers and customers can act together and ignore unethical behavior. Another example is the buying (and selling) of foreign currency on the black market. In both cases, both buyer and seller gain at the expense of others.

According to results of some empirical studies (Vitell and Muncy 1992; Rawwas 1996), consumers did not report a lost item as “stolen” to an insurance company in order to collect money and did not change price-tags on merchandise in a retail store. Wilkes (1978) found that consumers might accept unethical behavior that does not cause physical harm. For example, returning merchandise after trying it out or pirating computer software and games. The economic consequences of consumer ethical behavior lead to the following hypotheses:

*H4: The higher the economic benefit to the consumer, the more likely the consumer will purchase in an unethical store situation.*

*H5: The higher the economic cost to others, the less likely the consumer will purchase in an unethical store situation.*

## Attributes of the Consumer

The evaluation of a moral event is also influenced by attributes of the consumer. In addition to demographics, these attributes include ethical ideology (Forsyth, 1980), locus of control (Rotter, 1973) and cultural background.

People sometimes show different sensitivity to ethical events. Wilkes (1978) found that even consumers, who disapprove of being engaged in certain wrong activities, still evaluate some unethical practices as “tolerable”. These activities can be justified on the grounds that business was at fault, not the consumer. Moreover, people may evaluate the event in different ways in different situations. At this point, ethical ideology becomes relevant to a consumer’s response to firm behavior.

Forsyth (1980) developed a two-construct scale for the measurement of ethical ideology; “relativism” and “idealism”. Briefly, idealism is the extent to which people accept moral absolutes, while relativism is the rejection of universal moral principles. Idealism is more of a deontological ideology, while relativism is utilitarian, focusing on the consequences, rather than the means of behavior.

Rawwas (1996) and Rawwas, et al (1998) investigated the effect of ethical ideology on ethical beliefs, by using the idealism and relativism scales developed by Forsyth (1980). Rawwas (1996) found that Austrian consumers differed little between idealism and relativism. He concluded that this finding “is quite interesting” because the expectation is that respondents would score more on one scale than on the other. In the (1996) study, Rawwas found that both the Irish and Lebanese respondents scored higher on idealism than on relativism, although the Lebanese scored higher on idealism than the Irish respondents. This led the authors to conclude that the Lebanese believe more in the moral absolute of behaviors than the Irish.

Vitell et al (1991) investigated elderly consumers' perception of twenty consumer situations having potentially ethical dilemmas. They found that 79.4% of subjects were relatively sensitive to ethical issues. It is accepted that idealist consumers are more sensitive to ethical or unethical outcomes of events than relativists and have greater stability in reacting to an event, even as situations change. In addition, relativists will probably insist on their own rights, while idealists emphasize social rights because they rely on universal moral rules. This leads to the following hypothesis:

*H6: The higher one’s idealism, s/he will be less likely to purchase in an unethical store situation.*

*H7: The higher one's relativism, s/he will be more likely to purchase in an unethical store situation.*

Locus of control measures an individual's attitudes about his or her ability to affect events in social circumstances. An individual, who has a high degree of internal control, accepts that personal power or effort is a basic determinant of the outcomes of social events. An individual who has a low degree of internal control, however, accepts that events in social life cannot be taken under control (Trevino 1986; Whalen et al.1991). An external consumer, then, is less likely to feel social responsibility for the consequences of a firm's ethical or unethical behavior. Therefore:

*H8: Consumers who have higher internal locus of control will be less likely to purchase in an unethical store situation.*

We assess cultural influences by the impact of country of residence of the consumer. The results of a study of this nature may be highly influenced by culture and level of economic development. Bartels (1967) indicated the cultural influence on ethics. He assumed that "ethics is a matter of social sanction" (p. 22) and identified such fundamental factors as religion, national identity, loyalty values and customs. He concluded that "contrasting cultures of different societies produce different expectations and become expressed in the dissimilar ethical standards of those expectations" (p. 23). In their general theory of marketing ethics, Hunt and Vitell (1986) incorporated cultural norms as one of the constructs that affect one's perceptions in ethical situations. Ferrell and Gresham (1985) also emphasized the influence of cultural values on individual behavior in their contingency framework for understanding ethical decision-making. To assess these effects and test the stability of the model in different environments, samples were taken in Israel and Turkey. Of these two Middle Eastern countries, Israel is more developed, with a majority of secular Jews. The population in Turkey is mostly Muslim with a tendency to secularism in comparison with other Muslim countries. The few studies of ethical behavior among populations in these two countries are limited to samples of managers (Izraeli, 1988; Ekin and Tezölmex, 1999; Seray, 1999).

An accepted measure of cultural similarity or difference between countries is Hofstede's (1980) typology. For example, both Vitell et al. (1993) and Schlegelmich and Robertson (1995) successfully applied Hofstede's four dimensions of culture to explain differences in managerial ethics across cultures. Using Hofstede's 39 country ratings, both countries exhibit strong Uncertainty Avoidance (Israel, 81; Turkey, 85; 39 country mean = 64) and low Masculinity

(Israel, 47; Turkey, 45; 39 country mean = 51). Based on the low Masculinity and high Uncertainty Avoidance scores, one would expect both Israelis and Turks to make similar ethical choices. Yet, the differences between these countries on collectivism-individualism and Power Distance scores lead to a different conclusion. Turkey is rated 37 and Israel 54 on Individualism (39 country mean = 51). On Power Distance, Turkey is rated 66 and Israel 13 (39 country mean = 51). Therefore, Israel may be typed as small power distance/individualist, while Turkey is large power distance/collectivist. It is posited that respondents from high individualism countries are less susceptible to external influences when faced with an ethical dilemma and will give higher weight to their own personal benefit. Furthermore, in small power distance countries, less weight would be given to the dictum of authoritative sources such as religion. Based on these attributes we would expect Israelis to be less concerned with ethical purchasing issues. Given the assumption that Israelis will be less concerned with ethical issues leads to the following hypothesis:

*H9: Israeli consumers are more likely to purchase in an unethical store situation than are Turkish consumers.*

#### ***Step 4: Outcome to the Business Posing the Event***

The possible consequences to the firm may take the form of some monetary revenues (losses) and/or moral revenues (losses).

Monetary revenues (losses) accrue from the decision whether to make a purchase or not. Moral revenue may be defined as "gaining an opportunity for future selling by the firm due to taking an ethical position in the market." A firm may expect that consumers will punish its unethical behavior and reward ethical behavior. Yet, if at the end of their evaluation process consumers consider the firm's ethical behavior as unethical and do not purchase its products there will be an undue loss of expected moral revenue as well as monetary revenue. On the other hand, if consumers ignore a firm's unethical behavior and purchase its products, the firm will gain undue moral and dollar revenue. All these possible outcomes are presented in the eight terminating branches of the model. The top four branches show when unethical events are rewarded or punished. The following four branches provide the same for ethical events. We now turn to the empirical assessment of the model.

## METHODOLOGY

### *Research Instrument*

The research instrument for the empirical study is a four-part self-administered questionnaire. The first part includes The Locus of Control Index adopted by Fleming and Courtney from Rotter's Internal-External Locus of Control Scale and employed by Whalen et al (1991). That scale consists of 14 statements, 12 measuring external and 2 measuring internal locus of control. Respondents were asked to indicate their disagreement and agreement with those statements using a seven-point Likert Scale. In the data analysis process the two statements that represent internality were reversed, so the whole scale was measured in terms of externality of the individual. The mean of these fourteen questions, by respondent is our locus of control measure.

The second part consists of eight purchasing decision scenarios. These scenarios were prepared so as to vary their moral intensity by presenting different levels of proximity and economic consequences. In these scenarios, the respondent is asked to think of himself or herself as shopping for a 28" color TV with a tag price of \$1000 in store A (an ethical store). A salesperson in a neighboring store B (the less ethical store) is offering the shopper an economic benefit in the form of a discount that is financed by economic loss to other customers who are overcharged. The respondent is asked to indicate whether s/he would purchase from store A or store B. The magnitude of the economic consequences of the event include either a high or low economic benefit for the consumer (a discount of 20 or 5 percent, respectively, from the retail price) and either high or low level of cost to others (an overcharge to 10,000 other consumers of 2 or 0.2 percent, respectively, from the retail price). Proximity is represented by the distance to these overcharged customers. Customers are either close (shop in the same store) or far (shop in a store located 100 kilometers away). These three dichotomous variables result in the eight scenarios outlined in Table 1. Two typical scenarios are presented in Appendix I.

**Table 1:**  
**Attributes of Scenarios Representing Ethical Events**

Scenario Number	Order of Presentation	Level of Economic Benefit	Level of Economic Loss	Proximity
1	2	high	low	far
2	4	high	low	close

3	7	high	high	far
4	1	high	high	close
5	6	low	low	far
6	8	low	low	close
7	3	low	high	Far
8	5	low	high	Close

According to hypotheses 2, 3 and 4, the probability of purchase in the unethical store B should be higher when the benefit is high, the cost low and the distance far. We further assume that the customer's own benefit has a stronger impact on his or her evaluation than the cost to others and that the economic variables have a stronger impact than proximity. Based on these assumptions, the scenarios in Table 1 are sorted in declining probability of a decision to purchase from the unethical store. To minimize the risk of demand effect on responses, scenarios were presented in the questionnaire in the order listed in the second column of Table 1, always keeping two changes between any two adjacent scenarios. To control for halo effect, the scenarios were further rotated between questionnaires by rotating the first scenario printed. Thus, for example, the first respondent received the scenarios in the order of 2, 4, 7, 6, 8, 3, 5; the second respondent in the order of 4, 7, 6, 8, 3, 5, 2; etc. Thus, each scenario was located in each of the eight positions. It should be noted that the eight scenarios are within-observation-repeated measures of the same variables.

The third section of the instrument contains the Ethics Position Questionnaire developed by Forsyth (1980). This part includes two scales of ten statements each. The first ten statements measure Idealism, while the remaining ten items measure Relativism. Respondents were asked their agreement or disagreement to such statements using a nine-point Likert Scale. We measure respondents' degree of idealism and relativism as the arithmetic means of the respective scales.

Expectations are measured by the statement: "It is impossible to conduct profitable business in [the residence country of the respondent] and maintain a strict ethical standard" that was appended to the third part of the questionnaire with the same Likert scale.

The last part of the questionnaire included demographic questions.

## Variables

To summarize, the research instruments provides the following variables:

### Dependent Variables:

Selection of store B, by scenario within respondent

Total number of store B selections by respondent

### Independent Variables:

Attributes of moral events: Benefit to consumer; Loss to others, Proximity to others.

Attributes of the individual: Locus of control; Idealism-Relativism; Country of residence and Demographics.

Given the sources of the scales used in this study, the questionnaire was initially written in English and later translated into Turkish and Hebrew. Both Turkish and Hebrew versions were back translated into English.

## Sample

The Turkish sample (n=260) and a part of the Israeli one (n=91) were generated from convenience samples of graduate university students.. These respondents were interviewed during class time with permission of the lecturers. The Israeli sample also includes 211 consumers selected from the greater Tel-Aviv Metropolitan Area by a random area cluster sampling procedure. These respondents filled the questionnaires in their homes or place of employment in the presence of interviewers. Table 2 provides the demographic attributes of both samples.

**Table 2:**  
**Demographic Attributes of Israeli and Turkish Respondents**

	Sample	
	Israel	Turkey
Sample size	302	260
Demographic Attributes		
	%	%
Age		
18-25	29	96

26-35	45	4
36-45	11	-
46+	15	-
<i>Gender</i>		
Male	56	63
Female	44	37
<i>Standard of living</i>		
Low	7	2
Below average	10	6
Average	48	61
Above average	25	28
High	10	3
<i>Education</i>		
High school or less	10	-
Professional	13	-
Academic	77	100

## RESULTS

Three multi-item scales were used in the study. Table 3 provides the resulted attributes of these scales, by sample.

**Table 3:**  
**Independent Variables Scale Attributes**

Country Scale	Number of Items	N	Mean	Standard Error	Chronbach Alpha
Israel					
Locus of control	14	290	2.80	0.88	0.80
Idealism	10	283	6.05	1.51	0.86
Relativism	10	286	4.88	1.49	0.81
Expectations	1	297	4.09	2.53	-
Turkey					
Locus of control	14	256	3.32	0.85	0.74
Idealism	10	257	6.93	1.40	0.85
Relativism	10	256	5.81	1.54	0.82
Expectations	1	259	5.77	2.58	-

Compared with previous studies, the Cronbach's alpha values of the present study shown in Table 3 are satisfactory in both Israel and Turkey. For example, the alpha scores for idealism



and relativism were 0.62 and 0.64 in the Rawwas et al. (1996) study of Austrian consumers and 0.85 and 0.83 in the Vitell et al. (1991) study of elderly consumers. In a more recent study (Rawwas et al. 1998) of Lebanese and Irish consumers, the Chronbach's alpha were 0.86, 0.84 and 0.81, 0.79 for idealism and relativism, respectively. It can be concluded that all multi-item scales were found to be reliable in both countries and may be used as independent variables in further analyses.

Comparing the results for the two countries, we first note that all differences between means of scales by countries are all highly significant ( $p < .000$ ). The 1.68 difference on the expectation scale means that more Turkish than Israeli respondents agree that it is impossible to conduct profitable business while maintaining strict ethical standards. Thus, they have lower ethical expectations than the Israelis do. Based on this observation, we would expect the Turkish respondents to select the unethical store B more often than the Israelis. These results are in line with Hofstede's 39 country ratings described above.

The Locus of Control Index determines the extent to which respondents from the two countries have external or internal personalities. The mean locus of control score is 3.32 for the Turkish and 2.80 for the Israeli respondents. Thus, Turkish respondents have a lower degree of internal control than the Israelis. This means that Turkish students rely more on external forces or power in their individual lives than do the Israelis.

Idealism and Relativism scores for Turkish respondents are 6.93 and 5.81, respectively. Turkish respondents may be classified as "situationist" even though their idealism score (6.93) is higher than their relativism score (5.81). This is because scores on both scales are higher than the average (5.00) defined by Forsyth (1980). "Situationists" do not adhere to moral rules, but rather think in utilitarian terms to secure the best outcome in a given situation. Israeli respondents also scored high on idealism, but are less idealist (6.05) and far less relativist (4.88) than the Turkish respondents. For the same reason (high idealism and low relativism scores), the Israelis are "situationists".

**Table 4:**  
**Selection of the unethical store, by scenario, by country**

Proportion of Respondents Selecting Unethical Store	
Scenario	

Number	Israel	Turkey	Mean
1	.89	.80	.85
2	.87	.78	.83
3	.88	.74	.81
4	.86	.72	.80
5	.86	.75	.81
6	.84	.70	.78
7	.84	.63	.74
8	.83	.63	.74
Mean	.86	.72	.80

Table 4 presents the proportion of the respondents who selected the unethical store, by scenario, by country. We first note that an average of eighty percent of all respondents selected the unethical store. This proportion is higher in Israel (.86) than in Turkey (.72) in total and in each of the scenarios where all differences are significant at  $p < .001$ . It can be concluded that Israeli consumers are less likely to penalize unethical business behavior that lead to consumer gains than would Turkish consumers. This leads to the acceptance of H9.

As noted earlier, the scenarios are numbered in declining order of expected purchase from the ethical event store B. While only small within-country variations are observed in Table 4, the overall trend is as expected. Using repeated measure comparison between means we find that in Israel, the difference between proportions selecting store B in scenarios 1 and 8 (.89 and .83, respectively) is significant ( $F = 6.88, p < 0.01$ ), while all other scenarios are between these figures and most differences among them are not significant. The corresponding proportions for Turkey are 80 and 72 and their difference is highly significant ( $F = 28.8, p < 0.000$ ). It can be concluded that moral intensity has a significant effect on consumer decisions when variations are across proximity and economic consequences. Based on these results hypothesis H1 is accepted.

To assess the significance of each of the moral intensity variables, nested repeated measure analysis of variance was conducted. The results are presented in Table 5.

**Table 5:**  
**Repeated Measures Analysis of Variance of Moral Intensity Variables, (within subjects effect, by country).**

Measure of Moral Intensity	F	Degrees Of Freedom	Significance
Israel			
Benefit to consumers	6.46	1, 297	.012
Cost to others	0.52	1, 297	.472
Proximity	1.76	1, 297	.186
Turkey			
Benefit to consumers	21.28	1, 259	.000
Cost to others	23.70	1, 259	.000
Proximity	2.04	1, 259	.154

Note: All interactions among variables are insignificant.

The level of economic benefit to the consumer is significant in both countries. In contrast, proximity is insignificant in both countries. Based on these results, H3 is rejected and H4 is tentatively accepted. The effect of the costs to others is highly significant in the Turkish sample and not significant at all in Israel. Based on this evidence H5 is neither accepted nor rejected and is subject for further analyses below.

So far we considered within subjects effects where the scenarios were treated as repeated measures with two alternative levels for each moral intensity variable nested in the scenarios. Consideration of the effect of respondent attributes calls for between subjects analyses. For this purpose we utilized the total number of times store B was selected by each respondent as the dependent variable. We assume that the higher this number is, the less the evaluation of moral events was impacted by ethical considerations. Before testing the effect of the hypothesized attitudinal independent variables, we checked for the effect of all demographic attributes of the respondents. None of the demographic variables, with the exception of country of residence discussed above, has shown a meaningful significant effect on the dependent variable and so are not considered further.

Table 6 provides the results of stepwise regression analyses of the number of times the unethical store B was selected by respondents as a function of their expectations, locus of control and ideology.

**Table 6:**  
**Stepwise Regression Analyses of the number of store B selected.**

Variable	B	Beta	t	Significance
Israel <sup>1</sup>				
Constant	7.37	-	10.3	.000
Mean relativism	.32	.226	3.85	.000
Mean idealism	-.20	-.142	-2.43	.016
Mean locus of control	-.29	-.123	-2.09	.037
Turkey <sup>2</sup>				
Constant	6.41	-	5.32	.000
Mean relativism	.24	.129	2.08	.039
Mean idealism	-.30	-.144	-2.33	.021

Notes: 1. Expectations did not enter the equation.  $R^2 = .072$

2. Expectations and Locus of Control did not enter the equation.  $R^2 = .044$

We first note that the signs of the coefficients that entered the equations are in the expected direction. The sign of the relativism coefficient is positive, indicating that an increase in relativism leads to a more frequent selection of the less ethical store. On the other hand, the negative sign of the coefficient of idealism indicates that the higher an individual scores in ethical ideology, the less likely s/he is to purchase from an unethical store. Based on these results, H6 and H7 are accepted.

Locus of control entered the equation only in Israel, with a negative sign indicating that persons high in this variable are less likely to purchase from the ethically questionable store. This variable did not enter the equation in the case of Turkey. Thus, H8 is only partially accepted. It should be noted that while these relationships are significant, the degree to which they explain the variance of the dependent variable is low, as is indicated by the relatively low  $R^2$  values.

The expectation variable did not enter the equation in either country, leading to an outright rejection of H1.

## DISCUSSION

The model developed in this study assumes that when faced with an ethical dilemma, the consumer's response is determined by the moral intensity of the event, on one hand, and by consumer's attributes, on the other. While not all tested variables proved significant, this overall structure was verified.

With regards to the first set of variables, the economic benefit to the consumer was found to be highly significant in both countries, while the cost to others was found to be significant in Turkey but not in Israel. This difference can be explained by cultural differences between the two countries. In comparison with Israelis who are typified as small power distance and individualists, Turks were found by Hofstede (1980) to be small power distance and collectivists. These differences may explain why Turks are more concerned about the penalty to others. Proximity was found to be insignificant in both countries, buttressing findings by Singhapakadi, et al (1996, 1999). Alternatively, it could be that the stated distance of 100 kilometers in this study was not a sufficient barometer of what respondents perceived to be significantly remote.

Turning to the second set of variables, we find first that some attributes of the consumer do effect his or her moral choice. Culture, as measured by country of residence, was found to be highly significant in explaining consumer's choice. Moral expectations did not effect a decision whether to purchase in an unethical store situation. While Turkish respondents had lower ethical expectations than the Israelis, generally agreeing with the statement that "it is impossible to conduct profitable business and maintain a strict ethical standard", a significantly higher proportion of Israelis chose the unethical store situation. Apparently one's moral predisposition does not weigh heavily when one encounters a situation wherein personal gain is possible or when personal gain may not cause great loss to others. This conclusion is buttressed by the finding that the higher the personal economic benefit, the more likely one will purchase in an unethical store situation. Alternatively, perhaps the single-item borrowed scale that measures business honesty is not the appropriate measure of moral expectations that relate to benefits and costs.

Both idealism and relativism were related to the choice of store. As predicted, the higher the relativism the higher the likelihood of purchasing in an unethical store situation. Conversely, the higher the idealism, the less likely one will purchase in an unethical store situation. Locus of control was significant only in the case of Israel, but its effect is relatively small. In any case, we cannot conclude that there is a relation between this variable and choice of store. Finally, in contrast to other studies (e.g., Franke, et al 1997; Singhapakadi, et al, 1999), we did not find any association between typical demographic variables and consumer response. This is perhaps owing to the nature of our samples made up largely of graduate university students.

## CONCLUSION

This study provides new insight into our understanding of the consumer response process to a moral dilemma. It is one matter to say that consumers are sensitive to a firm's unethical behavior; it is another to consider how these ethical situations are reflected in the punishment or rewarding of ethical or unethical behavior via purchase decisions. Both Israeli and Turkish respondents reward unethical behavior by purchasing from the unethical store B. However, this tendency was much higher for the Israeli respondents. Given the cultural affinity between Israel and Turkey on two of Hofstede's dimensions, Masculinity and Uncertainty Avoidance, we would expect both populations to make ethical choices, unless differences could be explained by the remaining two dimensions, Individualism and Power Distance. It is on these latter dimensions that the two cultures differ. Israel is Low Power distance, Turkey high Power Distance. Israel is a high individualist society, while Turkey is low individualist. As hypothesized, the difference in ethical purchasing behavior stems from the fact that Israel is a much more individualist society than Turkey. In Israel's case, high Individualism and low Power Distance, cause the individual to be less influenced by group norms or codes of behavior. In addition, Israelis have a high degree of internal locus of control. The opposite is true for Turkey. Moral intensity only partially explained ethical behavior. Ethical events were judged in terms of their magnitude of consequences but not by proximity. Perhaps the stated distance of 100 kilometers in this study was not a sufficient barometer of what respondents perceived to be significantly remote. In any case, it would be interesting if future studies could refine these definitions and include all of the variables that make up the moral intensity construct (e.g., Singhapakdi, et al, 1999).

Economic benefit to the consumer did not by itself explain the punishment and rewarding process of an ethical event. Again, this demonstrates that self interest – while important – is not the overriding factor in a decision to accept unethical behavior, but rather is modified by the impact that such behavior will have on others. And, as a consumer weighs the consequences of his or her actions on the economic loss of others, it was found that the degree of idealism-relativism also modifies a consumer's ethical/unethical behavior.

In designing the scenarios for this study, benefits to the decision-making consumer are countered by costs to other consumers. Here, both benefits and costs are functions of varying the prices of products. Some respondents commented that these are variations of price discrimination, a legitimate common business practice. These respondents claimed that none of

the scenarios pose an ethical dilemma. If other respondents had similar perception of the events it may explain the unexpectedly high proportion of the unethical store selection. Other scenarios should be designed and tested to verify the results of this study.

In this paper we propose a sequential model that begins with the posing of an ethical event, proceeds with its perception and evaluation, and culminates with the rewarding or punishment of the business posing the event via purchase behavior. While variables relating to attributes of the event and its evaluation were verified, the overall sequencing was not empirically tested. Future studies may improve our measure of expectations and test the perception step of the model. Additionally, the conditional sequencing should also be subject to empirical testing.

Finally, while our samples were selected to be representative of the populations studied, a broader-based sampling beyond students would increase the generalizability of the findings.

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## APPENDIX

### Scenario 1:

Department store chain A is selling a 28-Inch color television set for the price of \$1000. This is the manufacturer recommended retail price.

A salesman in a neighboring department store B is offering you the same 28 Inch color television set with a \$200 discount (20%) so you have to pay only \$800. He explains that the store can offer a selected group of a few customers the discount because it overcharges all other customers of the store by \$20. The store sells 10,000 television sets per year.

Will you purchase the television in store A for the regular price, or in store B at the discounted price?

[Store A]

[ Store B]

### Scenario 2:

Department store chain A is selling a 28-Inch color television set for the price of \$1000. This is the manufacturer recommended retail price.

A salesman in a neighboring department store B is offering you the same 28 Inch color television set with a \$200 discount (20%) so you have to pay only \$800. He explains that the store can offer the discount because it overcharges by \$2 all customers of the chain in a store located in a city, which is 100 Kilometers away from here. That store sells 10,000 television sets per year.

Will you purchase the television in store A for the regular price, or in store B at the discounted price?

[Store A]

[Store B]